



The House Committee on  
**Transportation & Infrastructure**

## **PROBLEMS ON PENNSYLVANIA AVENUE:**

GSA's Mishandling of the Old Post Office  
Lease to the Trump Organization

**December 2021**

### **SELECTED RECORDS**

AUDITED ANNUAL FINANCIAL STATEMENTS OF TRUMP OPO LLC  
2014 – 2020

**TRUMP**  
**INTERNATIONAL HOTEL**

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**Trump Old Post Office**  
**725 Fifth Avenue**  
**New York, NY 10022**

December 31, 2014

United States General Services Administration  
Portfolio Management - Suite 7600  
7th & D Streets, S.W.  
Room 7660  
Washington, D.C. 20407  
Attn: Mr. Kevin Terry

Re: Trump Old Post Office LLC

Dear Mr. Terry,

Pursuant to Paragraph 5.3 (b) of the Ground Lease by and between The United States of America and Trump Old Post Office LLC dated August 5, 2013, enclosed please find the audited financial statements for the Trump Old Post Office LLC.


Should you have any questions about the enclosed materials, do not hesitate to contact me.

Very truly yours,

  
SVP/Controller 

Enclosure

cc: United States General Services Administration  
Office of Regional Counsel, Suite 7048  
7th & D Streets, S.W.  
Washington, D.C. 20407  
Attn: Regional Counsel

Reno & Cavanaugh PLLC  
455 Massachusetts Avenue, NW, Suite 400  
Washington, D.C. 20001  
Attn: 

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WeiserMazars LLP

**Trump Old Post Office  
LLC**

**Financial Statements  
For the Period August 5, 2013 to  
August 31, 2014**

 MAZARS

  
**WeiserMazars**  
ACCOUNTING | TAX | ADVISORY

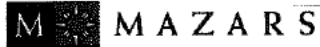
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**Trump Old Post Office LLC**  
**Contents**  
**For the period August 5, 2013 to August 31, 2014**

---

	<b>Page(s)</b>
<b>Independent Auditors' Report</b> .....	1
<b>Financial Statements</b>	
Balance Sheet .....	2
Statement of Income and Changes in Members' Equity .....	3
Statement of Cash Flows .....	4
Notes to Financial Statements .....	5-8

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### Independent Auditors' Report

To the Members  
Trump Old Post Office LLC

We have audited the accompanying financial statements of Trump Old Post Office LLC (a Limited Liability Company) which comprise of the balance sheet as of August 31, 2014, and the related statements of income and changes in members' equity and cash flows for the period August 5, 2013 to August 31, 2014, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trump Old Post Office LLC as of August 31, 2014, and the results of its operations and its cash flows for the period August 5, 2013 to August 31, 2014 in accordance with accounting principles generally accepted in the United States of America.



December 29, 2014

WEISERMAZARS LLP  
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**Trump Old Post Office LLC**  
**Balance Sheet**  
**August 31, 2014**

<b>Assets</b>	
Restricted cash	\$ 4,000,000
Development costs	13,292,923
Deferred financing costs (net of accumulated amortization in the amount of \$18,370)	3,595,394
Deferred lease acquisition costs (net of accumulated amortization in the amount of \$7,975)	<u>450,519</u>
Total assets	<u>\$ 21,338,836</u>
<b>Liabilities and Members' Equity</b>	
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 3,281,012
Ground rent accrued in excess of that due pursuant to contractual terms	<u>3,120,795</u>
	6,401,807
Commitments and contingencies	
Members' equity	<u>14,937,029</u>
Total liabilities and members' equity	<u>\$ 21,338,836</u>

The accompanying notes are an integral part of these financial statements.

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**Trump Old Post Office LLC**  
**Statement of Income and Changes in Members' Equity**  
**For the Period August 5, 2013 to August 31, 2014**

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Revenues	
Other income	\$ 31,483
Net income	31,483
Members' equity - August 5, 2013	5,955,301
Capital contributions by members	<u>8,950,245</u>
Members' equity - August 31, 2014	<u>\$ 14,937,029</u>

The accompanying notes are an integral part of these financial statements.

**Trump Old Post Office LLC**  
**Statement of Cash Flows**  
**For the Period August 5, 2013 to August 31, 2014**

Cash flows from operating activities	
Net income	\$ 31,483
Adjustments to reconcile net income to net cash provided by operating activities	
Increase in cash attributable to changes in operating assets and liabilities	
Accounts payable and accrued expenses	1,734,943
Net cash provided by operating activities	<u>1,766,426</u>
Cash flows from investing activities	
Development costs	(6,653,020)
Lease acquisition costs	(458,494)
Net cash used in investing activities	<u>(7,111,514)</u>
Cash flows from financing activities	
Financing costs paid	(3,613,764)
Capital contributions by members	8,950,245
Net cash provided by financing activities	<u>5,336,481</u>
Net decrease in cash	(8,607)
Cash	
Beginning	8,607
Ending	<u>\$ -</u>
Supplemental disclosures of cash flow information	
Cash paid during the year for	
Interest	<u>\$ -</u>
Supplemental disclosures of non-cash investing information	
During the period August 5, 2013 to August 31, 2014, the Company incurred ground rent accrued in excess of that due pursuant to contractual terms that was capitalized in to development costs	<u>\$ 3,120,795</u>

The accompanying notes are an integral part of these financial statements.



**Trump Old Post Office LLC**  
**Notes to Financial Statements**  
**For the Period August 5, 2013 to August 31, 2014**

---

**1. Organization and Nature of Operations**

Trump Old Post Office LLC (the "Company"), a Delaware Limited Liability Company, was formed on June 30, 2011. DJT Holdings LLC, Don OPO LLC, Ivanka OPO LLC, Eric OPO LLC, and Trump Old Post Office Member Corp. are members with Trump Old Post Office Member Corp. being designated as the managing member. All entities are owned by Donald J. Trump and members of his family.

The Company was formed for the purpose of developing the property located at 1100 Pennsylvania Avenue NW in Washington, D.C. into a luxury hotel to be known as Trump International Hotel Washington D. C.

**2. Significant Accounting Policies**

**Development Costs**

Costs that clearly relate to the development of the property are capitalized as costs of the project and will be allocated to building components upon completion of the project. Operating and carrying costs, such as insurance expenses pertaining to property development, are capitalized while development is in progress.

**Cash and Cash Equivalents**

The Company considers all highly liquid instruments with an original purchased maturity of three months or less to be cash equivalents. Cash balances are generally held in accounts at large national or regional banking organizations in amounts that frequently exceed the federal insured limits.

**Deferred Financing Costs**

The costs associated with obtaining financing are being amortized on a straight-line basis over the term of the loan. Amortization of these costs is capitalized while development is in progress and is treated as a component of development costs.

**Deferred Lease Acquisition Costs**

The costs in order to acquire the leasehold position with the United States of America are being amortized on a straight-line basis over the term of the lease. Amortization of these costs is capitalized while development is in progress and is treated as a component of development costs.

**Income Taxes**

Federal and state regulations provide that the income and loss of a limited liability company be allocated to and reported on the tax return of each member. Accordingly, no Federal or state taxes have been provided for in the accompanying financial statements. The District of Columbia imposes a tax on the Company's profit, which is treated as a current period expense when incurred.

Generally, the Company's tax returns are subject to examination by Federal, state, and local authorities for a period of three years from the later of the due date of such returns or the actual date the returns were filed.

The Company has adopted the authoritative guidance under ASC No. 740, "Income Taxes," relating to accounting for uncertainty in income taxes. This standard prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken by the Company. As of August 31, 2014, the Company determined that it had no uncertain tax positions which affected its financial position and its results of operations or its cash flows and will continue to evaluate for uncertain tax positions.

**Trump Old Post Office LLC**  
**Notes to Financial Statements**  
**For the Period August 5, 2013 to August 31, 2014**

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**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. Loan Payable**

On August 12, 2014, the Company entered into a loan agreement with Deutsche Bank Trust Company Americas (the "Lender") with a maximum amount of \$170,000,000. The loan is to be drawn down upon as the property is developed. The Lender shall not be obligated to make the initial disbursement of loan proceeds unless the Company has delivered evidence reasonably acceptable to the Lender that the Company, Donald J. Trump as guarantor, or any affiliate thereof has made an equity investment in the mortgaged premises in an amount not less than \$42,500,000. As of August 31, 2014, the Company has not met this threshold. No disbursements shall be made from the Lender after August 12, 2018. There were no disbursements made through August 31, 2014.

Only interest shall be payable on the loan, with no principal payments required, until August 12, 2018. On August 12, 2024, the loan maturity date, the Company shall make a payment to the Lender in an amount equal to the then outstanding principal balance, accompanied by all unpaid and accrued interest, charges, fees and expenses. Upon notice to the Lender, the Company may voluntarily prepay the loan, in whole or in part, without any premiums or penalties. This prepayment must be at least \$1,000,000, or a whole multiple of \$100,000 in excess of \$1,000,000.

The loan bears interest at either a "LIBOR Rate Advance" or a "Prime Rate Advance" pursuant to certain elections made by the Company. In the case of a LIBOR Rate Advance, the interest rate will equal LIBOR Rate plus an applicable margin of either 2% per annum during the redevelopment period commencing August 12, 2014, and ending at the beginning of the post-redevelopment period, or 1.75% per annum during the post-redevelopment period. In the case of a Prime Rate Advance, the interest rate will equal the prime lending rate as announced by the Lender during the redevelopment period, or the prime lending rate as announced by the Lender less .25% during the post-redevelopment period. Interest shall be payable in arrears at maturity on either the first day of each month for a Prime Rate Advance or the last day of each interest period applicable to a LIBOR Rate Advance. If such interest period applicable for a LIBOR Rate Advance is greater than ninety days, interest is payable every three months.

The Company will be subject to a debt service coverage ratio as set forth in the loan agreement.

The loan has a cross-default clause with other affiliated Trump entities that have outstanding loans with the Lender.

Under various circumstances, Donald J. Trump has guaranteed certain obligations as outlined in the loan agreement between the Company and Deutsche Bank Trust Company Americas.

The loan is collateralized by the Company's rights, title, and interest in the mortgaged premises, now owned, or acquired hereafter.

No interest expense was incurred on the loan for the period ended August 31, 2014.

**Trump Old Post Office LLC**  
**Notes to Financial Statements**  
**For the Period August 5, 2013 to August 31, 2014**

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**4. Significant Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash accounts in financial institutions. Cash exceeding FDIC insured limits totaled \$3,756,483 at August 31, 2014.

**5. Members' Equity**

Pursuant to the Delaware Limited Liability Company Act, the members of the Company are not liable for the debts, obligations, or other liabilities of the limited liability company by reason of being such members.

**6. Related Party Transactions**

**Management Agreement**

The Company has entered into a management agreement with OPO Hotel Manager LLC, an affiliated entity, which has common ownership to the Company. The term of the agreement is for twenty-five years and commenced August 12, 2014 with two ten-year renewal options. The management fee is comprised of a base monthly fee calculated as three percent of Gross Operating Revenue and an incentive monthly fee calculated as twenty percent of Adjusted Gross Operating profit, if any. For the period August 12, 2014 to August 31, 2014, there were no management fees incurred.

**7. Commitments and Contingencies**

**Leasehold interest – 1100 Pennsylvania Avenue Northwest, Washington DC**

On August 5, 2013, the Company entered into a ground lease relating to the property in Washington, DC, known as the Old Post Office Pavilion located at 1100 Pennsylvania Avenue Northwest with the United States of America acting by and through the Administrator of General Services (the "Landlord"). In the lease, the Landlord has established a clear hotel standard to be adhered to and a historic preservation compliance.

The lease is set to expire on the sixtieth anniversary of the Opening Date, as defined in the lease, with the option of two twenty-year renewals. The monthly minimum future ground rent expense from the rent commencement date of April 5, 2015, through the sixtieth anniversary of the Opening Date is \$250,000, excluding a percentage rent calculation and Consumer Price Index adjustment. In addition, all costs, expenses, and charges, including but not limited to taxes and utilities, are the responsibility of the Company.

Pursuant to GAAP, the rent expense recognized on the straight-line basis over the term of the lease has been capitalized while development is in progress and is treated as a component of acquisition and development costs. Through August 31, 2014, the rent expense capitalized as acquisition and development costs was \$3,120,795. The amount reported on the balance sheet as Ground rent accrued in excess of that due pursuant to contractual terms represents the excess of rent expense recognized on the straight-line basis over payments made by the Company.

Under the equity guarantee between Donald J. Trump and the Landlord outlined in the lease, Donald J. Trump has guaranteed the payment and performance of the Company's obligations. In addition, Donald J. Trump will contribute to the Company, or pay expenses on the Company's behalf, in the amount of \$40,000,000.

**Trump Old Post Office LLC**  
**Notes to Financial Statements**  
**For the Period August 5, 2013 to August 31, 2014**

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If at any time the Landlord proposes to assign or transfer interest in the lease to an entity that is not an agency or instrumentality of the United States of America, the Company shall have the exclusive right and option to purchase the Landlord's interest within thirty days of receiving notice of the proposed sale terms.

Following a minimum hold period defined as three consecutive years commencing on the Opening Date, the Company has the right to assign its interest in the lease, or sublease all or substantially all of the premises defined under the lease, provided the proposed transferee qualifies under terms set forth in the lease and is approved by the Landlord.

**Letter of Credit**

The Company has obtained a letter of credit ("LOC") for the benefit of the Landlord in the amount of \$4,000,000. In the event the Company defaults on the full and prompt payment or performance of any terms, provisions, covenants, or conditions of the ground lease with the Landlord, the Landlord may elect to draw down the entire LOC, or any portion thereof. The Company shall replenish the LOC to the full amount within five business days following any such draw. In no event shall the Company be entitled to apply the LOC to any rent due under the ground lease. The LOC matured on July 28, 2014, and was automatically renewed for an additional period of one year. If the Company meets certain criteria set forth in the lease with the Landlord, the Company may apply for a Step-Down Letter, reducing the required LOC to \$2,096,308, upon approval by the Landlord.

The Company deposited \$4,000,000 in a restricted cash account with JPMorgan Chase Bank, N.A. as collateral for the LOC. This amount is shown on the balance sheet as restricted cash at August 31, 2014. On September 9, 2014, the LOC was reduced to \$2,096,308 pursuant to certain conditions outlined in the lease with the Landlord.

**Other Contractual Commitments**

As of August 31, 2014, the Company has committed approximately \$2,414,000 of the cost it will incur with respect to the development of the property. As of the date the financial statements were available for issuance, December 29, 2014, the Company has committed approximately \$52,000,000 of the cost it will incur with respect to the development of the property.

**8. Subsequent Events**

The Company has evaluated subsequent events through December 29, 2014, the date the financial statements were available for issuance.

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[www.weisermazars.com](http://www.weisermazars.com)

**TRUMP**  
THE TRUMP CORPORATION

December 29, 2015

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United States General Services  
Portfolio Management-Suite 7600  
7<sup>th</sup> & D Street, S.W.  
Room 7600  
Washington, DC 20407

Attn: Mr. Kevin Terry

Re: Trump Old Post Office LLC

Dear Mr. Terry;

Enclosed please find a copy of the August 31, 2015 Trump Old Post Office LLC  
Financial Statements.

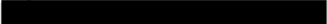
I certify that these statements are true, correct, accurate and complete and fairly present  
the financial condition and the results of operations of Trump Old Post Office LLC.

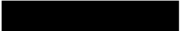

Very truly yours

  
EVP/CFO

Enclosures

cc: United States General Services  
Office of Regional Counsel, Suite 7048  
7<sup>th</sup> & D Streets, S.W.  
Washington, DC 20407  
Attn: Regional Counsel

Reno & Cavanaugh PLLC  
455 Massachusetts Avenue, NW, Suite 400  
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Attn: 

725 FIFTH AVENUE • NEW YORK, NY 10022 •  • FAX 

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WeiserMazars LLP

**Trump Old Post Office  
LLC**  
Financial Statements  
August 31, 2015

 MAZARS

  
**WeiserMazars**  
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**Trump Old Post Office LLC**  
**Contents**  
**August 31, 2015**

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	<b>Page(s)</b>
<b>Independent Auditors' Report</b> .....	1
<b>Financial Statements</b>	
Balance Sheet .....	2
Statement of Income and Changes in Members' Equity .....	3
Statement of Cash Flows .....	4
Notes to Financial Statements .....	5-8



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### Independent Auditors' Report

To the Members  
Trump Old Post Office LLC

We have audited the accompanying financial statements of Trump Old Post Office LLC (a Limited Liability Company) which comprise of the balance sheet as of August 31, 2015, and the related statements of income and changes in members' equity and cash flows for the year then ended, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trump Old Post Office LLC as of August 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



December 28, 2015

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**Trump Old Post Office LLC**

**Balance Sheet**

**August 31, 2015**

<b>Assets</b>	
Cash	\$ 1,564,370
Restricted cash	2,099,261
Development costs	70,187,820
Prepaid expenses and deposits	818,688
Deferred financing costs (net of accumulated amortization in the amount of \$379,746)	3,234,018
Deferred lease acquisition costs (net of accumulated amortization in the amount of \$15,411)	443,083
	<hr/>
Total assets	<u>\$ 78,347,240</u>
<b>Liabilities and Members' Equity</b>	
<b>Liabilities</b>	
Accounts payable and accrued expenses	7,835,249
Retainage payable	3,488,616
Ground rent accrued in excess of that due pursuant to contractual terms	4,823,033
Deferred income	250,000
Loan payable	18,381,655
	<hr/>
	34,778,553
<b>Commitments and contingencies</b>	
<b>Members' equity</b>	<u>43,568,687</u>
Total liabilities and members' equity	<u>\$ 78,347,240</u>

The accompanying notes are an integral part of these financial statements.

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**Trump Old Post Office LLC**  
**Statement of Income and Changes in Members' Equity**  
**Year Ended August 31, 2015**

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Revenues	
Interest income	\$ 3,124
Other income	877,505
Total revenues	<u>880,629</u>
Payroll expense	<u>82,211</u>
Net income before provision for local income tax	798,418
Provision for local income tax	<u>105,000</u>
Net income	693,418
Members' equity - August 31, 2014	14,937,029
Capital contributions by members	28,952,940
Capital distributions to members	<u>(1,014,700)</u>
Members' equity - August 31, 2015	<u>\$ 43,568,687</u>

The accompanying notes are an integral part of these financial statements.

**Trump Old Post Office LLC**  
**Statement of Cash Flows**  
**Year Ended August 31, 2015**

Cash flows from operating activities	
Net income	\$ 693,418
Adjustments to reconcile net income to net cash provided by operating activities	
Funds retained in restricted account	(2,953)
Increase in cash attributable to changes in operating assets and liabilities	
Accounts payable and accrued expenses	187,211
Deferred income	250,000
Net cash provided by operating activities	<u>1,127,676</u>
Cash flows from investing activities	
Development costs	<u>(47,786,893)</u>
Net cash used in investing activities	<u>(47,786,893)</u>
Cash flows from financing activities	
Proceeds from loan payable drawdown	18,381,655
Funds received from restricted account	1,903,692
Capital contributions by members	28,952,940
Capital distributions to members	<u>(1,014,700)</u>
Net cash provided by financing activities	<u>48,223,587</u>
Net increase in cash	1,564,370
Cash	
Beginning	<u>-</u>
Ending	<u>\$ 1,564,370</u>
Supplemental disclosures of non-cash investing information	
During the period September 1, 2014, to August 31, 2015, the Company incurred ground rent accrued in excess of that due pursuant to contractual terms that was capitalized into development costs	<u>\$ 1,702,238</u>

The accompanying notes are an integral part of these financial statements.

**Trump Old Post Office LLC**  
**Notes to Financial Statements**  
**Year Ended August 31, 2015**

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**1. Organization and Nature of Operations**

Trump Old Post Office LLC (the "Company"), a Delaware Limited Liability Company, was formed on June 30, 2011. DJT Holdings LLC, Don OPO LLC, Ivanka OPO LLC, Eric OPO LLC, and Trump Old Post Office Member Corp. are members with Trump Old Post Office Member Corp. being designated as the managing member. All entities are owned by Donald J. Trump and members of his family.

The Company was formed for the purpose of developing the property located at 1100 Pennsylvania Avenue NW in Washington, D.C. into a luxury hotel to be known as Trump International Hotel Washington D. C.

**2. Significant Accounting Policies**

**Development Costs**

Costs that clearly relate to the development of the property are capitalized as costs of the project and will be allocated to building components upon completion of the project. Operating and carrying costs, such as interest and insurance expenses pertaining to property development, are capitalized while development is in progress.

**Cash and Cash Equivalents**

The Company considers all highly liquid instruments with an original purchased maturity of three months or less to be cash equivalents. Cash balances are generally held in accounts at large national or regional banking organizations in amounts that frequently exceed the federal insured limits.

**Deferred Financing Costs**

The costs associated with obtaining financing are being amortized on a straight-line basis over the term of the loan. Amortization of these costs is capitalized while development is in progress and is treated as a component of development costs.

**Deferred Lease Acquisition Costs**

The costs, in order to acquire the leasehold position with the United States of America, are being amortized on a straight-line basis over the term of the lease. Amortization of these costs is capitalized while development is in progress and is treated as a component of development costs.

**Income Taxes**

Federal and state regulations provide that the income and loss of a limited liability company be allocated to and reported on the tax return of each member. Accordingly, no Federal or state taxes have been provided for in the accompanying financial statements. The District of Columbia imposes a tax on the Company's profit, which is treated as a current period expense when incurred. This amounts to \$105,000 and is included in accounts payable and accrued expenses for the year ended August 31, 2015.

Generally, the Company's tax returns are subject to examination by Federal, state, and local authorities for a period of three years from the later of the due date of such returns or the actual date the returns were filed.

The Company has adopted the authoritative guidance under ASC No. 740, "Income Taxes," relating to accounting for uncertainty in income taxes. This standard prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken by the Company. As of August 31, 2015, the Company determined that it had no uncertain tax positions which affected its financial position and its results of operations or its cash flows and will continue to evaluate for uncertain tax positions.

**Trump Old Post Office LLC**  
**Notes to Financial Statements**  
**Year Ended August 31, 2015**

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**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. Loan Payable**

On August 12, 2014, the Company entered into a loan agreement with Deutsche Bank Trust Company Americas (the "Lender") with a maximum amount of \$170,000,000. The loan is to be drawn down upon as the property is developed and operated. The Lender was not obligated to make the initial disbursement of loan proceeds unless the Company delivered evidence reasonably acceptable to the Lender that the Company, Donald J. Trump as guarantor, or any affiliate thereof, has made an equity investment in the mortgaged premises in an amount not less than 20% of the redevelopment budget. As of August 31, 2015, the Company met this threshold. No disbursements shall be made from the Lender after August 12, 2018. On June 29, 2015, the Company commenced drawing on the loan. At August 31, 2015, total draws on the loan amount to \$18,381,655.

Only interest shall be payable on the loan, with no principal payments required, until August 12, 2018. On August 12, 2024, the loan maturity date, the Company shall make a payment to the Lender in an amount equal to the then outstanding principal balance, accompanied by all unpaid and accrued interest, charges, fees, and expenses. Upon notice to the Lender, the Company may voluntarily prepay the loan, in whole or in part, without any premiums or penalties. This prepayment must be at least \$1,000,000, or a whole multiple of \$100,000 in excess of \$1,000,000.

The loan bears interest at either a "LIBOR Rate Advance" or a "Prime Rate Advance" pursuant to certain elections made by the Company. In the case of a LIBOR Rate Advance, the interest rate will equal LIBOR Rate plus an applicable margin of either 2% per annum during the redevelopment period commencing August 12, 2014, and ending at the beginning of the post-redevelopment period, or 1.75% per annum during the post-redevelopment period. In the case of a Prime Rate Advance, the interest rate will equal the prime lending rate as announced by the Lender during the redevelopment period, or the prime lending rate as announced by the Lender less .25% during the post-redevelopment period. Interest shall be payable in arrears at maturity on either the first day of each month for a Prime Rate Advance or the last day of each interest period applicable to a LIBOR Rate Advance. If such interest period applicable for a LIBOR Rate Advance is greater than ninety days, interest is payable every three months. At August 31, 2015, the loan carried interest at the LIBOR Rate Advance of 2.1970%.

The Company will be subject to a debt service coverage ratio as set forth in the loan agreement.

The loan has a cross-default clause with other affiliated Trump entities that have outstanding loans with the Lender.

Under various circumstances, Donald J. Trump has guaranteed certain obligations as outlined in the guaranty made by Donald J. Trump in favor of Deutsche Bank Trust Company Americas.

The loan is collateralized by the Company's rights, title, and interest in the mortgaged premises, now owned, or acquired hereafter.

For the year ended August 31, 2015, total interest incurred and capitalized was \$34,071. This amount is included in development costs on the balance sheet.

**Trump Old Post Office LLC**  
**Notes to Financial Statements**  
**Year Ended August 31, 2015**

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**4. Significant Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash accounts in financial institutions. Cash exceeding FDIC insured limits totaled \$9,104,772 at August 31, 2015.

**5. Members' Equity**

Pursuant to the Delaware Limited Liability Company Act, the members of the Company are not liable for the debts, obligations, or other liabilities of the limited liability company by reason of being such members.

**6. Related Party Transactions**

**Management Agreement**

The Company has entered into a management agreement on August 12, 2014 with OPO Hotel Manager LLC, an affiliated entity, which has common ownership to the Company. The management fee is comprised of a base monthly fee calculated as three percent of Gross Operating Revenue and an incentive monthly fee calculated as twenty percent of Adjusted Gross Operating profit, if any. The agreement calls for the payment of a management fee effective with the opening of the hotel, for twenty-five years, with two ten-year renewal options.

**7. Commitments and Contingencies**

**Leasehold interest – 1100 Pennsylvania Avenue Northwest, Washington DC**

On August 5, 2013, the Company entered into a ground lease relating to the property in Washington, DC, known as the Old Post Office Pavilion located at 1100 Pennsylvania Avenue Northwest with the United States of America acting by and through the Administrator of General Services (the "Landlord"). In the lease, the Landlord has established a hotel standard (which may fluctuate under certain circumstances) to be adhered to and requires historic preservation compliance.

The lease is set to expire on the sixtieth anniversary of the opening date, as defined in the lease, with the option of two twenty-year renewals. The monthly minimum future ground rent expense from the rent commencement date of April 5, 2015, through the sixtieth anniversary of the opening date is the greater of \$250,000, as adjusted by the Consumer Price Index and a varying percentage of gross revenues. In addition, certain defined costs, expenses, and charges, including but not limited to taxes and utilities, are the responsibility of the Company, all subject to the terms and conditions of the lease.

Pursuant to GAAP, the rent expense recognized on the straight-line basis over the term of the lease has been capitalized while development is in progress and is treated as a component of acquisition and development costs. Through August 31, 2015, the rent expense capitalized as acquisition and development costs was \$4,823,033. The amount reported on the balance sheet as ground rent accrued in excess of that due pursuant to contractual terms represents the excess of rent expense recognized on the straight-line basis over payments made by the Company.

At the time the lease was executed, Donald J. Trump guaranteed the contribution to the Company of equity in the amount of \$40,000,000. This contribution was made and the guaranty was terminated effective as of July 2, 2015.

**Trump Old Post Office LLC**  
**Notes to Financial Statements**  
**Year Ended August 31, 2015**

Subject to the terms of the lease, if at any time the Landlord proposes to assign or transfer its interest in the lease to an entity that is not an agency or instrumentality of the United States of American (which it may only do in whole or in part), the Company shall have the exclusive right and option to purchase the Landlord's interest within thirty days of receiving notice of Landlord's proposal to enter into a sale and the price and other material terms and conditions of a sale which Landlord is willing to accept.

Following a minimum hold period defined as three consecutive years commencing on the opening date, the Company has the right to assign its interest in the lease, or sublease all or substantially all of the premises defined under the lease, provided the proposed transferee qualifies under terms set forth in the lease and the Landlord confirms that the transferee so qualifies.

**Letter of Credit**

The Company has obtained a letter of credit ("LOC") for the benefit of the Landlord in the amount of \$2,096,308 (the LOC was initially in the amount of \$4,000,000 but it was reduced to the current amount on September 9, 2014). In the event the Company defaults on the full and prompt payment or performance of any terms, provisions, covenants, or conditions of the ground lease with the Landlord, the Landlord may elect to draw down the entire LOC, or any portion thereof. The Company shall replenish the LOC to the full amount of \$2,096,308 within five business days following any such draw. In no event shall the Company be entitled to apply the LOC to any rent due under the ground lease. The LOC matured on July 28, 2015, and was automatically renewed for an additional period of one year. The Company's obligation to provide the Landlord with an LOC expires thirty days after the opening date.

The Company originally deposited \$4,000,000 in a restricted cash account with JPMorgan Chase Bank, N.A. as collateral for the LOC. In connection with the reduction of the LOC on September 9, 2014, this amount was reduced and the current amount on deposit is \$2,099,261 (which represents the amount of the collateral for the LOC plus interest which has been earned on the deposit). This \$2,099,261 is shown on the balance sheet as restricted cash at August 31, 2015.

**Litigation**

The Company has filed two legal actions for approximately \$10,000,000 each in damages for breach of two lease agreements and to enforce the respective guarantee on each lease. The tenants and guarantors filed a counterclaim against the Company for breach of contract and breach of the letter of credit. One counterclaim seeks damages for at least \$8,000,000 and the second counterclaim seeks damages for unspecified amounts. Discovery is underway, and the parties have submitted a scheduling order to the court for approval. The Company denies the counterclaims, and is vigorously defending the action. Counsel has expressed no opinion as the likely outcome of these matters.

**Other Contractual Commitments**

As of the date the financial statements were available for issuance, December 28, 2015, the Company has capital committed for approximately \$102,000,000 of the cost it will incur with respect to the development of the property, in excess of that incurred as of August 31, 2015.

**8. Subsequent Events**

The Company has evaluated subsequent events through December 28, 2015, the date the financial statements were available for issuance.



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**TRUMP**  
THE TRUMP ORGANIZATION

December 28, 2016

United States General Services Administration  
Portfolio Management - Suite 7600  
7th & D Streets, S.W.  
Room 7660  
Washington, D.C. 20407  
Attn: Mr. Kevin Terry

Re: Trump Old Post Office LLC

Dear Mr. Terry,

Enclosed please find a copy of the August 31, 2016 Trump Old Post Office LLC Financial Statements.

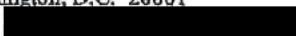
I certify that these statements are, correct, accurate and complete and fairly present the financial condition and the results of operations of Trump Old Post Office LLC.

Very truly yours,

  
EVP/CFO

Enclosure

cc: United States General Services Administration  
Office of Regional Counsel, Suite 7048  
7th & D Streets, S.W.  
Washington, D.C. 20407  
Attn: Regional Counsel

Reno & Cavanaugh PLLC  
455 Massachusetts Avenue, NW, Suite 400  
Washington, D.C. 20001  
Attn: 

725 FIFTH AVENUE • NEW YORK, NY 10022 •  • FAX 

WeiserMazars LLP

**Trump Old Post Office  
LLC**  
**Financial Statements**  
**August 31, 2016**



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**Trump Old Post Office LLC**  
**Contents**  
**August 31, 2016**

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	<b>Page(s)</b>
<b>Independent Auditors' Report</b> .....	1
<b>Financial Statements</b>	
Balance Sheet .....	2
Statement of Income and Changes in Members' Equity .....	3
Statement of Cash Flows .....	4
Notes to Financial Statements .....	5-10

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**Independent Auditors' Report**

To the Members  
Trump Old Post Office LLC

We have audited the accompanying financial statements of Trump Old Post Office LLC (a Limited Liability Company) which comprise of the balance sheet as of August 31, 2016, and the related statements of income and changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trump Old Post Office LLC as of August 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



December 28, 2016

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WEISERMAZARS LLP  
60 CROSSWAYS PARK DRIVE WEST, SUITE 301 - WOODBURY, NEW YORK - 11797  
TEL: [REDACTED] - FAX: [REDACTED] - WWW.WEISERMAZARS.COM

WEISERMAZARS LLP IS AN INDEPENDENT MEMBER FIRM OF MAZARS GROUP.



**Trump Old Post Office LLC**

**Balance Sheet**

**August 31, 2016**

**Assets**

Cash	\$	2,897,006
Restricted cash		2,101,359
Development costs		193,923,927
Prepaid expenses		569,822
Deferred financing costs (net of accumulated amortization in the amount of \$741,123)		2,872,641
Deferred lease acquisition costs (net of accumulated amortization in the amount of \$22,847)		435,647
Deferred tax asset		248,976
Due from related party		235,867
License income accrued in excess of that billed		26,277

Total assets \$ 203,311,522

**Liabilities and Members' Equity**

**Liabilities**

Accounts payable and accrued expenses	\$	11,625,413
Retainage payable		6,748,703
Ground rent accrued in excess of that due pursuant to contractual terms		4,741,937
Deferred income and advance deposits		1,014,990
Loan payable		138,112,831

\$ 162,243,874

Commitments and contingencies

Members' equity 41,067,648

Total liabilities and members' equity \$ 203,311,522

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The accompanying notes are an integral part of these financial statements.

**Trump Old Post Office LLC**  
**Statement of Income and Changes in Members' Equity**  
**Year Ended August 31, 2016**

---

Revenues	
Interest income	\$ 3,140
License income	134,277
Total revenues	<u>137,417</u>
Payroll expense	2,210,300
Sales and marketing expense	284,636
Miscellaneous start-up costs	438,380
	<u>2,933,316</u>
Net loss before provision for deferred tax income	(2,795,899)
Deferred tax benefit	<u>(248,976)</u>
Net loss	(2,546,923)
Members' equity - August 31, 2015	43,568,687
Capital contributions by members	225,884
Capital distributions to members	<u>(180,000)</u>
Members' equity - August 31, 2016	<u>\$ 41,067,648</u>

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The accompanying notes are an integral part of these financial statements.

**Trump Old Post Office LLC**  
**Statement of Cash Flows**  
**Year Ended August 31, 2016**

---

Cash flows from operating activities	
Net loss	\$ (2,546,923)
Adjustments to reconcile net income to net cash used in operating activities	
Deferred tax benefit	\$ (248,976)
Funds retained in restricted account	(2,098)
Increase(decrease) in cash attributable to changes in operating assets and liabilities	
Due from related party	(235,867)
Accounts payable and accrued expenses	(6,657,349)
Deferred income	764,990
Net cash used in operating activities	<u>(8,926,223)</u>
Cash flows from investing activities	
Development costs	<u>(109,518,201)</u>
Net cash used in investing activities	<u>(109,518,201)</u>
Cash flows from financing activities	
Proceeds from loan payable drawdown	119,731,176
Capital contributions by members	225,884
Capital distributions to members	<u>(180,000)</u>
Net cash provided by financing activities	<u>119,777,060</u>
Net increase in cash	1,332,636
Cash	
Beginning	<u>1,564,370</u>
Ending	<u>\$ 2,897,006</u>
Supplemental disclosures of non-cash investing information	
During the period September 1, 2015, to August 31, 2016, the Company incurred ground rent due in excess of that accrued pursuant to contractual terms that was capitalized into development costs	<u>\$ 81,096</u>
Cash paid during the year for capitalized interest	<u>\$ 1,654,334</u>

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The accompanying notes are an integral part of these financial statements.



## **Trump Old Post Office LLC**

### **Notes to Financial Statements**

**Year Ended August 31, 2016**

---

#### **1. Organization and Nature of Operations**

Trump Old Post Office LLC (the "Company"), a Delaware Limited Liability Company, was formed on June 30, 2011. DJT Holdings LLC, Don OPO LLC, Ivanka OPO LLC, Eric OPO LLC, and Trump Old Post Office Member Corp. are members with Trump Old Post Office Member Corp. being designated as the managing member. All entities are owned by Donald J. Trump and members of his family.

The Company was formed for the purpose of developing the property located at 1100 Pennsylvania Avenue NW in Washington, D.C. into a luxury hotel to be known as Trump International Hotel Washington D. C. (the "Hotel"). On September 12, 2016 the Hotel began its operations.

#### **2. Significant Accounting Policies**

##### **Development Costs**

Costs that clearly relate to the development of the property are capitalized as costs of the project and will be allocated to building components upon completion of the project. Operating and carrying costs, such as interest and insurance expenses pertaining to property development, are capitalized while development is in progress.

##### **Cash**

The Company considers all highly liquid instruments with an original purchased maturity of three months or less to be cash equivalents. Cash balances are generally held in accounts at large national or regional banking organizations in amounts that frequently exceed the federal insured limits.

##### **Deferred Financing Costs**

The costs associated with obtaining financing are being amortized on a straight-line basis over the term of the loan. Amortization of these costs is capitalized while development is in progress and is treated as a component of development costs.

##### **Deferred Lease Acquisition Costs**

The costs, in order to acquire the leasehold position with the United States of America, are being amortized on a straight-line basis over the term of the lease. Amortization of these costs is capitalized while development is in progress and is treated as a component of development costs.

##### **Deferred Income**

Deferred income represents amounts received as an up-front fee for a ten year period to begin on the guest opening date.

##### **Advance Deposits**

Advance deposits represent amounts received that are to be applied as part of the payment for future events.

##### **License Income**

Revenue related to license agreement is straight-lined over the term of the agreement.

##### **Income Taxes**

Federal and state regulations provide that the income and loss of a limited liability company be allocated to and reported on the tax return of each member. Accordingly, no Federal or state taxes have been provided for in the accompanying financial statements. The District of Columbia imposes a tax on the Company's profit, which is treated as a current period expense when incurred. There is no tax expense for the year ended August 31, 2016.

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## Trump Old Post Office LLC

### Notes to Financial Statements

Year Ended August 31, 2016

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The Company recognizes deferred taxes and liabilities based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in tax deductible amounts in future years. Deferred tax assets and liabilities are measured using the enacted rates in effect for the year in which the temporary differences are expected to be recovered or settled.

Generally, the Company's tax returns are subject to examination by Federal, state, and local authorities for a period of three years from the later of the due date of such returns or the actual date the returns were filed.

The Company has adopted the authoritative guidance under ASC No. 740, "Income Taxes," relating to accounting for uncertainty in income taxes. This standard prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken by the Company. As of August 31, 2016, the Company determined that it had no uncertain tax positions which affected its financial position and its results of operations or its cash flows and will continue to evaluate for uncertain tax positions.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Advertising

Advertising costs are expensed as incurred and amounted to \$284,636 for the year ended August 31, 2016.

### 3. Loan Payable

On August 12, 2014, the Company entered into a loan agreement with Deutsche Bank Trust Company Americas (the "Lender") with a maximum amount of \$170,000,000. The loan is to be drawn down upon as the property is developed and operated. The Lender was not obligated to make the initial disbursement of loan proceeds unless the Company delivered evidence reasonably acceptable to the Lender that the Company, Donald J. Trump as guarantor, or any affiliate thereof, has made an equity investment in the mortgaged premises in an amount not less than 20% of the redevelopment budget. As of August 31, 2016, the Company met this threshold. No disbursements shall be made from the Lender after August 12, 2018. On June 29, 2015, the Company commenced drawing on the loan. At August 31, 2016, total draws on the loan amount to \$138,112,831.

Only interest shall be payable on the loan, with no principal payments required, until August 12, 2018, subject to certain conditions outlined in the loan agreement. On August 12, 2024, the loan maturity date, the Company shall make a payment to the Lender in an amount equal to the then outstanding principal balance, accompanied by all unpaid and accrued interest, charges, fees, and expenses. Upon notice to the Lender, the Company may voluntarily prepay the loan, in whole or in part, without any premiums or penalties. This prepayment must be at least \$1,000,000, or a whole multiple of \$100,000 in excess of \$1,000,000.

The loan bears interest at either a "LIBOR Rate Advance" or a "Prime Rate Advance" pursuant to certain elections made by the Company. In the case of a LIBOR Rate Advance, the interest rate will equal LIBOR Rate plus an applicable margin of either 2% per annum during the redevelopment period commencing August 12, 2014, and ending at the beginning of the post-redevelopment period, or 1.75% per annum during the post-redevelopment period. In the case of a Prime Rate Advance, the interest rate will equal the prime lending rate as announced by the Lender during the redevelopment period, or the prime lending rate as

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**Trump Old Post Office LLC**  
**Notes to Financial Statements**  
**Year Ended August 31, 2016**

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announced by the Lender less .25% during the post-redevelopment period. Interest shall be payable in arrears at maturity on either the first day of each month for a Prime Rate Advance or the last day of each interest period applicable to a LIBOR Rate Advance. If such interest period applicable for a LIBOR Rate Advance is greater than ninety days, interest is payable every three months. At August 31, 2016, the loan carried interest at the LIBOR Rate Advance of 2.52439%.

The Company will be subject to a debt service coverage ratio as set forth in the loan agreement.

The loan has a cross-default clause with other affiliated Trump entities that have outstanding loans with the Lender.

Under various circumstances, Donald J. Trump has guaranteed certain obligations as outlined in the guaranty made by Donald J. Trump in favor of Deutsche Bank Trust Company Americas.

The loan is collateralized by the Company's rights, title, and interest in the mortgaged premises, now owned, or acquired hereafter.

For the year ended August 31, 2016, total interest incurred and capitalized was \$1,654,335. This amount is included in development costs on the balance sheet.

**4. Significant Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash accounts in financial institutions. Cash exceeding FDIC insured limits totaled \$14,402,968 at August 31, 2016.

**5. Retirement Plan**

The Company sponsors a 401(k) retirement plan in which certain employees may participate after one year of service. Each year, each participant may contribute up to 60% of the participant's annual pre-tax compensation limited by law to maximum amount of \$18,000 for the year ended August 31, 2016. Individuals who will be at least age 50 by August 31, 2016, may make an additional "catch-up" contribution, up to a maximum of \$6,000 in 2016. Certain participants are eligible to receive matching employer contributions at a percentage computed by the Employer based on eligible compensation deferred into the Plan each payroll period. In 2016, employer contributions of \$6,231 were made.

**6. Members' Equity**

Pursuant to the Delaware Limited Liability Company Act, the members of the Company are not liable for the debts, obligations, or other liabilities of the limited liability company by reason of being such members.

**7. Related Party Transactions**

**Management Agreement**

The Company has entered into a management agreement on August 12, 2014, with OPO Hotel Manager LLC, an affiliated entity, which has common ownership to the Company. The management fee is comprised of a base monthly fee calculated as three percent of gross operating revenue and an incentive monthly fee calculated as twenty percent of adjusted gross operating profit, if any. The agreement calls for the payment of a management fee effective with the opening of the hotel, for twenty-five years, with two ten-year renewal options.

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**Trump Old Post Office LLC**  
**Notes to Financial Statements**  
**Year Ended August 31, 2016**

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**Due from Related Party**

Certain deposits for future events were deposited into accounts held by related parties and are due to the Company. At August 31, 2016 this amounted to \$235,867.

**Expense Reimbursements**

The Company incurred costs that were paid by various related parties. For the year ended August 31, 2016, \$339,246 of these costs were incurred and reimbursed. Of this total, \$149,124 is included on the balance sheet in development costs, \$100,908 is included on the statement of income and changes in members' equity in payroll expense, and \$89,214 is included on the statement of income and changes in members' equity in miscellaneous startup costs.

**8. Rental and Licensing Income**

In certain instances, the terms of the Company's leases with its tenants call for fixed minimum rental payments which will increase over the terms of the lease. The income recognized with respect to the agreement is recognized on a straight-line basis pursuant to accounting principles generally accepted in the United States of America. During the fiscal year ending August 31, 2016, the Company recognized rental income with respect to the leases, which is greater than the amount billed by \$11,639. At August 31, 2016, the cumulative excess of income recognized over payments received is \$26,277. This amount appears on the balance sheet as an asset entitled "license income accrued in excess of that billed."

The following schedule reflects future annual minimum rental receipts anticipated for the next five years, thereafter, and in the aggregate, on non-cancelable leases as of August 31:

2017	\$ 239,850
2018	243,033
2019	246,311
2020	249,687
2021	253,165
Thereafter	<u>1,884,941</u>
Total minimum license receipts	<u>\$ 3,116,987</u>

Future minimum rentals do not include amounts which may be received for percentage rents, which are based on tenant sales or other charges to cover certain operating costs. For the year ended August 31, 2016, there were no additional rents.

**9. Income Taxes**

A deferred tax asset has been established to account for temporary differences arising from development cost basis over the amount capitalized for tax purposes. For the year ended August 31, 2016 the Company has recorded a deferred tax asset and a deferred tax benefit of \$248,976.

**10. Commitments and Contingencies**

**Leasehold interest – 1100 Pennsylvania Avenue Northwest, Washington DC**

On August 5, 2013, the Company entered into a ground lease relating to the property in Washington, DC, known as the Old Post Office Pavilion located at 1100 Pennsylvania Avenue Northwest with the United States of America acting by and through the Administrator of General Services (the "Landlord"). In the lease, the Landlord has established a hotel standard (which may fluctuate under certain circumstances) to be adhered to and requires historic preservation compliance.

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**Trump Old Post Office LLC**  
**Notes to Financial Statements**  
**Year Ended August 31, 2016**

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The lease is set to expire on the sixtieth anniversary of the opening date, as defined in the lease, with the option of two twenty-year renewals. The monthly minimum future ground rent expense from the rent commencement date of April 5, 2015, through the sixtieth anniversary of the opening date is the greater of \$250,000, as adjusted by the Consumer Price Index and a varying percentage of gross revenues. In addition, certain defined costs, expenses, and charges, including but not limited to taxes and utilities, are the responsibility of the Company, all subject to the terms and conditions of the lease.

Pursuant to GAAP, the rent expense recognized on the straight-line basis over the term of the lease has been capitalized while development is in progress and is treated as a component of acquisition and development costs. Through August 31, 2016, the rent expense capitalized as acquisition and development costs was \$4,741,937. The amount reported on the balance sheet as ground rent accrued in excess of that due pursuant to contractual terms represents the excess of rent expense recognized on the straight-line basis over payments made by the Company.

At the time the lease was executed, Donald J. Trump guaranteed the contribution to the Company of equity in the amount of \$40,000,000. This contribution was made and the guaranty was terminated effective as of July 2, 2015.

Subject to the terms of the lease, if at any time the Landlord proposes to assign or transfer its interest in the lease to an entity that is not an agency or instrumentality of the United States of America (which it may only do in whole or in part), the Company shall have the exclusive right and option to purchase the Landlord's interest within thirty days of receiving notice of Landlord's proposal to enter into a sale and the price and other material terms and conditions of a sale which Landlord is willing to accept.

Following a minimum hold period defined as three consecutive years commencing on the opening date, the Company has the right to assign its interest in the lease, or sublease all or substantially all of the premises defined under the lease, provided the proposed transferee qualifies under terms set forth in the lease and the Landlord confirms that the transferee so qualifies.

**Letter of Credit**

The Company has obtained a letter of credit ("LOC") for the benefit of the Landlord in the amount of \$2,096,308 (the LOC was initially in the amount of \$4,000,000 but it was reduced to the current amount on September 9, 2014). In the event the Company defaults on the full and prompt payment or performance of any terms, provisions, covenants, or conditions of the ground lease with the Landlord, the Landlord may elect to draw down the entire LOC, or any portion thereof. The Company shall replenish the LOC to the full amount of \$2,096,308 within five business days following any such draw. In no event shall the Company be entitled to apply the LOC to any rent due under the ground lease. The LOC matured on July 28, 2016, and was automatically renewed for an additional period of one year. The Company's obligation to provide the Landlord with an LOC expires thirty days after the opening date.

The Company originally deposited \$4,000,000 in a restricted cash account with JPMorgan Chase Bank, N.A. as collateral for the LOC. In connection with the reduction of the LOC on September 9, 2014, this amount was reduced and the current amount on deposit is \$2,101,359 (which represents the amount of the collateral for the LOC plus interest which has been earned on the deposit). This \$2,101,359 is shown on the balance sheet as restricted cash at August 31, 2016.

**Litigation**

The Company has filed two legal actions for approximately \$10,000,000 each in damages for breach of two lease agreements and to enforce the respective guarantee on each lease. The tenants and guarantors filed a counterclaim against the Company for breach of contract and breach of the letter of credit.

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**Trump Old Post Office LLC**

**Notes to Financial Statements**

**Year Ended August 31, 2016**

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One counterclaim seeks damages for at least \$8,000,000 and the second counterclaim seeks damages for unspecified amounts. Discovery is underway in one claim with depositions expected to conclude in January 2017. The other claim has closed discovery, with no trial date set. The Company denies the counterclaims and is vigorously defending the action. Counsel has expressed no opinion as to likely outcome of these matters.

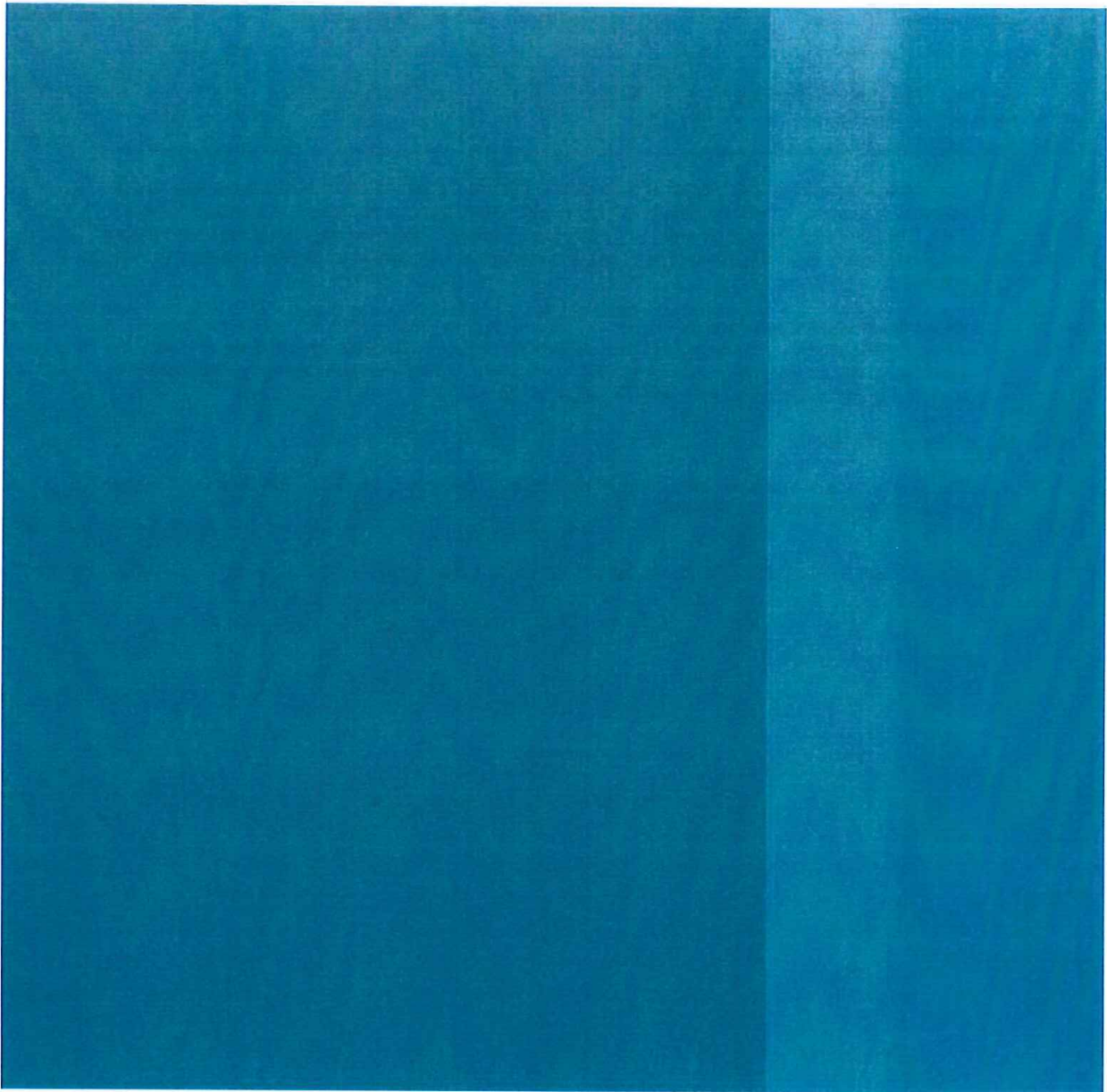
**Other Contractual Commitments**

As of the date the financial statements were available for issuance, December 28, 2016, the Company has capital committed for approximately \$6,900,000 of the cost it will incur with respect to the development of the property, in excess of that incurred as of August 31, 2016.

**11. Subsequent Events**

The Company has evaluated subsequent events through December 28, 2016, the date the financial statements were available for issuance.

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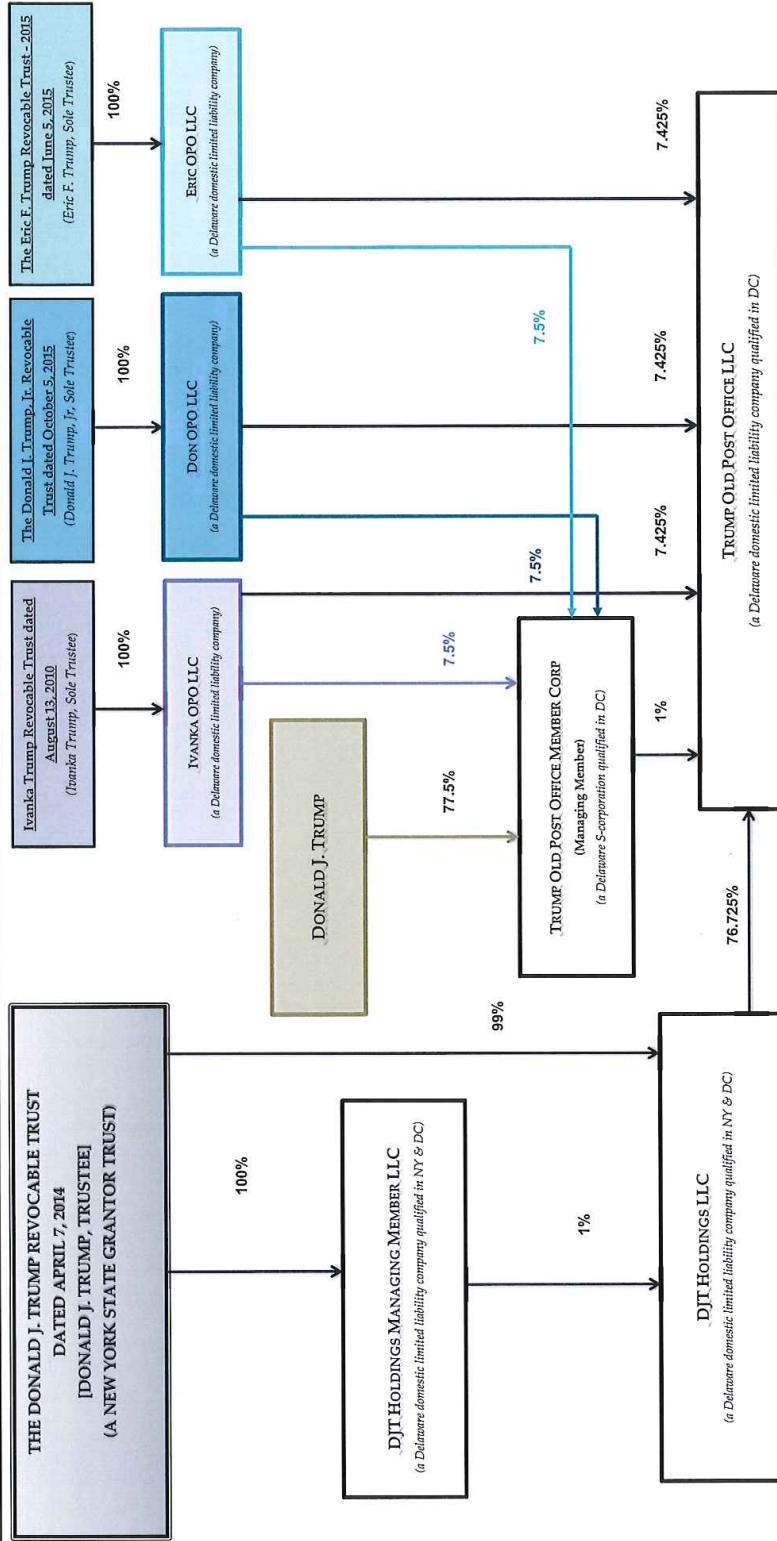
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# TRUMP OLD POST OFFICE LLC

## Structure Chart

Revised 3/2/16



L:\LJ\LLC Corp. Documents\OLD POST OFFICE ENTITIES\Trump Old Post Office-LLC Structure Chart.1.1.16.docx

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MAZARS USA LLP

**Trump Old Post Office  
LLC**  
Financial Statements  
August 31, 2017



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**Trump Old Post Office LLC**

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*Table of Contents*  
*August 31, 2017*

	<b>Page(s)</b>
<i>Independent Auditors' Report</i> .....	1-2
<i>Balance Sheet</i> .....	3
<i>Statement of Operations and Changes in Members' Equity</i> .....	4
<i>Statement of Cash Flows</i> .....	5
<i>Notes to Financial Statements</i> .....	6-12
<i>Supplemental Schedule (Unaudited)</i> .....	13



## *Independent Auditors' Report*

To the Members  
*Trump Old Post Office LLC*

We have audited the accompanying financial statements of Trump Old Post Office LLC (a Limited Liability Company) which comprise the balance sheet as of August 31, 2017, and the related statements of operations and changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trump Old Post Office LLC as of August 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Disclaimer of Opinion on Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule, which is the responsibility of management, is presented for purposes of additional analysis in compliance with certain requirements of the Company's ground lease (Note 12) and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



December 28, 2017

**Trump Old Post Office LLC**

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***Balance Sheet***

*August 31, 2017*

**Assets**

Property and equipment (net of accumulated depreciation in the amount of \$7,877,730) (Note 8)	\$ 208,583,538
Cash	1,425,226
Accounts receivable	1,010,756
Inventories	559,372
Prepaid expenses	1,786,962
Deferred lease acquisition costs (net of accumulated amortization in the amount of \$182,576)	517,882
Due from related parties	80,788
License income accrued in excess of that billed	<u>49,025</u>
 Total assets	 <u><u>\$ 214,013,549</u></u>

**Liabilities and Members' Equity**

**Liabilities**

Loan payable (Note 4)	\$ 167,488,735
Accounts payable and accrued expenses	5,822,198
Retainage payable	40,000
Ground rent accrued in excess of that due pursuant to contractual terms	4,660,841
Deferred income and advance deposits	<u>3,358,550</u>
	<u>181,370,324</u>

Commitments and contingencies (Note 12)

Members' equity	<u>32,643,225</u>
 Total liabilities and members' equity	 <u><u>\$ 214,013,549</u></u>

The accompanying notes are an integral part of these financial statements.

**Trump Old Post Office LLC**

*Statement of Operations and Changes in Members' Equity*  
*Year Ended August 31, 2017*

Revenues	
Rooms	\$ 21,466,148
Food and beverage	20,902,272
Spa	294,044
Other	1,428,549
Rent, lease, and license income	423,657
Total revenues	<u>44,514,670</u>
Expenses	
Rooms	7,183,568
Food and beverage	17,787,886
Spa	359,680
Other	600,802
General and administrative	10,320,128
Sales and marketing	3,375,146
Property operations and maintenance	4,324,018
Total expenses	<u>43,951,228</u>
Income from operations before depreciation and amortization, ground lease rent and pre-opening expenses	<u>563,442</u>
Depreciation and amortization	8,037,232
Ground lease rent, net of amounts capitalized	2,900,091
Pre-opening expenses	<u>1,997,934</u>
	<u>12,935,257</u>
Loss from operations after depreciation and amortization, ground lease rent and pre-opening expenses	<u>(12,371,815)</u>
Other (income) expense	
Interest income	(3,386)
Interest expense, net of amounts capitalized	<u>5,123,661</u>
Total other (income) expense	<u>5,120,275</u>
Loss before income taxes	(17,492,090)
Provision for income taxes	<u>248,976</u>
Net loss	(17,741,066)
Members' equity - August 31, 2016	41,067,648
Capital contributions by members	<u>9,316,643</u>
Members' equity - August 31, 2017	<u>\$ 32,643,225</u>

The accompanying notes are an integral part of these financial statements.

**Trump Old Post Office LLC**

**Statement of Cash Flows**

Year Ended August 31, 2017

Cash flows from operating activities	
Net loss	\$ (17,741,066)
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation	7,877,730
Amortization of deferred lease acquisition costs	159,502
Interest - deferred financing costs	350,334
License income accrued in excess of that billed	(22,748)
Ground rent accrued in excess of that due pursuant to contractual terms	(81,096)
Deferred taxes	248,976
Funds retained in restricted account	(1,957)
Increase(decrease) in cash attributable to changes in operating assets and liabilities	
Accounts receivable	(1,010,756)
Inventories	(559,372)
Prepaid expenses	(1,217,140)
Due from related parties	156,510
Accounts payable and accrued expenses	4,550,019
Deferred income and advanced deposits	2,343,560
Net cash used in operating activities	<u>(4,947,504)</u>
Cash flows from investing activities	
Purchase of property and equipment	(39,754,750)
Proceeds from funds retained in restricted account	2,103,316
Lease acquisition costs	(75,223)
Loan to related party	(1,431)
Net cash used in investing activities	<u>(37,728,088)</u>
Cash flows from financing activities	
Proceeds from loan payable drawdown	31,887,169
Proceeds from related party loan	2,050,569
Repayment of related party loan	(2,050,569)
Capital contributions by members	9,316,643
Net cash provided by financing activities	<u>41,203,812</u>
Net decrease in cash	(1,471,780)
Cash	
Beginning	<u>2,897,006</u>
Ending	<u>\$ 1,425,226</u>
Supplemental disclosures of non-cash investing information	
During the period September 1, 2016, to August 31, 2017, the Company incurred ground rent due in excess of that accrued pursuant to contractual terms that was capitalized into development costs	<u>\$ 2,444</u>
Cash paid during the year for capitalized interest	<u>\$ 114,992</u>
Cash paid during the year for interest expense	<u>\$ 4,221,851</u>

The accompanying notes are an integral part of these financial statements.

## Trump Old Post Office LLC

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### *Notes to Financial Statements*

*Year Ended August 31, 2017*

#### **1. Organization and Nature of Operations**

Trump Old Post Office LLC (the “Company”), a Delaware Limited Liability Company, was formed on June 30, 2011. DJT Holdings LLC (“Holdings”), Don OPO LLC, Ivanka OPO LLC, Eric OPO LLC, and Trump Old Post Office Member Corp. (collectively the “Members”) are members with Trump Old Post Office Member Corp. being designated as the managing member. All entities are owned by The Donald J. Trump Revocable Trust dated April 7, 2014, as amended (the “Trust”) and trusts of various members of the Trump family.

The Company was formed for the purpose of developing the property located at 1100 Pennsylvania Avenue NW in Washington, D.C. into a luxury hotel known as Trump International Hotel Washington D. C. (the “Hotel”). The Hotel began operations on September 12, 2016. The Hotel consists of 263 available rooms, restaurants, banquet facilities, retail concessions, and a spa.

#### **2. Basis of Presentation**

The Company prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”) assuming that the Company will continue as a going concern. This was the Company’s initial year of operations. Management anticipates that there may be a need for capital infusions through at least December 31, 2018. The Trust has committed to fund all amounts required by the Company through at least that date.

#### **3. Significant Accounting Policies**

##### **Development Costs**

Costs that clearly related to the development of the property were capitalized as costs of the project and have been allocated to building components upon completion of the hotel. Operating and carrying costs, such as interest and insurance expenses pertaining to property development, were capitalized while development was in progress.

##### **Cash**

The Company considers all highly liquid instruments with an original purchased maturity of three months or less to be cash equivalents. Cash balances are generally held in accounts at large national or regional banking organizations in amounts that frequently exceed the federal insured limits.

##### **Accounts Receivable**

Accounts receivable primarily represents receivables from Hotel guests who occupy rooms and utilize the Hotel’s amenities. An allowance for doubtful accounts is provided when it is determined that it is more-likely-than-not that a specific account will not be collected. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions.

##### **Inventories**

Inventories consist primarily of food, beverages, and retail items. Inventories are valued at the lower of cost or market as determined by the first-in, first-out method.



## Trump Old Post Office LLC

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### Property and Equipment

Property and equipment is stated at cost. Maintenance and repairs expenditures are expensed when incurred. Expenditures for improvements and renewals are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Building and improvements	40 years
Furniture, fixtures and equipment	7 years

### Deferred Lease Acquisition Costs

Costs incurred to acquire the leasehold position with the United States of America are being amortized on a straight-line basis over the term of the lease. Amortization of these costs was capitalized while development was in progress and was treated as a component of development costs. Amortization after the opening of the Hotel is expensed.

### Deferred Income and Advanced Deposits

Deferred income consists of an up-front fee received for services to be provided over a ten year period commencing on the opening of the Hotel.

Advance deposits represent amounts received that are to be applied as part of the payment for future hotel stays or events.

### Rent, Lease, and License Income

Revenue related to rent, lease, and license agreements is straight-lined over the term of the agreement.

### Income Taxes

Federal and state regulations provide that the income and loss of a limited liability company be allocated to and reported on the tax return of each member. Accordingly, no Federal or state taxes have been provided for in the accompanying financial statements. The District of Columbia imposes a tax on the Company's profit, which is treated as a current period expense when incurred.

The Company recognizes deferred taxes and liabilities based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in tax deductible amounts in future years. Deferred tax assets and liabilities are measured using the enacted rates in effect for the year in which the temporary differences are expected to be recovered or settled.

Generally, the Company's tax returns are subject to examination by Federal, state, and local authorities for a period of three years from the later of the due date of such returns or the actual date the returns were filed.

The Company has adopted the authoritative guidance under ASC No. 740, "Income Taxes," relating to accounting for uncertainty in income taxes. This standard prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken by the Company. As of August 31, 2017, the Company determined that it had no uncertain tax positions which affected its financial position and its results of operations or its cash flows and will continue to evaluate for uncertain tax positions.

### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Pre-Opening Expenses

Pre-opening expenses represent payroll, training, and other start-up costs incurred prior to the opening of the Hotel.

## Trump Old Post Office LLC

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### Advertising

Advertising costs are expensed as incurred and amounted to \$247,859 for the year ended August 31, 2017.

### New Accounting Standards

In prior years, the Company had reported debt issuance costs as a deferred charge in the balance sheet and amortization of such costs were capitalized into development costs. To comply with new GAAP presentation requirements in 2016, the Company began reporting such costs as a direct deduction from the face amount of the related debt. The change did not affect member's equity.

Similarly, the Company currently reports amortization of debt issuance costs (\$380,449 in 2017) as interest, of which \$30,115 was capitalized and \$350,334 was expensed.

Debt issuance cost is amortized on a straight-line basis (which is not materially different from the effective interest method) over the life of the respective debt instrument.

#### 4. Loan Payable

On August 12, 2014, the Company entered into a loan agreement with Deutsche Bank Trust Company Americas (the "Lender") with a maximum amount of \$170,000,000. The loan was drawn down upon as the property was developed and operated. The Lender was not obligated to make the initial disbursement of loan proceeds unless the Company delivered evidence reasonably acceptable to the Lender that the Company, Donald J. Trump as guarantor, or any affiliate thereof, has made an equity investment in the mortgaged premises in an amount not less than 20% of the redevelopment budget. As of June 2015, the Company met this threshold. On June 29, 2015, the Company commenced drawing on the loan. At August 31, 2017, total draws on the loan amount to \$170,000,000.

Loan payable is comprised of the following at August 31, 2017:

Loan payable	\$ 170,000,000
Less: unamortized debt issuance costs	<u>(2,511,265)</u>
	<u>\$ 167,488,735</u>

Only interest shall be payable on the loan, with no principal payments required, until August 12, 2018, subject to certain conditions outlined in the loan agreement. On August 12, 2024, the loan maturity date, the Company shall make a payment to the Lender in an amount equal to the then outstanding principal balance, accompanied by all unpaid and accrued interest, charges, fees, and expenses. Upon notice to the Lender, the Company may voluntarily prepay the loan, in whole or in part, without any premiums or penalties. This prepayment must be at least \$1,000,000, or a whole multiple of \$100,000 in excess of \$1,000,000.

The loan bears interest at either a "LIBOR Rate Advance" or a "Prime Rate Advance" pursuant to certain elections made by the Company. In the case of a LIBOR Rate Advance, the interest rate will equal LIBOR Rate plus an applicable margin of either 2% per annum during the redevelopment period commencing August 12, 2014, and ending at the beginning of the post-redevelopment period, or 1.75% per annum during the post-redevelopment period. In the case of a Prime Rate Advance, the interest rate will equal the prime lending rate as announced by the Lender during the redevelopment period, or the prime lending rate as announced by the Lender less .25% during the post-redevelopment period. Interest shall be payable in arrears at maturity on either the first day of each month for a Prime Rate Advance or the last day of each interest period applicable to a LIBOR Rate Advance. If such interest period applicable for a LIBOR Rate Advance is greater than ninety days, interest is payable every three months. At August 31, 2017, the loan carried interest at the LIBOR Rate Advance of 2.98167%.

## Trump Old Post Office LLC

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The Company will be subject to a debt service coverage ratio as set forth in the loan agreement starting with the year ended August 31, 2018.

The loan has a cross-default clause with other affiliated Trump entities that have outstanding loans with the Lender.

Under certain circumstances, Donald J. Trump has guaranteed certain obligations as outlined in the guaranty made by Donald J. Trump in favor of Deutsche Bank Trust Company Americas.

The loan is collateralized by the Company's rights, title, and interest in the mortgaged premises, now owned, or acquired hereafter.

For the year ended August 31, 2017, total interest incurred was \$4,888,319 of which \$114,992 was capitalized and \$4,773,327 was expensed. In addition, for the year ended August 31, 2017, total amortization of deferred loan costs of \$30,115 was capitalized and \$350,334 was expensed.

### 5. Significant Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash accounts in financial institutions. Cash exceeding FDIC insured limits totaled \$2,165,147 at August 31, 2017.

### 6. Retirement Plan

The Company sponsors a 401(k) retirement plan in which certain employees may participate after one year of service. Each year, each participant may contribute up to 60% of the participant's annual pre-tax compensation subject to a legal maximum amount. Certain participants are eligible to receive matching employer contributions at a percentage computed by the employer based on eligible compensation deferred into the plan each payroll period. In 2017, employer contributions of \$50,300 were made.

### 7. Members' Equity

Pursuant to the Delaware Limited Liability Company Act, the members of the Company are not liable for the debts, obligations, or other liabilities of the limited liability company by reason of being such members.

From September 1, 2016 through December 28, 2017, the date these financial statements were available to be issued, the Company did not make any distributions to its Members, nor did it make any distributions to Donald J. Trump or the Trust.

### 8. Property and Equipment

Property and equipment consists of the following:

Building improvements	\$ 193,380,768
Furniture and equipment	17,843,768
Operating supplies	5,103,532
Tenant improvements	133,200
	<u>216,461,268</u>
Accumulated depreciation	<u>(7,877,730)</u>
	<u>\$ 208,583,538</u>

## Trump Old Post Office LLC

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Depreciation expense of property and equipment was \$7,877,730 for the year ended August 31, 2017.

### 9. Related Party Transactions

#### Management Agreement

The Company has entered into a management agreement on August 12, 2014, with OPO Hotel Manager LLC, an affiliated entity, which has common ownership to the Company. The management fee is comprised of a base monthly fee calculated as three percent of gross operating revenue and an incentive monthly fee calculated as twenty percent of adjusted gross operating profit, if any. The agreement calls for the payment of a management fee effective with the opening of the Hotel, for twenty-five years, with two ten-year renewal options. OPO Hotel Manager LLC has waived the fee for the year ended August 31, 2017.

#### Due from related parties

At August 31, 2017, the Company had a receivable of \$79,357 from Trump Endeavor 12 LLC, an affiliated entity, which has common ownership to the Company, for payment of certain expenses. This amount has not yet been repaid and is included in due from related parties on the balance sheet.

On April 20, 2017, Holdings lent the Company \$2,050,569 for four days. The Company repaid Holdings \$2,052,000 on April 24, 2017. As of August 31, 2017, the Company had a receivable from Holdings of \$1,431, and is included in due from related parties on the accompanying balance sheet. This receivable was repaid to the Company prior to December 28, 2017, the date of issuance of these financial statements.

#### Marketing and Hotel Booking Reservation Fees

The Company pays marketing and hotel booking reservation fees to entities effectively owned by the Trust. For the year ended August 31, 2017, marketing and hotel booking reservation fees amounted to \$885,351 and \$66,539, respectively, and are included in sales and marketing on the accompanying Statement of Operations and Changes in Members' Equity.

### 10. Rent, Lease and License Income

In certain instances, the terms of the Company's leases with its tenants call for fixed minimum rental payments which will increase over the terms of the lease. The income recognized with respect to the agreement is recognized on a straight-line basis pursuant to GAAP. During the year ended August 31, 2017, the Company recognized rental income with respect to the leases, which is greater than the amount billed by \$22,748. At August 31, 2017, the cumulative excess of income recognized over payments received is \$49,025. This amount appears on the balance sheet as an asset entitled "License income accrued in excess of that billed."

The following schedule reflects future annual minimum rent, lease, and license income anticipated for each of the next five years, thereafter, and in the aggregate, on non-cancelable leases as of August 31, 2017:

Year Ending August 31,	
2018	\$ 344,838
2019	352,188
2020	359,800
2021	367,682
2022	307,247
Thereafter	<u>859,073</u>
Total minimum rent, lease and license income	<u>\$ 2,590,828</u>

## Trump Old Post Office LLC

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Future minimum rent, lease, and license income does not include amounts which may be received for percentage rents, which are based on tenant sales or other charges to cover certain operating costs, or other charges to cover certain operating costs. Additional rents in excess of the fixed minimum amounts are recognized as income when earned, and the amounts can be reasonably estimated. For the year ended August 31, 2017, these additional rents amounted to \$58,701.

### 11. Income Taxes

The Company's temporary differences giving rise to District of Columbia deferred taxes are generated primarily from net loss carryforwards, straight line revenue, straight line ground rent, and depreciation. At August 31, 2017, the deferred tax asset approximated \$1,650,000 prior to a valuation allowance. At August 31, 2017, the Company has provided a full valuation allowance to offset this entire amount, since the utilization of the net operating losses cannot be reasonably determined. For the year ended August 31, 2017, the Company has recorded a deferred tax expense in the amount of \$248,976 due to the prior year deferred tax asset in which the utilization can no longer be reasonably determined.

At December 31, 2016, the Company has District of Columbia net operating loss carryforward for income tax purposes of approximately \$13,800,000, which will expire in 2036.

The Tax Cuts and Jobs Act enacted on December 22, 2017, makes substantial changes to Federal income tax laws and is not applicable to the Company, as it is only subject to District of Columbia tax.

### 12. Commitments and Contingencies

#### Leasehold interest – 1100 Pennsylvania Avenue Northwest, Washington DC

On August 5, 2013, the Company entered into a ground lease relating to the property in Washington, DC, known as the Old Post Office Pavilion located at 1100 Pennsylvania Avenue Northwest with the United States of America acting by and through the Administrator of General Services (the "Landlord"). In the lease, the Landlord has established a hotel standard (which may fluctuate under certain circumstances) to be adhered to and requires historic preservation compliance.

The lease is set to expire on the sixtieth anniversary of the opening date, as defined in the lease, with the option of two twenty-year renewals. The monthly minimum future ground rent expense from the rent commencement date of April 5, 2015, through the sixtieth anniversary of the opening date, is the greater of \$250,000, as adjusted by the Consumer Price Index and a varying percentage of gross revenues. In addition, certain defined costs, expenses, and charges, including but not limited to taxes and utilities, are the responsibility of the Company, all subject to the terms and conditions of the lease.

Pursuant to GAAP, the ground rent expense recognized is recorded on the straight-line basis over the term of the lease. While the Hotel was being developed, the ground rent was capitalized. The excess of the recognized ground rent over the payments was \$4,660,841. The ground rent expense on a straight line basis was \$2,993,546, of which \$93,455 was capitalized and \$2,900,091 was expensed.

Subject to the terms of the lease, if at any time the Landlord proposes to assign or transfer its interest in the lease to an entity that is not an agency or instrumentality of the United States of America (which it may only do in whole or in part), the Company shall have the exclusive right and option to purchase the Landlord's interest within thirty days of receiving notice of Landlord's proposal to enter into a sale and the price and other material terms and conditions of a sale which Landlord is willing to accept.

Following a minimum hold period defined as three consecutive years commencing on the opening date, the Company has the right to assign its interest in the lease, or sublease all or substantially all of the premises defined under the lease, provided the proposed transferee qualifies under terms set forth in the lease and the Landlord confirms that the transferee so qualifies.

## **Trump Old Post Office LLC**

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### **Litigation**

The Company is the subject of and exposed to various claims and legal proceedings that arise in the ordinary course of its business activities, which are being contested. These matters are at an early stage and management and its legal counsel cannot make a determination as to outcome at this time. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of the Company's operations.

### **Other Contractual Commitments**

As of the date the financial statements were available for issuance, December 28, 2017, the Company has capital committed for approximately \$440,000 of the cost it will incur with respect to the development of the property, in excess of that incurred as of August 31, 2017.

### **13. Fair Value of Financial Instruments**

The amounts included in the balance sheet at August 31, 2017, for accounts receivable, prepaid expenses, due from related parties, other receivables, accounts payable and accrued expenses, retainage payable and deferred income and advance deposits, approximate fair value because of the short-term nature of these instruments. The carrying value of the loan payable at August 31, 2017, also approximates fair value, since the loan bears interest at a variable rate comparable to debt instruments currently available to the Company with similar terms and maturities.

### **14. Subsequent Events**

The Company has evaluated subsequent events through December 28, 2017, the date the financial statements were available for issuance.

**Trump Old Post Office LLC**

**Supplemental Schedule (Unaudited)**

*Year Ended August 31, 2017*

The below supplemental schedule of Trump Old Post Office LLC provides annual financial information of the Company and operating statistics of the Hotel in accordance with the requirements of Section 5.3 of the ground lease referred to in Note 12, Commitments and Contingencies.

<b>Hotel statistics <sup>1</sup></b>	<b>(Unaudited)</b>
Average daily rate	\$535
Occupancy	43.1%
<b>Annual Statement</b>	
Gross revenues	
Rooms	\$ 21,466,148
Food and beverage	20,902,272
Other	<u>2,146,250</u>
Total gross revenues	<u>44,514,670</u>
Departmental expenses	
Rooms	7,183,568
Food and beverage	17,787,886
Other	<u>960,482</u>
Total departmental expenses	<u>25,931,936</u>
Departmental profit	<u>18,582,734</u>
Undistributed expenses	
General and administrative	7,689,389
Sales and marketing	3,375,146
Property operations and maintenance	<u>4,324,018</u>
Total undistributed expenses	<u>15,388,553</u>
Gross Operating Profit	<u>3,194,181</u>
Non-operating expenses	
Lease expense	2,900,091
Property and other taxes	1,809,358
Other	<u>821,381</u>
Total non-operating expenses	<u>5,530,830</u>
Net Operating Income (Loss)	(2,336,649)
Depreciation and amortization	8,037,232
Interest expense, net	5,120,275
Pre-opening expenses	1,997,934
Provision for income taxes	<u>248,976</u>
Net Loss <sup>2</sup>	<u><u>\$ (17,741,066)</u></u>

<sup>1</sup> Hotel statistics are calculated in accordance with the Uniform System of Accounts for the Lodging Industry, Eleventh Revised Edition.

<sup>2</sup> Net Loss is provided only for the purpose of reconciling Net Operating Income (Loss) to Net Loss as presented in the Company's Statement of Operations.

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MAZARS USA LLP

**Trump Old Post Office  
LLC**  
Financial Statements  
August 31, 2018



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**Trump Old Post Office LLC**

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*Table of Contents*  
*August 31, 2018*

	<b>Page(s)</b>
<i>Independent Auditors' Report</i> .....	1-2
<i>Balance Sheet</i> .....	3
<i>Statement of Operations and Changes in Members' Equity</i> .....	4
<i>Statement of Cash Flows</i> .....	5
<i>Notes to Financial Statements</i> .....	6-13
<i>Supplemental Schedule (Unaudited)</i> .....	14



## *Independent Auditors' Report*

To the Members  
*Trump Old Post Office LLC*

We have audited the accompanying financial statements of Trump Old Post Office LLC (a Limited Liability Company), which comprise the balance sheet as of August 31, 2018, and the related statements of operations and changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trump Old Post Office LLC as of August 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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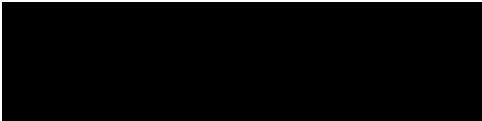
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**Disclaimer of Opinion on Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule, which is the responsibility of management, is presented for purposes of additional analysis in compliance with certain requirements of the Company's ground lease (Note 13) and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



December 28, 2018

**Trump Old Post Office LLC**

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***Balance Sheet***

*August 31, 2018*

**Assets**

Property and equipment (net of accumulated depreciation in the amount of \$16,009,991) (Note 9)	\$ 201,318,917
Cash	1,228,511
Restricted Cash	93,261
Accounts receivable (net of allowance for doubtful accounts in the amount of \$9,161)	978,926
Inventories	948,617
Prepaid expenses	1,196,717
Deferred lease acquisition costs (net of accumulated amortization in the amount of \$52,488)	502,775
Due from related parties	257,814
Income accrued in excess of that billed	82,956
	<hr/>
Total assets	<u><u>\$ 206,608,494</u></u>

**Liabilities and Members' Equity**

Liabilities

Loan payable (Note 4)	\$ 167,850,111
Accounts payable and accrued expenses	8,104,808
Ground rent accrued in excess of that due pursuant to contractual terms	4,579,746
Deferred income and advance deposits	2,567,871
Due to related parties	280,382
	<hr/>
Total liabilities	<u>183,382,918</u>

Commitments and contingencies (Note 13)

Members' equity	<u>23,225,576</u>
Total liabilities and members' equity	<u><u>\$ 206,608,494</u></u>

The accompanying notes are an integral part of these financial statements.

**Trump Old Post Office LLC**

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*Statement of Operations and Changes in Members' Equity*  
*Year Ended August 31, 2018*

Revenues	
Rooms	\$ 25,798,661
Food and beverage	23,556,844
Spa	763,924
Other	1,665,651
Rent, lease, and license income	524,291
Total revenues	<u>52,309,371</u>
Expenses	
Rooms	9,464,023
Food and beverage	19,939,339
Spa	668,525
Other	707,864
General and administrative	10,319,638
Sales and marketing	3,246,122
Property operations and maintenance	4,017,794
Total expenses	<u>48,363,305</u>
Income from operations before depreciation and amortization and ground lease rent	<u>3,946,066</u>
Depreciation and amortization	8,147,368
Ground lease rent	3,040,688
	<u>11,188,056</u>
Loss from operations	(7,241,990)
Interest expense	<u>6,213,939</u>
Net loss	(13,455,929)
Members' equity - August 31, 2017	32,643,225
Capital contributions by members	<u>4,038,280</u>
Members' equity - August 31, 2018	<u>\$ 23,225,576</u>

The accompanying notes are an integral part of these financial statements.

**Trump Old Post Office LLC**

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*Statement of Cash Flows*  
*Year Ended August 31, 2018*

Cash flows from operating activities	
Net loss	\$ (13,455,929)
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation	8,132,261
Allowance for doubtful accounts	9,161
Amortization of deferred lease acquisition costs	15,107
Interest - debt issuance costs	361,376
Income accrued in excess of that billed	(33,931)
Ground rent accrued in excess of that due pursuant to contractual terms	(81,095)
Increase (decrease) in cash attributable to changes in operating assets and liabilities	
Accounts receivable	22,669
Inventories	(389,245)
Prepaid expenses	590,245
Due from related parties	(177,026)
Accounts payable and accrued expenses	2,376,889
Deferred income and advanced deposits	(790,679)
Due to related parties	280,382
Net cash used in operating activities	<u>(3,139,815)</u>
Cash flows from investing activities	
Deposits to restricted cash account	(93,261)
Purchase of property and equipment	<u>(1,001,919)</u>
Net cash used in investing activities	<u>(1,095,180)</u>
Cash flows from financing activities	
Loans received from member	5,171,000
Loans repaid to member	<u>(1,132,720)</u>
Net cash provided by financing activities	<u>4,038,280</u>
Net decrease in cash	(196,715)
Cash	
Beginning	<u>1,425,226</u>
Ending	<u>\$ 1,228,511</u>

Supplemental disclosures of non-cash financing information

During the period September 1, 2017, to August 31, 2018, DJT Holdings LLC lent the Company \$5,171,000. Of this amount \$1,132,720 was repaid. At August 31, 2018, the balance of \$4,038,280 was elected to be contributed to the Company.

Cash paid during the year for interest expense \$ 5,745,963

The accompanying notes are an integral part of these financial statements.

## Trump Old Post Office LLC

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### *Notes to Financial Statements*

*Year Ended August 31, 2018*

#### **1. Organization and Nature of Operations**

Trump Old Post Office LLC (the “Company”), a Delaware Limited Liability Company, was formed on June 30, 2011. DJT Holdings LLC (“Holdings”), Don OPO LLC, Ivanka OPO LLC, Eric OPO LLC, and Trump Old Post Office Member Corp. (collectively the “Members”) are members with Trump Old Post Office Member Corp. being designated as the managing member. All entities are owned by The Donald J. Trump Revocable Trust dated April 7, 2014, as amended (the “Trust”) and trusts of various members of the Trump family.

The Company was formed for the purpose of developing the property located at 1100 Pennsylvania Avenue NW in Washington, D.C. into a luxury hotel known as Trump International Hotel Washington D. C. (the “Hotel”). The Hotel began operations on September 12, 2016. The Hotel consists of 263 available rooms, restaurants, banquet facilities, retail concessions, and a spa.

#### **2. Going Concern and Related Party Support**

The Hotel has experienced losses during its first two years of operations. Management continuously evaluates the Company’s performance and anticipates that the Company may need continued financial support at least through December 31, 2019. The Trust has committed to fund all amounts required by the Company through at least that date.

#### **3. Significant Accounting Policies**

##### **Basis of Presentation**

The Company prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

##### **Cash**

The Company considers all highly liquid instruments with an original purchased maturity of three months or less to be cash equivalents.

##### **Restricted Cash**

In accordance with the ground lease, beginning in November 2017, the Company was required to make payments into a designated cash account to fund future expenditures for property and equipment in the normal course of business. Monthly payments are required equal to 1% of gross revenues, as defined, less payments made for such expenditures. At August 31, 2018, the balance of this account totaled \$93,261.

##### **Accounts Receivable**

Accounts receivable primarily represents receivables from Hotel guests and retail tenants. An allowance for doubtful accounts is provided when it is determined that it is more-likely-than-not that a specific account will not be collected. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions.

##### **Inventories**

Inventories consist primarily of food, beverages, and retail items. Inventories are valued at the lower of cost or net realizable value as determined by the first-in, first-out method.



## Trump Old Post Office LLC

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### Property and Equipment

Property and equipment are stated at cost. Maintenance and repairs expenditures are expensed when incurred. Expenditures for improvements and renewals are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Building and improvements	40 years
Furniture, fixtures and equipment	7 years

Generally accepted accounting principles require that impairment losses be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount. Through August 31, 2018, based on the assessment of the factors, it has not been necessary to record impairment losses.

### Deferred Lease Acquisition Costs

Costs incurred to acquire the leasehold position with the United States of America are being amortized on a straight-line basis over the term of the lease.

### Deferred Income and Advanced Deposits

Deferred income consists of up-front fees received for various services to be provided over a range of five to ten years commencing on the opening of the Hotel. At August 31, 2018, these fees amount to \$624,641.

Advance deposits represent amounts received that are to be applied as part of the payment for future hotel stays or events. At August 31, 2018, these deposits amount to \$1,943,230.

### Rent, Lease, and License Income

Revenue related to rent, lease, and license agreements is straight-lined over the term of the agreement.

### Income Taxes

Federal and state regulations provide that the income and loss of a limited liability company be allocated to and reported on the tax return of each member. Accordingly, no Federal or state taxes have been provided for in the accompanying financial statements. The District of Columbia imposes a tax on the Company's profit, which is treated as a current period expense when incurred.

The Company recognizes deferred taxes and liabilities based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in tax deductible amounts in future years. Deferred tax assets and liabilities are measured using the enacted rates in effect for the year in which the temporary differences are expected to be recovered or settled.

The Company's tax returns are subject to examination by Federal, state, and local authorities for a period of three years from the later of the due date of such returns or the actual date the returns were filed.

### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Advertising

Advertising costs are expensed as incurred and amounted to \$251,530 for the year ended August 31, 2018.

## Trump Old Post Office LLC

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### Debt Issuance Costs

The Company reports debt issuance costs as a direct deduction from the principal amount of the related debt.

Debt issuance costs is amortized on a straight-line basis (which is not materially different from the effective interest method) over the life of the respective debt instrument.

### Sales Tax

The Company records sales taxes assessed upon customers as a reduction of revenue.

#### 4. Loan Payable

On August 12, 2014, the Company entered into a loan agreement with Deutsche Bank Trust Company Americas (the “Lender”) with a maximum amount of \$170,000,000. The loan was drawn down upon as the property was developed and operated. The Lender was not obligated to make the initial disbursement of loan proceeds unless the Company delivered evidence reasonably acceptable to the Lender that the Company, Donald J. Trump as guarantor, or any affiliate thereof, has made an equity investment in the mortgaged premises in an amount not less than 20% of the redevelopment budget. As of June 2015, the Company met this threshold. On June 29, 2015, the Company commenced drawing on the loan. At August 31, 2018, total draws on the loan amount to \$170,000,000.

Loan payable is comprised of the following at August 31, 2018:

Loan payable	\$ 170,000,000
Less: unamortized debt issuance costs	(2,149,889)
	<u>\$ 167,850,111</u>

Only interest shall be payable on the loan, with no principal payments required until maturity subject to certain conditions outlined in the loan agreement. On August 12, 2024, the loan maturity date, the Company shall make a payment to the Lender in an amount equal to the then outstanding principal balance, accompanied by all unpaid and accrued interest, charges, fees, and expenses. Upon notice to the Lender, the Company may voluntarily prepay the loan, in whole or in part, without any premiums or penalties. This prepayment must be at least \$1,000,000, or a whole multiple of \$100,000 in excess of \$1,000,000.

The loan bears interest at either a “LIBOR Rate Advance” or a “Prime Rate Advance” pursuant to certain elections made by the Company. In the case of a LIBOR Rate Advance, the interest rate will equal LIBOR Rate plus an applicable margin of either 2% per annum during the redevelopment period commencing August 12, 2014, and ending at the beginning of the post-redevelopment period, or 1.75% per annum during the post-redevelopment period. In the case of a Prime Rate Advance, the interest rate will equal the prime lending rate as announced by the Lender during the redevelopment period, or the prime lending rate as announced by the Lender less .25% during the post-redevelopment period. Interest shall be payable in arrears at maturity on either the first day of each month for a Prime Rate Advance or the last day of each interest period applicable to a LIBOR Rate Advance. If such interest period applicable for a LIBOR Rate Advance is greater than ninety days, interest is payable every three months. At August 31, 2018, the loan carried interest at the LIBOR Rate Advance of 3.8315%.

The Company is subject to a annual debt service coverage ratio calculated on a calendar year as set forth in the loan agreement. Through December 31, 2017, the Company is in compliance with the debt service coverage ratio.

## **Trump Old Post Office LLC**

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Under certain circumstances, Donald J. Trump has guaranteed certain obligations as outlined in the guaranty made by Donald J. Trump in favor of Deutsche Bank Trust Company Americas.

The loan is collateralized by the Company's rights, title, and interest in the mortgaged premises, now owned, or acquired hereafter.

For the year ended August 31, 2018, total interest incurred and expensed for the loan agreement was \$5,852,563. In addition, for the year ended August 31, 2018, total amortization of debt issuance costs was \$361,376.

### **5. Significant Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash accounts in financial institutions. Cash exceeding FDIC insured limits totaled \$1,349,082 at August 31, 2018.

### **6. Retirement Plan**

The Company sponsors a 401(k) retirement plan in which certain employees may participate after one year of service. Each year, each participant may contribute up to 60% of the participant's annual pre-tax compensation subject to a legal maximum amount. Certain participants are eligible to receive matching employer contributions at a percentage computed by the employer based on eligible compensation deferred into the plan each payroll period. In 2018, employer contributions amounted to \$240,862.

### **7. Multiemployer Defined Benefit Plan**

The Company entered into a collective bargaining agreement on November 2, 2017, (the "Ratification Date") with Unite Here Local 25 (the "Union"). Under the collective bargaining agreement, the Company is not obligated to contribute to the Union pension fund until November 2, 2021, which is four years after the Ratification Date. Also, under the collective bargaining agreement, the Company is not obligated to contribute to the Union health and welfare fund until November 2, 2018, which is one year after the Ratification Date. Both funds together make up the multiemployer defined benefit plan. The risks of participating in a multiemployer plan are different from those of a single-employer plan in the following aspects:

- (a) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- (b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- (c) If the Company chooses to stop participating in the multiemployer plan, the Company may be required to pay that plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

There were no contributions to the multiemployer defined benefit plan in the current fiscal year.

## Trump Old Post Office LLC

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### 8. Members' Equity

Pursuant to the Delaware Limited Liability Company Act, the members of the Company are not liable for the debts, obligations, or other liabilities of the limited liability company by reason of being such members.

From September 1, 2017 through December 28, 2018, the date these financial statements were available to be issued, the Company did not make any distributions to its Members, nor did it make any distributions to Donald J. Trump or the Trust.

### 9. Property and Equipment

Property and equipment consists of the following:

Building improvements	\$ 194,015,728
Furniture and equipment	17,969,545
Operating supplies	5,103,532
Tenant improvements	240,103
	<u>217,328,908</u>
Accumulated depreciation	(16,009,991)
	<u>\$ 201,318,917</u>

Depreciation expense of property and equipment was \$8,132,261 for the year ended August 31, 2018.

### 10. Related Party Transactions

#### Management Agreement

The Company entered into a management agreement on August 12, 2014, with OPO Hotel Manager LLC, an affiliated entity, which has common ownership to the Company. The management fee is comprised of a base monthly fee calculated as three percent of gross operating revenue and an incentive monthly fee calculated as twenty percent of adjusted gross operating profit, if any. The agreement calls for the payment of a management fee effective with the opening of the Hotel, for twenty-five years, with two ten-year renewal options. OPO Hotel Manager LLC has waived the fee for the year ended August 31, 2018.

#### Due to/from related parties

At August 31, 2018, the Company had receivables of \$257,814 due from various entities affiliated through common control. At August 31, 2018, the Company had payables of \$280,382 due to various entities affiliated through common control. During the year ended August 31, 2018, Holdings lent \$5,171,000 to the Company, and was repaid \$1,132,720. Included in the repayments of \$1,132,720 was an amount the Company identified from foreign government patronage for the period from January 20, 2017 through December 31, 2017. See Note 13- Commitments and Contingencies for additional information.

#### Marketing and Hotel Booking Reservation Fees

The Company pays marketing and hotel booking reservation fees to entities effectively owned by the Trust. For the year ended August 31, 2018, marketing and hotel booking reservation fees amounted to \$1,051,040 and \$71,982, respectively, and are included in sales and marketing expenses on the accompanying Statement of Operations and Changes in Members' Equity.

**Trump Old Post Office LLC**

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**11. Rent, Lease and License Income**

In certain instances, the terms of the Company’s leases with its tenants call for fixed minimum rental payments which will increase over the terms of the lease. The income recognized with respect to the agreement is recognized on a straight-line basis pursuant to GAAP. At August 31, 2018, the cumulative excess of income recognized over payments received is \$82,956. This amount appears on the Balance Sheet as an asset entitled “ Income accrued in excess of that billed.”

The following schedule reflects future annual minimum rent, lease, and license income anticipated for each of the next five years, thereafter, and in the aggregate, on non-cancelable leases as of August 31, 2018:

Year Ending August 31,	
2019	\$ 503,688
2020	515,845
2021	528,408
2022	472,795
2023	447,671
Thereafter	<u>2,642,110</u>
Total minimum rent, lease and license income	<u>\$ 5,110,517</u>

Future minimum rent, lease, and license income does not include amounts which may be received for percentage rents, which are based on tenant sales or other charges to cover certain operating costs. Additional rents in excess of the fixed minimum amounts are recognized as income when earned, and the amounts can be reasonably estimated. For the year ended August 31, 2018, these additional rents amounted to \$79,604.

**12. Income Taxes**

The Company’s temporary differences giving rise to District of Columbia deferred taxes are generated primarily from net loss carryforwards, straight line revenue, straight line ground rent, and depreciation. At August 31, 2018, the deferred tax asset approximated \$2,600,000 prior to a valuation allowance. At August 31, 2018, the Company believes that is more likely than not that the utilization of deferred tax assets will not be realized and has provided a full valuation allowance to offset this entire amount.

At December 31, 2017, the Company has District of Columbia net operating loss carryforward for income tax purposes of approximately \$35,500,000, which will begin to expire in 2036.

The Tax Cuts and Jobs Act enacted on December 22, 2017, makes substantial changes to Federal income tax laws and is not applicable to the Company, as it is only subject to District of Columbia tax.

**13. Commitments and Contingencies**

**Leasehold interest - 1100 Pennsylvania Avenue Northwest, Washington DC**

On August 5, 2013, the Company entered into a ground lease relating to the property in Washington, DC, known as the Old Post Office Pavilion located at 1100 Pennsylvania Avenue Northwest with the United States of America acting by and through the Administrator of General Services (the “Landlord”). In the lease, the Landlord has established a hotel standard (which may fluctuate under certain circumstances) to be adhered to and requires historic preservation compliance.

## **Trump Old Post Office LLC**

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The lease is set to expire on the sixtieth anniversary of the opening date, as defined in the lease, with the option of two twenty-year renewals. The monthly minimum future ground rent expense from the rent commencement date of April 5, 2015, through the sixtieth anniversary of the opening date, is the greater of \$250,000, as adjusted by the Consumer Price Index and a varying percentage of gross revenues. In addition, certain defined costs, expenses, and charges, including but not limited to taxes and utilities, are the responsibility of the Company, all subject to the terms and conditions of the lease.

Pursuant to GAAP, the ground rent expense recognized is recorded on the straight-line basis over the term of the lease. While the Hotel was being developed, the ground rent was capitalized. As of August 31, 2018, the excess of the recognized ground rent over the payments was \$4,579,746. The ground rent expense on a straight line basis was \$3,040,688 for the year ended August 31, 2018.

Pursuant to the terms of the ground lease, the Company is required to remit a percentage of gross revenues, as defined in the ground lease agreement, as percentage rent. For the year ended August 31, 2018, there was no percentage of gross revenues rent component that was due or payable.

Subject to the terms of the lease, if at any time the Landlord proposes to assign or transfer its interest in the lease to an entity that is not an agency or instrumentality of the United States of America (which it may only do in whole or in part), the Company shall have the exclusive right and option to purchase the Landlord's interest within thirty days of receiving notice of Landlord's proposal to enter into a sale and the price and other material terms and conditions of a sale which Landlord is willing to accept.

Following a minimum hold period defined as three consecutive years commencing on the opening date, the Company has the right to assign its interest in the lease, or sublease all or substantially all of the premises defined under the lease, provided the proposed transferee qualifies under terms set forth in the lease and the Landlord confirms that the transferee so qualifies.

### **Cross-Default Clause**

Donald J. Trump has guaranteed certain obligations as outlined in the guaranty agreement made by Donald J. Trump in favor of the Lender. The loan has a cross-default provision under certain circumstances. This provision provides that in the limited circumstance of an event of default by the Company or the guarantor on either (i) any other outstanding loan with the Lender or (ii) any other outstanding loan in excess of \$20,000,000, the Lender would have the option to call an event of default on this loan and cause the loan to be due prior to its stated maturity.

The Company believes that the likelihood of a default under this scenario is remote, as certain other conditions must also occur before this event of default can be triggered, and regardless, certain cure rights exist.

### **Litigation**

The Company is the subject of and exposed to various claims and legal proceedings that arise in the ordinary course of its business activities, which are being contested. Management and its legal counsel cannot make a determination as to the outcome at this time. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of the Company's operations.

A claim has been asserted against the Company and Donald J. Trump for unfair competition by a local wine and bar restaurant. In November 2018 the Court dismissed the motion. Plaintiff has since filed a notice of appeal. The Company denies the claim has merit. Management and the Company's legal counsel cannot make a determination as to the outcome at this time.

## **Trump Old Post Office LLC**

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The District of Columbia and the State of Maryland have filed a lawsuit that Donald J. Trump's ownership in certain entities violates the U.S. Constitution Foreign and Domestic Emoluments Clauses. The plaintiffs filed a motion to serve document preservation subpoenas on certain related entities. The court has denied a motion to dismiss and discovery is proceeding. The Company is assessing issued subpoenas and is assessing its position as to the scope of any production and any protections it might have against production. Management and the Company's legal counsel cannot make a determination as to the outcome at this time.

### **Voluntary Initiative to Annually Donate to the U.S. Treasury**

In January 2017 The Trump Organization announced its voluntary initiative to annually donate to the U.S. Treasury all profits from foreign governments' patronage at its hotels and similar businesses during President Donald J. Trump's presidential term. The Company identified \$132,720 of profits from foreign government patronage at the Hotel for the period from January 20, 2017 through December 31, 2017. In February 2018, the Company remitted this amount to Holdings (as discussed in Note 10 – Related Party Transactions). Holdings in turn remitted this amount to The Trump Corporation, an affiliated entity for inclusion in The Trump Organization's aggregated voluntary donation made to the U.S. Treasury.

The Company will calculate the amount of profits from identified foreign government patronage at the Hotel during 2018 after the conclusion of the 2018 calendar year.

#### **14. Fair Value of Financial Instruments**

The amounts included in the balance sheet at August 31, 2018, for accounts receivable, prepaid expenses, due from related parties, other receivables, accounts payable and accrued expenses, deferred income and advance deposits, and due to related parties, approximate fair value because of the short-term nature of these instruments. The carrying value of the loan payable at August 31, 2018, also approximates fair value, since the loan bears interest at a variable rate comparable to debt instruments currently available to the Company with similar terms and maturities.

#### **15. Subsequent Events**

The Company has evaluated subsequent events through December 28, 2018, the date the financial statements were available for issuance.

## Trump Old Post Office LLC

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### Trump Old Post Office LLC

#### *Supplemental Schedule (Unaudited)*

*Year Ended August 31, 2018*

The below supplemental schedule of Trump Old Post Office LLC provides annual financial information of the Company and operating statistics of the Hotel in accordance with the requirements of Section 5.3 of the ground lease referred to in Note 13, Commitments and Contingencies.

<b>Hotel statistics <sup>1</sup></b>	<b>(Unaudited)</b>
Average daily rate	\$ 478
Occupancy	56.2%
<b>Annual Statement</b>	
Gross revenues	
Rooms	\$ 25,798,661
Food and beverage	23,556,844
Other	2,953,866
Total gross revenues	<u>52,309,371</u>
Departmental expenses	
Rooms	9,464,023
Food and beverage	19,939,339
Other	1,376,389
Total departmental expenses	<u>30,779,751</u>
Departmental profit	<u>21,529,620</u>
Undistributed expenses	
General and administrative	7,124,697
Sales and marketing	3,246,122
Property operations and maintenance	4,017,794
Total undistributed expenses	<u>14,388,613</u>
Gross Operating Profit	<u>7,141,007</u>
Non-operating expenses	
Lease expense	3,040,688
Property and other taxes	2,600,237
Other	594,704
Total non-operating expenses	<u>6,235,629</u>
Net Operating Income	905,378
Depreciation and amortization	8,147,368
Interest expense	6,213,939
Net Loss <sup>2</sup>	<u>\$ (13,455,929)</u>

<sup>1</sup> Hotel statistics are calculated in accordance with the Uniform System of Accounts for the Lodging Industry, Eleventh Revised Edition.

<sup>2</sup> Net Loss is provided only for the purpose of reconciling Net Operating Income to Net Loss as presented in the Company's Statement of Operations and Changes in Members' Equity.



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MAZARS USA LLP

**Trump Old Post Office  
LLC**  
Financial Statements  
August 31, 2019



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## **Trump Old Post Office LLC**

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### *Table of Contents* *August 31, 2019*

	<b>Page(s)</b>
<i>Independent Auditors' Report</i> .....	1-2
<i>Balance Sheet</i> .....	3
<i>Statement of Operations and Changes in Members' Equity</i> .....	4
<i>Statement of Cash Flows</i> .....	5
<i>Notes to Financial Statements</i> .....	6-13
<i>Supplemental Schedule (Unaudited)</i> .....	14



## *Independent Auditors' Report*

To the Members  
*Trump Old Post Office LLC*

We have audited the accompanying financial statements of Trump Old Post Office LLC (a Limited Liability Company), which comprise the balance sheet as of August 31, 2019, and the related statements of operations and changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trump Old Post Office LLC as of August 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MAZARS USA LLP  
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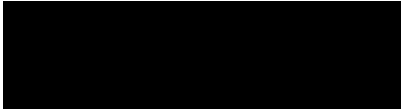
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**Disclaimer of Opinion on Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule, which is the responsibility of management, is presented for purposes of additional analysis in compliance with certain requirements of the Company's ground lease (Note 13) and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



December 27, 2019

**Trump Old Post Office LLC**

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*Balance Sheet*  
*August 31, 2019*

**Assets**

Property and equipment (net of accumulated depreciation in the amount of \$24,201,535) (Note 9)	\$ 193,375,418
Cash	1,491,454
Restricted cash	627,824
Accounts receivable (net of allowance for doubtful accounts in the amount of \$10,000)	1,357,186
Inventories	1,157,028
Prepaid expenses	1,268,552
Deferred lease acquisition costs (net of accumulated amortization in the amount of \$68,741)	486,522
Due from related parties	438,745
Income accrued in excess of that billed	137,572
Insurance claim receivable	<u>596,668</u>
 Total assets	 <u>\$ 200,936,969</u>

**Liabilities and Members' Equity**

Liabilities

Loan payable (Note 4)	\$ 168,211,487
Accounts payable and accrued expenses	10,234,107
Ground rent accrued in excess of that due pursuant to contractual terms	4,498,650
Deferred income and advance deposits	2,880,396
Due to related parties	<u>628,595</u>
 Total liabilities	 <u>186,453,235</u>

Commitments and contingencies (Note 13)

Members' equity	<u>14,483,734</u>
 Total liabilities and members' equity	 <u>\$ 200,936,969</u>

The accompanying notes are an integral part of these financial statements.

## Trump Old Post Office LLC

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### *Statement of Operations and Changes in Members' Equity* Year Ended August 31, 2019

Revenues	
Rooms	\$ 24,234,915
Food and beverage	23,270,143
Spa	654,820
Other	1,544,561
Rent, lease, and license income	661,798
Total revenues	<u>50,366,237</u>
Expenses	
Rooms	9,746,421
Food and beverage	20,325,459
Spa	700,699
Other	697,305
General and administrative	10,631,416
Sales and marketing	3,318,402
Property operations and maintenance	3,980,516
Total expenses	<u>49,400,218</u>
Income from operations before depreciation and amortization and ground lease rent	<u>966,019</u>
Depreciation and amortization	8,207,797
Ground lease rent	3,094,562
	<u>11,302,359</u>
Loss from operations	(10,336,340)
Interest expense	<u>7,481,589</u>
Net loss	(17,817,929)
Members' equity - August 31, 2018	23,225,576
Capital contributions by members	<u>9,076,087</u>
Members' equity - August 31, 2019	<u>\$ 14,483,734</u>

The accompanying notes are an integral part of these financial statements.

## Trump Old Post Office LLC

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### *Statement of Cash Flows* *Year Ended August 31, 2019*

Cash flows from operating activities	
Net loss	\$ (17,817,929)
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation	8,191,544
Allowance for doubtful accounts	839
Amortization of deferred lease acquisition costs	16,253
Interest - debt issuance costs	361,376
Income accrued in excess of that billed	(54,616)
Ground rent accrued in excess of that due pursuant to contractual terms	(81,096)
Increase (decrease) in cash attributable to changes in operating assets and liabilities	
Accounts receivable	(379,099)
Insurance claim receivable	(596,668)
Inventories	(208,411)
Prepaid expenses	(71,835)
Due from related parties	(180,931)
Accounts payable and accrued expenses	2,129,299
Deferred income and advanced deposits	312,525
Due to related parties	348,213
Net cash used in operating activities	<u>(8,030,536)</u>
Cash flows from investing activities	
Deposits to restricted cash account	(534,563)
Purchase of property and equipment	(248,045)
Net cash used in investing activities	<u>(782,608)</u>
Cash flows from financing activities	
Loans received from member	9,225,000
Loans repaid to member	(148,913)
Net cash provided by financing activities	<u>9,076,087</u>
Net increase in cash	262,943
Cash	
Beginning	1,228,511
Ending	<u>\$ 1,491,454</u>
Supplemental disclosures of non-cash financing information	
During the period September 1, 2018 to August 31, 2019, DJT Holdings LLC lent the Company \$9,225,000. Of this amount \$148,913 was repaid. At August 31, 2019, the balance of \$9,076,087 was elected to be contributed to the Company.	
Cash paid during the year for interest expense	<u>\$ 7,098,790</u>

The accompanying notes are an integral part of these financial statements.



## **Trump Old Post Office LLC**

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### *Notes to Financial Statements*

*Year Ended August 31, 2019*

#### **1. Organization and Nature of Operations**

Trump Old Post Office LLC (the “Company”), a Delaware Limited Liability Company, was formed on June 30, 2011. DJT Holdings LLC (“Holdings”), Don OPO LLC, Ivanka OPO LLC, Eric OPO LLC, and Trump Old Post Office Member Corp. (collectively the “Members”) are members with Trump Old Post Office Member Corp. being designated as the managing member. All entities are owned by The Donald J. Trump Revocable Trust dated April 7, 2014, as amended (the “Trust”) and trusts of various members of the Trump family.

The Company was formed for the purpose of developing the property located at 1100 Pennsylvania Avenue NW in Washington, D.C. into a luxury hotel known as Trump International Hotel Washington D. C. (the “Hotel”). The Hotel began operations on September 12, 2016. The Hotel consists of 263 available rooms, restaurants, banquet facilities, retail concessions, and a spa.

#### **2. Going Concern and Related Party Support**

The Hotel has experienced losses and negative cash flows from operations. Management continuously evaluates the Company’s performance and anticipates that the Company may need continued financial support at least through December 31, 2020. The Trust has committed to continue to fund all amounts required by the Company through at least that date.

#### **3. Significant Accounting Policies**

##### **Basis of Presentation**

The Company prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

##### **Cash**

The Company considers all highly liquid instruments with an original purchased maturity of three months or less to be cash equivalents.

##### **Restricted Cash**

In accordance with the ground lease, beginning in November 2017, the Company is required to make payments into a designated cash account to fund future expenditures for property and equipment in the normal course of business. Monthly payments are required as a percentage of gross revenues, as defined, less payments made for such expenditures. At August 31, 2019, the balance of this account totaled \$627,824.

##### **Accounts Receivable**

Accounts receivable primarily represents receivables from hotel guests and retail tenants. An allowance for doubtful accounts is provided when it is determined that accounts will not be collected. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions.

##### **Inventories**

Inventories consist primarily of food, beverages, and retail items. Inventories are valued at the lower of cost or net realizable value as determined by the first-in, first-out method.

## Trump Old Post Office LLC

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### Property and Equipment

Property and equipment are stated at cost. Maintenance and repairs expenditures are expensed when incurred. Expenditures for improvements and renewals are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Building and improvements	40 years
Furniture, fixtures and equipment	7 years

Generally accepted accounting principles require that impairment losses be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount. Through August 31, 2019, based on the assessment of the factors, it has not been necessary to record impairment losses.

### Deferred Lease Acquisition Costs

Costs incurred to acquire the leasehold position with the United States of America are being amortized on a straight-line basis over the term of the lease.

### Deferred Income and Advanced Deposits

Deferred income consists of up-front fees received for various services to be provided over a range of five to ten years commencing on the opening of the Hotel. At August 31, 2019, these fees amount to \$510,354.

Advance deposits represent amounts received that are to be applied as part of the payment for future hotel stays or events. At August 31, 2019, these deposits amount to \$2,370,042.

### Rent, Lease, and License Income

Revenue related to rent, lease, and license agreements is straight-lined over the term of the agreement.

### Income Taxes

Federal and state regulations provide that the income and loss of a limited liability company be allocated to and reported on the tax return of each member. Accordingly, no Federal or state taxes have been provided for in the accompanying financial statements. The District of Columbia imposes a tax on the Company's profit, which is treated as a current period expense when incurred.

The Company recognizes deferred taxes and liabilities based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in tax deductible amounts in future years. Deferred tax assets and liabilities are measured using the enacted rates in effect for the year in which the temporary differences are expected to be recovered or settled.

Generally, the Company's tax returns are subject to examination by Federal, state, and local authorities for a period of three years from the later of the due date of such returns or the actual date the returns were filed, unless otherwise extended.

### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Advertising

Advertising costs are expensed as incurred and amounted to \$270,026 for the year ended August 31, 2019.

## Trump Old Post Office LLC

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### Debt Issuance Costs

The Company reports debt issuance costs as a direct deduction from the principal amount of the related debt.

Debt issuance costs is amortized on a straight-line basis (which is not materially different from the effective interest method) over the life of the respective debt instrument.

### Sales Tax

The Company records sales taxes assessed upon customers as a reduction of revenue.

#### 4. Loan Payable

On August 12, 2014, the Company entered into a loan agreement with Deutsche Bank Trust Company Americas (the “Lender”) with a maximum amount of \$170,000,000. The loan was drawn down upon as the property was developed and operated. The Lender was not obligated to make the initial disbursement of loan proceeds unless the Company delivered evidence reasonably acceptable to the Lender that the Company, Donald J. Trump as guarantor, or any affiliate thereof, has made an equity investment in the mortgaged premises in an amount not less than 20% of the redevelopment budget. As of June 2015, the Company met this threshold. On June 29, 2015, the Company commenced drawing on the loan. At August 31, 2019, total draws on the loan amount to \$170,000,000.

Loan payable is comprised of the following at August 31, 2019:

Loan payable	\$ 170,000,000
Less: unamortized debt issuance costs	<u>(1,788,513)</u>
	<u>\$ 168,211,487</u>

Only interest shall be payable on the loan, with no principal payments required until maturity subject to certain conditions outlined in the loan agreement. On August 12, 2024, the loan maturity date, the Company shall make a payment to the Lender in an amount equal to the then outstanding principal balance, accompanied by all unpaid and accrued interest, charges, fees, and expenses. Upon notice to the Lender, the Company may voluntarily prepay the loan, in whole or in part, without any premiums or penalties. This prepayment must be at least \$1,000,000, or a whole multiple of \$100,000 in excess of \$1,000,000.

The loan bears interest at either a “LIBOR Rate Advance” or a “Prime Rate Advance” pursuant to certain elections made by the Company. In the case of a LIBOR Rate Advance, the interest rate will equal LIBOR Rate plus an applicable margin of either 2% per annum during the redevelopment period commencing August 12, 2014 and ending at the beginning of the post-redevelopment period, or 1.75% per annum during the post-redevelopment period. In the case of a Prime Rate Advance, the interest rate will equal the prime lending rate as announced by the Lender during the redevelopment period, or the prime lending rate as announced by the Lender less .25% during the post-redevelopment period. Interest shall be payable in arrears at maturity on either the first day of each month for a Prime Rate Advance or the last day of each interest period applicable to a LIBOR Rate Advance. If such interest period applicable for a LIBOR Rate Advance is greater than ninety days, interest is payable every three months. At August 31, 2019, the loan carried interest at the LIBOR Rate Advance of 3.97945%.

The Company is subject to annual debt service testing on a January 31’ fiscal year basis as set forth in the loan agreement. Through January 31, 2019, the Company is in compliance with the debt service testing.

## **Trump Old Post Office LLC**

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Under certain circumstances, Donald J. Trump has guaranteed certain obligations as outlined in the guaranty made by Donald J. Trump in favor of Deutsche Bank Trust Company Americas.

The loan is collateralized by the Company's rights, title, and interest in the mortgaged premises, now owned, or acquired hereafter.

For the year ended August 31, 2019, total interest incurred and expensed for the loan agreement was \$7,120,213. In addition, for the year ended August 31, 2019, total amortization of debt issuance costs was \$361,376.

### **5. Significant Concentrations of Credit Risk**

The Company places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. Cash exceeding FDIC insured limits totaled \$2,166,374 at August 31, 2019.

### **6. Retirement Plan**

The Company sponsors a 401(k) - retirement plan in which certain employees may participate after one year of service. Each year, each participant may contribute up to 60% of the participant's annual pre-tax compensation subject to a legal maximum amount. Certain participants are eligible to receive matching employer contributions at a percentage computed by the employer based on eligible compensation deferred into the plan each payroll period. In 2019, employer contributions amounted to \$387,064.

### **7. Multiemployer Defined Benefit Plan**

The Company entered into a collective bargaining agreement on November 2, 2017, (the "Ratification Date") with Unite Here Local 25 (the "Union"). Under the collective bargaining agreement, the Company is not obligated to contribute to the Union pension fund until November 2, 2021, which is four years after the Ratification Date. There were no contributions to the Union pension fund in the current fiscal year. Also, under the collective bargaining agreement, the Company is not obligated to contribute to the Union health and welfare fund until November 2, 2018, which is one year after the Ratification Date. During the year ended August 31, 2019 the Company contributed \$44,991 to the Union health and welfare fund. Both funds together make up the multiemployer defined benefit plan. The risks of participating in a multiemployer plan are different from those of a single-employer plan in the following aspects:

- (a) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- (b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- (c) If the Company chooses to stop participating in the multiemployer plan, the Company may be required to pay that plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

## Trump Old Post Office LLC

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### 8. Members' Equity

Pursuant to the Delaware Limited Liability Company Act, the members of the Company are not liable for the debts, obligations, or other liabilities of the limited liability company by reason of being such members.

From September 1, 2018 through December 27, 2019, the date these financial statements were available to be issued, the Company did not make any distributions to its Members, nor did it make any distributions to Donald J. Trump or the Trust.

### 9. Property and Equipment

Property and equipment consists of the following:

Building improvements	\$ 194,065,932
Furniture and equipment	18,017,875
Operating supplies	5,103,532
Construction in Progress	147,511
Tenant improvements	242,103
	<u>217,576,953</u>
Accumulated depreciation	<u>(24,201,535)</u>
	<u>\$ 193,375,418</u>

Depreciation expense of property and equipment was \$8,191,544 for the year ended August 31, 2019.

### 10. Related Party Transactions

#### Management Agreement

The Company entered into a management agreement on August 12, 2014, with OPO Hotel Manager LLC, an affiliated entity, which has common ownership to the Company. The management fee is comprised of a base monthly fee calculated as three percent of gross operating revenue and an incentive monthly fee calculated as twenty percent of adjusted gross operating profit, if any. The agreement calls for the payment of a management fee effective with the opening of the Hotel, for twenty-five years, with two ten-year renewal options. OPO Hotel Manager LLC has waived the fee for the year ended August 31, 2019.

#### Due to/from Related Parties

At August 31, 2019, the Company had receivables of \$438,745 due from various entities affiliated through common control. At August 31, 2019, the Company had payables of \$628,595 due to various entities affiliated through common control. During the year ended August 31, 2019, Holdings lent \$9,225,000 to the Company and was repaid \$148,913. Included in the repayments of \$148,913 was an amount the Company identified from foreign government patronage for the period from January 1, 2018 through December 31, 2018. See Note 13- Commitments, Contingencies and Other Matters for additional information.

#### Marketing and Hotel Booking Reservation Fees

The Company incurs marketing and hotel booking reservation fees to entities effectively owned by the Trust. For the year ended August 31, 2019, marketing and hotel booking reservation fees amounted to

## Trump Old Post Office LLC

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\$1,020,873 and \$74,828, respectively, and are included in sales and marketing expenses on the accompanying statement of operations and changes in members' equity.

### 11. Rent, Lease and License Income

In certain instances, the terms of the Company's leases with its tenants call for fixed minimum rental payments which will increase over the terms of the lease. The income recognized with respect to the agreement is recognized on a straight-line basis pursuant to GAAP. At August 31, 2019, the cumulative excess of income recognized over payments received is \$137,572. This amount appears on the balance sheet as an asset entitled "Income accrued in excess of that billed."

The following schedule reflects future annual minimum rent, lease, and license income anticipated for each of the next five years, thereafter, and in the aggregate, on non-cancelable leases as of August 31, 2019:

Year Ending August 31,	
2020	\$ 515,845
2021	528,408
2022	472,795
2023	447,671
2024	456,587
Thereafter	<u>2,185,523</u>
Total minimum rent, lease and license income	<u>\$ 4,606,829</u>

Future minimum rent, lease, and license income does not include amounts which may be received for percentage rents, which are based on tenant sales or other charges to cover certain operating costs. Additional rents in excess of the fixed minimum amounts are recognized as income when earned, and the amounts can be reasonably estimated. For the year ended August 31, 2019, these additional rents amounted to \$103,993.

### 12. Income Taxes

The Company's temporary differences giving rise to District of Columbia deferred taxes are generated primarily from net loss carryforwards, straight line revenue, straight line ground rent, and depreciation. At August 31, 2019, the deferred tax asset approximated \$6,400,000 prior to a valuation allowance. At August 31, 2019, the Company believes that it is more likely than not that the utilization of deferred tax assets will not be realized and has provided a full valuation allowance to offset the entire amount of a future tax benefit. For the year ended August 31, 2019, the tax benefit of \$3,800,000 was simultaneously reduced by a valuation allowance to offset the entire amount.

At December 31, 2018, the Company has District of Columbia net operating loss carryforward for income tax purposes of approximately \$53,800,000, which will begin to expire in 2036.

### 13. Commitments, Contingencies and Other Matters

#### Leasehold interest - 1100 Pennsylvania Avenue Northwest, Washington DC

On August 5, 2013, the Company entered into a ground lease relating to the property in Washington, DC, known as the Old Post Office Pavilion, located at 1100 Pennsylvania Avenue Northwest with the United States of America acting by and through the Administrator of General Services (the "Landlord"). In the lease, the Landlord has established a hotel standard (which may fluctuate under certain circumstances) to be adhered to and requires historic preservation compliance.

## **Trump Old Post Office LLC**

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The lease is set to expire on the sixtieth anniversary of the opening date, as defined in the lease, with the option of two twenty-year renewals. The monthly minimum future ground rent expense from the rent commencement date of April 5, 2015, through the sixtieth anniversary of the opening date, is the greater of \$250,000, as adjusted by the Consumer Price Index and a varying percentage of gross revenues. In addition, certain defined costs, expenses, and charges, including but not limited to taxes and utilities, are the responsibility of the Company, all subject to the terms and conditions of the lease.

Pursuant to GAAP, the ground rent expense recognized is recorded on the straight-line basis over the term of the lease. While the Hotel was being developed, the ground rent was capitalized. As of August 31, 2019, the excess of the recognized ground rent over the payments was \$4,498,650. The ground rent expense on a straight line basis was \$3,094,562 for the year ended August 31, 2019.

Pursuant to the terms of the ground lease, the Company is required to remit a percentage of gross revenues, as defined in the ground lease agreement, as percentage rent. For the year ended August 31, 2019, there was no percentage of gross revenues rent component that was due or payable.

Subject to the terms of the lease, if at any time the Landlord proposes to assign or transfer its interest in the lease to an entity that is not an agency or instrumentality of the United States of America (which it may only do in whole or in part), the Company shall have the exclusive right and option to purchase the Landlord's interest within thirty days of receiving notice of Landlord's proposal to enter into a sale and the price and other material terms and conditions of a sale which Landlord is willing to accept.

Following a minimum hold period defined as three consecutive years commencing on the opening date, the Company has the right to assign its interest in the lease, or sublease all or substantially all of the premises defined under the lease, provided the proposed transferee qualifies under terms set forth in the lease and the Landlord confirms that the transferee so qualifies.

### **Cross-Default Clause**

Donald J. Trump has guaranteed certain obligations as outlined in the guaranty agreement made by Donald J. Trump in favor of the Lender. The loan has a cross-default provision under certain circumstances. This provision provides that in the limited circumstance of an event of default by the Company or the guarantor on either (i) any other outstanding loan with the Lender or (ii) any other outstanding loan in excess of \$20,000,000, the Lender would have the option to call an event of default on this loan and cause the loan to be due prior to its stated maturity.

The Company believes that the likelihood of a default under this scenario is remote, as certain other conditions must also occur before this event of default can be triggered, and regardless, certain cure rights exist.

### **Litigation**

A claim has been asserted against the Company and Donald J. Trump for unfair competition by a local wine bar and restaurant. In November 2018, the Court dismissed the motion. The plaintiff has since filed a notice of appeal and argument was heard by the D. C. Circuit in the fall of 2019. The Company denies the claim has merit. Management and the Company's legal counsel cannot make a determination as to the outcome at this time.

The District of Columbia and the State of Maryland have filed a lawsuit alleging that Donald J. Trump's ownership in certain entities violates the U.S. Constitution Foreign and Domestic Emoluments Clauses. A federal appeals court dismissed the matter in July 2019, ruling that the District of Columbia and Maryland

## **Trump Old Post Office LLC**

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lacked legal standing to bring a lawsuit. A petition for rehearing by the full panel of the court was granted and the case was reheard in December 2019. Management and the Company's legal counsel cannot make a determination as to the outcome at this time.

The Company has received a demand letter from an attorney representing a current employee seeking \$3.5 million in damages. The Company and plaintiff's counsel have agreed to mediate this matter and are in the process of arranging for that mediation. Management cannot make a determination as to the outcome at this time.

The Company is the subject of and exposed to various other claims and legal proceedings that arise in the ordinary course of its business activities, which are being contested. Management and its legal counsel cannot make a determination as to the outcome at this time. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of the Company's operations

### **Voluntary Initiative to Annually Donate to the U.S. Treasury**

In January 2017, The Trump Organization announced its voluntary initiative to annually donate to the U.S. Treasury all profits from foreign governments' patronage at its hotels and similar businesses during President Donald J. Trump's presidential term. The Company identified \$148,913 of profits from foreign government patronage at the Hotel for the period from January 1, 2018 through December 31, 2018. In February 2019, the Company remitted this amount to Holdings (as discussed in Note 10 – Related Party Transactions). Holdings in turn remitted this amount to The Trump Corporation, an affiliated entity for inclusion in The Trump Organization's aggregated voluntary donation made to the U.S. Treasury.

The Company will calculate the amount of profits from identified foreign government patronage at the Hotel during 2019 after the conclusion of the 2019 calendar year.

### **Insurance Claim Receivable**

On July 8, 2019, the Hotel experienced water damage from heavy rains. The Company has filed an insurance claim with its insurance carrier. At August 31, 2019 the Company included in accounts payable and accrued expenses on the balance sheet \$606,668 which represents the amount due to vendors related to this matter. The insurance claim receivable shown on the balance sheet is net of a \$10,000 deductible.

## **14. Fair Value of Financial Instruments**

The amounts included in the balance sheet at August 31, 2019, for accounts receivable, prepaid expenses, due from related parties, other receivables, accounts payable and accrued expenses, deferred income and advance deposits, and due to related parties, approximate fair value because of the short-term nature of these instruments. The carrying value of the loan payable at August 31, 2019, also approximates fair value, since the loan bears interest at a variable rate comparable to debt instruments currently available to the Company with similar terms and maturities.

## **15. Subsequent Events**

The Company has evaluated subsequent events through December 27, 2019, the date the financial statements were available for issuance.



## Trump Old Post Office LLC

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### *Supplemental Schedule (Unaudited)*

*Year Ended August 31, 2019*

The below supplemental schedule of Trump Old Post Office LLC provides annual financial information of the Company and operating statistics of the Hotel in accordance with the requirements of Section 5.3 of the ground lease referred to in Note 13, Commitments and Contingencies.

	<b>(Unaudited)</b>
<b>Hotel statistics <sup>1</sup></b>	
Average daily rate	\$ 500
Occupancy	50.8%
<b>Annual Statement</b>	
Gross revenues	
Rooms	\$ 24,234,915
Food and beverage	23,270,143
Other	2,861,179
Total gross revenues	<u>50,366,237</u>
Departmental expenses	
Rooms	9,746,421
Food and beverage	20,325,459
Other	1,398,004
Total departmental expenses	<u>31,469,884</u>
Departmental profit	<u>18,896,353</u>
Undistributed expenses	
General and administrative	7,194,166
Sales and marketing	3,318,402
Property operations and maintenance	3,980,516
Total undistributed expenses	<u>14,493,084</u>
Gross Operating Profit	<u>4,403,269</u>
Non-operating expenses	
Lease expense	3,094,562
Property and other taxes	2,778,026
Other	659,224
Total non-operating expenses	<u>6,531,812</u>
Net Operating Loss	(2,128,543)
Depreciation and amortization	8,207,797
Interest expense	7,481,589
Net Loss <sup>2</sup>	<u>\$ (17,817,929)</u>

<sup>1</sup> Hotel statistics are calculated in accordance with the Uniform System of Accounts for the Lodging Industry, Eleventh Revised Edition.

<sup>2</sup> Net Loss is provided only for the purpose of reconciling Net Operating Income to Net Loss as presented in the Company's Statement of Operations and Changes in Members' Equity.

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# Trump Old Post Office LLC

Financial Statements  
August 31, 2020

**mazars**

Mazars USA LLP is an independent member firm of Mazars Group.

## Trump Old Post Office LLC

### Table of Contents August 31, 2020

	Page(s)
Independent Auditors' Report.....	1
Balance Sheet .....	2
Statement of Operations and Changes in Members' Equity .....	3
Statement of Cash Flows .....	4
Notes to Financial Statements.....	5-12
Supplemental Schedule (Unaudited).....	13



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## Independent Auditors' Report

### To the Members Trump Old Post Office LLC

We have audited the accompanying financial statements of Trump Old Post Office LLC (a Limited Liability Company), which comprise the balance sheet as of August 31, 2020, and the related statements of operations and changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trump Old Post Office LLC as of August 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Disclaimer of Opinion on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule, which is the responsibility of management, is presented for purposes of additional analysis in compliance with certain requirements of the Company's ground lease (Note 13) and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

[REDACTED]  
December 29, 2020

Mazars USA LLP is an independent member firm of Mazars Group.

## Trump Old Post Office LLC

### Balance Sheet August 31, 2020

#### Assets

Property and equipment (net of accumulated depreciation in the amount of \$32,399,590) (Note 9)	\$ 185,315,308
Cash	1,307,601
Restricted cash	500
Accounts receivable (net of allowance for doubtful accounts in the amount of \$137,553)	1,756,726
Inventories	953,382
Prepaid expenses	1,704,904
Deferred lease acquisition costs (net of accumulated amortization in the amount of \$84,994)	470,269
Due from related parties	480,504
Income accrued in excess of that billed	180,031
	<hr/>
Total assets	<u><u>\$ 192,169,225</u></u>

#### Liabilities and Members' Equity

##### Liabilities

Loan payable (Note 4)	\$ 168,572,864
Accounts payable and accrued expenses	9,939,927
Ground rent accrued in excess of that due pursuant to contractual terms	4,417,554
Deferred income and advance deposits	4,660,437
Due to related parties	1,144,574
	<hr/>
Total liabilities	<u>188,735,356</u>

Commitments and contingencies (Note 13)

Members' equity	<hr/> 3,433,869
Total liabilities and members' equity	<u><u>\$ 192,169,225</u></u>

The accompanying notes are an integral part of these financial statements.

## Trump Old Post Office LLC

### Statement of Operations and Changes in Members' Equity Year Ended August 31, 2020

Revenues	
Rooms	\$ 14,725,221
Food and beverage	14,597,967
Spa	429,302
Other	922,771
Rent, lease, and license income	704,138
Total revenues	<u>31,379,399</u>
Expenses	
Rooms	6,537,960
Food and beverage	14,012,111
Spa	430,278
Other	443,463
General and administrative	9,031,567
Sales and marketing	2,192,104
Property operations and maintenance	4,254,150
Total expenses	36,901,633
Loss from operations before depreciation and amortization and ground lease rent	<u>(5,522,234)</u>
Depreciation and amortization	8,214,307
Ground lease rent	3,126,843
	<u>11,341,150</u>
Loss from operations	(16,863,384)
Interest expense	<u>5,470,927</u>
Net loss	(22,334,311)
Members' equity - August 31, 2019	14,483,734
Capital contributions by members	<u>11,284,446</u>
Members' equity - August 31, 2020	<u>\$ 3,433,869</u>

The accompanying notes are an integral part of these financial statements.

## Trump Old Post Office LLC

### Statement of Cash Flows Year Ended August 31, 2020

Cash flows from operating activities	
Net loss	\$ (22,334,311)
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation	8,198,054
Provision for doubtful accounts	127,553
Amortization of deferred lease acquisition costs	16,253
Interest - debt issuance costs	361,376
Income accrued in excess of that billed	(42,459)
Ground rent accrued in excess of that due pursuant to contractual terms	(81,096)
Insurance claim receivable	596,668
Increase (decrease) in cash attributable to changes in operating assets and liabilities	
Accounts receivable	(527,093)
Inventories	203,646
Prepaid expenses	(436,351)
Due from related parties	(41,759)
Accounts payable and accrued expenses	(313,067)
Deferred income and advanced deposits	1,780,041
Due to related parties	515,979
Net cash used in operating activities	<u>(11,976,566)</u>
Cash flows from investing activities	
Purchase of property and equipment	<u>(119,057)</u>
Net cash used in investing activities	<u>(119,057)</u>
Cash flows from financing activities	
Loans received from member	11,358,500
Loans repaid to member	<u>(74,054)</u>
Net cash provided by financing activities	<u>11,284,446</u>
Net decrease in cash and restricted cash	(811,177)
Cash and restricted cash	
Beginning	<u>2,119,278</u>
Ending	<u>\$ 1,308,101</u>
Supplemental disclosures of non-cash financing information	
During the period September 1, 2019 to August 31, 2020, DJT Holdings LLC lent the Company \$11,358,500. Of this amount \$74,054 was repaid. At August 31, 2020, the balance of \$11,284,446 was elected to be contributed to the Company.	
Cash paid during the year for interest expense	<u>\$ 5,431,532</u>

The accompanying notes are an integral part of these financial statements.



## Trump Old Post Office LLC

### Notes to Financial Statements Year Ended August 31, 2020

#### 1. Organization and Nature of Operations

Trump Old Post Office LLC (the "Company"), a Delaware Limited Liability Company, was formed on June 30, 2011. DJT Holdings LLC ("Holdings"), Don OPO LLC, Ivanka OPO LLC, Eric OPO LLC, and Trump Old Post Office Member Corp. (collectively the "Members") are members with Trump Old Post Office Member Corp. being designated as the managing member. All entities are owned by The Donald J. Trump Revocable Trust dated April 7, 2014, as amended (the "Trust") and trusts of various members of the Trump family.

The Company was formed for the purpose of developing the property located at 1100 Pennsylvania Avenue NW in Washington, D.C. into a luxury hotel known as Trump International Hotel Washington D. C. (the "Hotel"). The Company will continue in existence until such time as terminated in accordance with the terms of the second amended and restated limited liability company agreement. The Hotel began operations on September 12, 2016. The Hotel consists of 263 available rooms, restaurants, banquet facilities, retail concessions, and a spa.

#### 2. Coronavirus ("COVID-19") Pandemic, Going Concern and Related Party Support

The emergence of the COVID-19 in early 2020 has resulted in significant disruption to travel, tourism, and the hospitality industry. Washington D.C. declared a public health emergency in March 2020 that imposed stay-at-home orders, lockdowns of economic activity, and restricted social gatherings. While the Hotel was permitted to remain open, its restaurant was forced to close from March 2020 through June 2020, and the spa and gift shop were closed from March 2020 through the date the financial statements were available to be issued.

The low travel demand to the destination resulted in significant declines in Hotel occupancy and the Company's revenues have declined since March 2020 as a result.

There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. The Company is monitoring this evolving situation closely and evaluating its potential exposure including compliance with its debt service testing (See Note 4). In order to mitigate these uncertainties, the Company has implemented certain operational adjustments.

Management continuously evaluates the Company's performance and anticipates that the Company may need continued financial support at least through December 31, 2021. The Trust has committed to continue to fund all amounts required by the Company through at least that date.

#### 3. Significant Accounting Policies

##### Basis of Presentation

The Company prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

##### Cash

The Company considers all highly liquid instruments with an original purchased maturity of three months or less to be cash equivalents.

##### Restricted Cash

In accordance with the ground lease, beginning in November 2017, the Company is required to make payments into a designated cash account to fund future expenditures for property and equipment in the normal course of business. Monthly payments are required as a percentage of gross revenues, as defined, less payments made for such expenditures. As a result of the economic impact from the COVID-19 Coronavirus pandemic (see Note 2), the Company commenced withdrawal of funds from this cash account in March 2020 to maintain the Hotel premises as specified in the ground lease agreement. The Company has suspended contributions to this account at the same time but fully intends to resume funding the

## Trump Old Post Office LLC

account once cash flows are sufficient to do so. At August 31, 2020, the balance of this account totaled \$500.

### Accounts Receivable

Accounts receivable primarily represents receivables from hotel guests and retail tenants. An allowance for doubtful accounts is provided when it is determined that accounts will not be collected. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions.

### Inventories

Inventories consist primarily of food, beverages, and retail items. Inventories are valued at the lower of cost or net realizable value as determined by the first-in, first-out method.

### Property and Equipment

Property and equipment are stated at cost. Maintenance and repairs expenditures are expensed when incurred. Expenditures for improvements and renewals are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Building and improvements	40 years
Furniture, fixtures and equipment	7 years

Generally accepted accounting principles require that impairment losses be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount. Through August 31, 2020, based on the assessment of the factors, it has not been necessary to record impairment losses.

### Deferred Lease Acquisition Costs

Costs incurred to acquire the leasehold position with the United States of America are being amortized on a straight-line basis over the term of the lease.

### Deferred Income and Advanced Deposits

Deferred income consists of up-front fees received for various services to be provided over a range of five to ten years commencing on the opening of the Hotel. At August 31, 2020, these fees amount to \$396,066.

Advance deposits represent amounts received that are to be applied as part of the payment for future hotel stays or events. At August 31, 2020, these deposits amount to \$4,264,371.

### Rent, Lease, and License Income

Revenue related to rent, lease, and license agreements is straight-lined over the term of the agreement.

### Income Taxes

Federal and state regulations provide that the income and loss of a limited liability company be allocated to and reported on the tax return of each member. Accordingly, no Federal or state taxes have been provided for in the accompanying financial statements. The District of Columbia imposes a tax on the Company's profit, which is treated as a current period expense when incurred.

The Company recognizes deferred taxes and liabilities based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in tax deductible amounts in future years. Deferred tax assets and liabilities are measured using the enacted rates in effect for the year in which the temporary differences are expected to be recovered or settled.

Generally, the Company's tax returns are subject to examination by Federal, state, and local authorities for a period of three years from the later of the due date of such returns or the actual date the returns were filed, unless otherwise extended.

### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

## Trump Old Post Office LLC

assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Advertising

Advertising costs are expensed as incurred and amounted to \$175,868 for the year ended August 31, 2020.

### Insurance

The company insures itself against normal course of business losses such as property damage and other potential losses. An asset related to insurance recoveries, to the extent of losses, is recognized when realization is deemed to be probable. For the year ended August 31, 2020, the Company wrote off \$596,668 of claims receivable and no new amounts have been recorded.

### Debt Issuance Costs

The Company reports debt issuance costs as a direct deduction from the principal amount of the related debt.

Debt issuance costs is amortized on a straight-line basis (which is not materially different from the effective interest method) over the life of the respective debt instrument.

### Sales Tax

The Company records sales taxes assessed upon customers as a reduction of revenue.

### Accounting Policy

Effective for the year ended August 31, 2020 the Company implemented ASU 2016-18, Restricted Cash (ASU 2016-18). Accordingly, amounts generally described as restricted cash are included with cash when reconciling beginning of year and end of year totals on the statement of cash flows.

The following table provides a reconciliation of cash and restricted cash as reported within the balance sheet to the same items as reported in the cash flow statement.

Cash	\$ 1,307,601
Restricted cash	500
Total cash and restricted cash	<u>\$ 1,308,101</u>

#### 4. Loan Payable

On August 12, 2014, the Company entered into a loan agreement with Deutsche Bank Trust Company Americas (the "Lender") with a maximum amount of \$170,000,000. The loan was drawn down upon as the property was developed and operated. The Lender was not obligated to make the initial disbursement of loan proceeds unless the Company delivered evidence reasonably acceptable to the Lender that the Company, Donald J. Trump as guarantor, or any affiliate thereof, has made an equity investment in the mortgaged premises in an amount not less than 20% of the redevelopment budget. As of June 2015, the Company met this threshold. On June 29, 2015, the Company commenced drawing on the loan. At August 31, 2020, total draws on the loan amount to \$170,000,000.

Loan payable is comprised of the following at August 31, 2020:

Loan payable	\$ 170,000,000
Less: unamortized debt issuance costs	(1,427,136)
	<u>\$ 168,572,864</u>

Only interest shall be payable on the loan, with no principal payments required until maturity subject to certain conditions outlined in the loan agreement. On August 12, 2024, the loan maturity date, the Company shall make a payment to the Lender in an amount equal to the then outstanding principal balance, accompanied by all unpaid and accrued interest, charges, fees, and expenses. Upon notice to the Lender, the Company may voluntarily prepay the loan, in whole or in part, without any premiums or penalties. This prepayment must be at least \$1,000,000, or a whole multiple of \$100,000 in excess of \$1,000,000.

## Trump Old Post Office LLC

The loan bears interest at either a "LIBOR Rate Advance" or a "Prime Rate Advance" pursuant to certain elections made by the Company. In the case of a LIBOR Rate Advance, the interest rate will equal LIBOR Rate plus an applicable margin of 1.75% per annum. In the case of a Prime Rate Advance, the interest rate will equal the prime lending rate as announced by the Lender less .25%. Interest shall be payable in arrears at maturity on either the first day of each month for a Prime Rate Advance or the last day of each interest period applicable to a LIBOR Rate Advance. If such interest period applicable for a LIBOR Rate Advance is greater than ninety days, interest is payable every three months. At August 31, 2020, the loan carried interest at the LIBOR Rate Advance of 1.90563%.

The Company is subject to annual debt service testing on a January 31 fiscal year basis as set forth in the loan agreement. Through January 31, 2020, the Company is in compliance with the debt service testing.

Under certain circumstances, Donald J. Trump has guaranteed certain obligations as outlined in the guaranty made by Donald J. Trump in favor of Deutsche Bank Trust Company Americas.

The loan is collateralized by the Company's rights, title, and interest in the mortgaged premises, now owned, or acquired hereafter.

For the year ended August 31, 2020, total interest incurred and expensed for the loan agreement was \$5,109,551. In addition, for the year ended August 31, 2020, total amortization of debt issuance costs was \$361,376.

### 5. Concentrations

#### Credit Risk

The Company places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. Cash exceeding FDIC insured limits totaled \$1,334,920 at August 31, 2020.

#### Accounts Receivable

Accounts receivable at August 31, 2020 totaled \$1,756,726 of which 41% is receivable from two customers. These receivables were collected in the months prior to issuance of these financial statements.

### 6. Retirement Plan

The Company sponsors a 401(k) - retirement plan in which certain employees may participate after one year of service. Each year, each participant may contribute up to 60% of the participant's annual pre-tax compensation subject to a legal maximum amount. Certain participants are eligible to receive matching employer contributions at a percentage computed by the employer based on eligible compensation deferred into the plan each payroll period. In 2020, employer contributions amounted to \$265,873. Effective April 1, 2020, the Company suspended matching contributions.

### 7. Multiemployer Defined Benefit Plan

The Company entered into a collective bargaining agreement on November 2, 2017, (the "Ratification Date") with Unite Here Local 25 (the "Union"). Under the collective bargaining agreement, the Company is not obligated to contribute to the Union pension fund until March 16, 2022. There were no contributions to the Union pension fund in the current fiscal year. Also, under the collective bargaining agreement, the Company was not obligated to contribute to the Union health and welfare fund until November 2, 2018, which was one year after the Ratification Date. During the year ended August 31, 2020 the Company contributed \$65,489 to the Union health and welfare fund. Both funds together make up the multiemployer defined benefit plan. The risks of participating in a multiemployer plan are different from those of a single-employer plan in the following aspects:

- (a) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- (b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

## Trump Old Post Office LLC

(c) If the Company chooses to stop participating in the multiemployer plan, the Company may be required to pay that plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

### 8. Members' Equity

Pursuant to the Delaware Limited Liability Company Act, the members of the Company are not liable for the debts, obligations, or other liabilities of the limited liability company by reason of being such members.

From September 1, 2019 through December 29, 2020, the date these financial statements were available to be issued, the Company did not make any distributions to its Members, nor did it make any distributions to Donald J. Trump or the Trust.

### 9. Property and Equipment

Property and equipment consists of the following:

Building improvements	\$ 194,085,881
Furniture and equipment	18,283,382
Operating supplies	5,103,532
Tenant improvements	242,103
	<u>217,714,898</u>
Accumulated depreciation	<u>(32,399,590)</u>
	<u>\$ 185,315,308</u>

Depreciation expense of property and equipment was \$8,198,054 for the year ended August 31, 2020.

### 10. Related Party Transactions

#### Management Agreement

The Company entered into a management agreement on August 12, 2014, with OPO Hotel Manager LLC, an affiliated entity, which has common ownership to the Company. The management fee is comprised of a base monthly fee calculated as three percent of gross operating revenue and an incentive monthly fee calculated as twenty percent of adjusted gross operating profit, if any. The agreement calls for the payment of a management fee effective with the opening of the Hotel, for twenty-five years, with two ten-year renewal options. OPO Hotel Manager LLC has waived the fee for the year ended August 31, 2020.

#### Due to/from Related Parties

At August 31, 2020, the Company had receivables of \$480,504 due from various entities affiliated through common control. At August 31, 2020, the Company had payables of \$1,144,574 due to various entities affiliated through common control. These receivables and payables are not interest bearing and are due on demand.

During the year ended August 31, 2020, Holdings lent \$11,358,500 to the Company and was repaid \$74,054. Included in the repayments of \$74,054 was an amount the Company identified from foreign government patronage for the period from January 1, 2019 through December 31, 2019. At August 31, 2020, the balance of \$11,284,446 was elected to be contributed to the Company. See Note 13-Commitments, Contingencies and Other Matters for additional information.

#### Marketing and Hotel Booking Reservation Fees

The Company incurs marketing and hotel booking reservation fees to entities effectively owned by the Trust. For the year ended August 31, 2020, marketing and hotel booking reservation fees amounted to \$794,786 and \$98,154, respectively, and are included in sales and marketing expenses on the accompanying statement of operations and changes in members' equity. At August 31, 2020, the Company has a liability of \$496,480 for marketing fees and \$117,371 for hotel booking reservation fees, which is included in due to related parties on the balance sheet.

## Trump Old Post Office LLC

### 11. Rent, Lease and License Income

In certain instances, the terms of the Company's leases with its tenants call for fixed minimum rental payments which will increase over the terms of the lease. The income recognized with respect to the agreement is recognized on a straight-line basis pursuant to GAAP. At August 31, 2020, the cumulative excess of income recognized over payments received is \$180,031. This amount appears on the balance sheet as an asset entitled "Income accrued in excess of that billed."

The following schedule reflects future annual minimum rent, lease, and license income anticipated for each of the next five years, thereafter, and in the aggregate, on non-cancelable leases as of August 31, 2020:

Year Ending August 31,	
2021	\$ 528,408
2022	472,795
2023	447,671
2024	456,587
2025	331,379
Thereafter	<u>1,854,144</u>
Total minimum rent, lease and license income	<u>\$ 4,090,984</u>

Future minimum rent, lease, and license income does not include amounts which may be received for percentage rents, which are based on tenant sales or other charges to cover certain operating costs. Additional rents in excess of the fixed minimum amounts are recognized as income when earned, and the amounts can be reasonably estimated. For the year ended August 31, 2020, these additional rents amounted to \$120,280.

### 12. Income Taxes

The Company's temporary differences giving rise to District of Columbia deferred taxes are generated primarily from net loss carryforwards, straight line revenue, straight line ground rent, and depreciation. At August 31, 2020, the deferred tax asset approximated \$7,700,000 prior to a valuation allowance. At August 31, 2020, the Company believes that it is more likely than not that the utilization of deferred tax assets will not be realized and has provided a full valuation allowance to offset the entire amount of a future tax benefit. For the year ended August 31, 2020, the tax benefit of \$1,400,000 was simultaneously reduced by a valuation allowance to offset the entire amount.

At December 31, 2019, the Company has District of Columbia net operating loss carryforward for income tax purposes of \$73,006,223, which will begin to expire in 2036.

### 13. Commitments, Contingencies and Other Matters

#### Leasehold interest - 1100 Pennsylvania Avenue Northwest, Washington DC

On August 5, 2013, the Company entered into a ground lease relating to the property in Washington, DC, known as the Old Post Office Pavilion, located at 1100 Pennsylvania Avenue Northwest with the United States of America acting by and through the Administrator of General Services (the "Landlord"). In the lease, the Landlord has established a hotel standard (which may fluctuate under certain circumstances) to be adhered to and requires historic preservation compliance.

The lease is set to expire on the sixtieth anniversary of the opening date, as defined in the lease, with the option of two twenty-year renewals. The monthly minimum future ground rent expense from the rent commencement date of April 5, 2015, through the sixtieth anniversary of the opening date, is the greater of \$250,000, as adjusted by the Consumer Price Index and a varying percentage of gross revenues. In addition, certain defined costs, expenses, and charges, including but not limited to taxes and utilities, are the responsibility of the Company, all subject to the terms and conditions of the lease.

## Trump Old Post Office LLC

Pursuant to GAAP, the ground rent expense recognized is recorded on the straight-line basis over the term of the lease. While the Hotel was being developed, the ground rent was capitalized. As of August 31, 2020, the excess of the recognized ground rent over the payments was \$4,417,554. The ground rent expense on a straight line basis was \$3,126,843 for the year ended August 31, 2020.

Pursuant to the terms of the ground lease, the Company is required to remit a percentage of gross revenues, as defined in the ground lease agreement, as percentage rent. For the year ended August 31, 2020, there was no percentage of gross revenues rent component that was due or payable.

Subject to the terms of the lease, if at any time the Landlord proposes to assign or transfer its interest in the lease to an entity that is not an agency or instrumentality of the United States of America (which it may only do in whole or in part), the Company shall have the exclusive right and option to purchase the Landlord's interest within thirty days of receiving notice of Landlord's proposal to enter into a sale and the price and other material terms and conditions of a sale which Landlord is willing to accept.

Following a minimum hold period defined as three consecutive years commencing on the opening date, the Company has the right to assign its interest in the lease, or sublease all or substantially all of the premises defined under the lease, provided the proposed transferee qualifies under terms set forth in the lease and the Landlord confirms that the transferee so qualifies.

### **Cross-Default Clause**

Donald J. Trump has guaranteed certain obligations as outlined in the guaranty agreement made by Donald J. Trump in favor of the Lender. The loan has a cross-default provision under certain circumstances. This provision provides that in the limited circumstance of an event of default by the Company or the guarantor on either (i) any other outstanding loan with the Lender or (ii) any other outstanding loan in excess of \$20,000,000, the Lender would have the option to call an event of default on this loan and cause the loan to be due prior to its stated maturity.

The Company believes that the likelihood of a default under this scenario is remote, as certain other conditions must also occur before this event of default can be triggered, and regardless, certain cure rights exist.

### **Litigation**

The District of Columbia filed an action for equitable relief against the 58<sup>th</sup> Presidential Inaugural Committee ("PIC") and the Trump International Hotel, Washington, D.C. ("Hotel") alleging that the PIC violated law pertaining to its nonprofit status by allegedly paying above fair market rates to rent space within the Hotel during the week of the 2017 Presidential Inauguration of Donald J. Trump. The suit seeks to place a constructive trust over all of the monies paid by the PIC to the Hotel for all activities at the Hotel for that week. Management and its legal counsel cannot make a determination as to the outcome at this time.

The Company has received a demand letter from an attorney representing a current employee seeking \$3,500,000 in damages. The Company and plaintiff's counsel have agreed to mediate this matter and are in the process of arranging for that mediation. Management cannot make a determination as to the outcome at this time.

The Company is the subject of and exposed to various other claims and legal proceedings that arise in the ordinary course of its business activities, which are being contested. Management and its legal counsel cannot make a determination as to the outcome at this time. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of the Company's operations

## Trump Old Post Office LLC

### **Voluntary Initiative to Annually Donate to the U.S. Treasury**

In January 2017, The Trump Organization announced its voluntary initiative to annually donate to the U.S. Treasury all profits from foreign governments' patronage at its hotels and similar businesses during President Donald J. Trump's presidential term. The Company identified \$74,054 of profits from foreign government patronage at the Hotel for the period from January 1, 2019 through December 31, 2019. In February 2020, the Company remitted this amount to Holdings (as discussed in Note 10 – Related Party Transactions). Holdings in turn remitted this amount to The Trump Corporation, an affiliated entity for inclusion in The Trump Organization's aggregated voluntary donation made to the U.S. Treasury. The Company will calculate the amount of profits from identified foreign government patronage at the Hotel during 2020 after the conclusion of the 2020 calendar year.

### **14. Subsequent Events**

The Company has evaluated subsequent events through December 29, 2020, the date the financial statements were available to be issued. No material subsequent event has occurred since August 31, 2020, that required recognition or disclosure in the financial statements.



## Trump Old Post Office LLC

### Supplemental Schedule (Unaudited) Year Ended August 31, 2020

The below supplemental schedule of Trump Old Post Office LLC provides annual financial information of the Company and operating statistics of the Hotel in accordance with the requirements of Section 5.3 of the ground lease referred to in Note 13, Commitments and Contingencies.

	<u>(Unaudited)</u>
<b>Hotel statistics <sup>1</sup></b>	
Average daily rate	\$ 490
Occupancy	31.7%
<b>Annual Statement</b>	
Gross revenues	
Rooms	\$ 14,725,221
Food and beverage	14,597,967
Other	2,056,211
Total gross revenues	<u>31,379,399</u>
Departmental expenses	
Rooms	6,537,960
Food and beverage	14,012,111
Other	873,741
Total departmental expenses	<u>21,423,812</u>
Departmental profit	<u>9,955,587</u>
Undistributed expenses	
General and administrative	5,418,855
Sales and marketing	2,192,104
Property operations and maintenance	4,254,150
Total undistributed expenses	<u>11,865,109</u>
Gross Operating Loss	<u>(1,909,522)</u>
Non-operating expenses	
Lease expense	3,126,843
Property and other taxes	2,746,204
Other	866,508
Total non-operating expenses	<u>6,739,555</u>
Net Operating Loss	(8,649,077)
Depreciation and amortization	8,214,307
Interest expense	5,470,927
Net Loss <sup>2</sup>	<u>\$ (22,334,311)</u>

<sup>1</sup> Hotel statistics are calculated in accordance with the Uniform System of Accounts for the Lodging Industry, Eleventh Revised Edition.

<sup>2</sup> Net Loss is provided only for the purpose of reconciling Net Operating Loss to Net Loss as presented in the Company's Statement of Operations and Changes in Members' Equity.

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