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<https://www.wsj.com/articles/russian-state-run-bank-financed-deal-involving-trump-hotel-partner-1495031708>

U.S.

# Russian State-Run Bank Financed Deal Involving Trump Hotel Partner

Russian-Canadian developer put money into Toronto project after receiving hundreds of millions from deal involving VEB



The Moscow headquarters of Russian state-run bank Vnesheconombank, known as VEB. PHOTO: WOJTEK LASKI/GETTY IMAGES

By Rob Barry, Christopher S. Stewart and Brett Forrest

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VEB, a Russian state-run bank under scrutiny by U.S. investigators, financed a deal involving Donald Trump's onetime partner in a Toronto hotel tower at a key moment for the project, according to people familiar with the transaction.

Alexander Shnaider, a Russian-Canadian developer who built the 65-story Trump International Hotel and Tower, put money into the project after receiving hundreds of millions of dollars from a separate asset sale that involved the Russian bank, whose full name is Vnesheconombank.

Mr. Shnaider sold his company's share in a Ukrainian steelmaker for about \$850 million in 2010, according to S&P Global Market Intelligence. According to two people with knowledge of the deal, the buyer, which hasn't been identified publicly, was an entity acting for the Russian government. VEB initiated the purchase and provided the money, these people say.

U.S. investigators are looking into any ties between Russian financial institutions, Mr. Trump and anyone in his orbit, according to a person familiar with the probe. As part of the investigation, they're examining interactions between Mr. Trump, his associates and VEB, which is now subject to U.S. sanctions, said another person familiar with the matter. The Toronto deal adds a new element to the list of known connections between Mr. Trump's associates and Russia.

After Mr. Shnaider and his partner sold their stake in the steelmaker, Mr. Shnaider injected more money into the Trump Toronto project, which was financially troubled. Mr. Shnaider's lawyer, Symon Zucker, said in an April interview that about \$15 million from the asset sale went into the Trump Toronto project. A day later, he wrote in an email: "I am not able to confirm that any funds" from the deal "went into the Toronto project."

A spokesman for the Trump Organization, the family's real-estate firm, said Mr. Trump had no involvement in any financial dealings with VEB and that the Trump company "merely licensed its brand and manages the hotel and residences." VEB didn't respond to requests for comment.



Developer Alexander Shnaider, left, with Donald Trump and Ivanka Trump at the ribbon cutting for the Trump International Hotel and Tower in Toronto in April 2012. PHOTO: GEORGE PIMENTEL/WIREIMAGE/GETTY IMAGES

## Russian Money

The 2010 sale of a Ukrainian steel mill provided money to Donald Trump's business partner in a Toronto real-estate development.



Russian President Vladimir Putin was the chairman of the supervisory board of...



...Vnesheconombank (VEB), a Russian state-run bank that provided financing to...



...Zaporizhstal, a Ukrainian steel mill. The stake was sold via Midland Resources Holding, the company of...



...an unknown investor, who used five offshore companies to purchase an \$850 million stake in...



...Alexander Shnaider, a Russian-Canadian developer who funded construction of the Toronto development of...



...Trump International Hotel and Tower, which paid licensing fees to...



...Donald Trump

Sources: WSJ reporting; Zuma Press (Shnaider, Putin and Trump tower photos); Agence France-Presse/Getty Images (Trump photo); Reuters (bank photo); Bloomberg (mill photo)  
THE WALL STREET JOURNAL.

Mr. Trump has said he has no dealings with Russia. “To the best of my knowledge, no person that I deal with does,” he said in February. On Friday, Mr. Trump’s lawyers released a two-month-old letter stating that 10 years of his tax returns show little income, investments or debt from Russian sources beyond items already known to the public.

VEB has long been viewed by Russian analysts as a vehicle for the Russian government to fund politically important projects, including the 2014 Winter Olympics in Sochi. A VEB executive in New York was sentenced to prison last year after pleading guilty to conspiring to act in the U.S. as a Russian agent without notifying U.S. authorities.

In the wake of U.S. intelligence agency findings that Russian government-directed hackers interfered in the 2016 election, several agencies, including the Federal Bureau of Investigation, are conducting a counterintelligence probe

into whether Mr. Trump’s campaign staff had any contact with Russian officials. Committees in the House of Representatives and the Senate also are investigating the matter. Russian authorities have denied any interference.

At the time of Mr. Shnaider’s steelmaker deal, Russian President Vladimir Putin was chairman of VEB’s supervisory board, and major deals would have been approved by him, according to a former Russian government official and several Russian government and economic experts. The bank later was placed on the U.S. sanctions list after Russia’s intrusion into Ukraine and its annexation of Crimea in 2014. American entities are barred from financial involvement with the bank.

VEB made headlines when it emerged that its chairman met with Mr. Trump's son-in-law, Jared Kushner in December. A bank spokesperson has said VEB's leaders met Mr. Kushner and numerous global financial executives as it developed a new strategy for the bank. White House press secretary Sean Spicer has said Mr. Kushner's meeting was part of his role during the Trump transition as the "primary point of contact with foreign government officials."

The Toronto project was billed in 2007 as a joint venture between Mr. Trump and Mr. Shnaider and was projected to cost about 500 million Canadian dollars. Mr. Trump said at the time he would manage the hotel's operations and Mr. Shnaider planned to develop the tower, which also would include condominiums, through his company, Talon International Development Inc.

The project has been dogged by financial problems. In November, it entered insolvency proceedings, and a judge in March approved its sale.

Alan Garten, the Trump Organization's general counsel, said the company "was not the owner, developer or seller" of the project. While The Wall Street Journal and others reported in 2011 and 2012 that Mr. Trump had a minor ownership stake in it, Mr. Garten now says Mr. Trump "did not hold" equity and had no involvement with the financing.

The Trump Toronto Hotel Management Corp. has received at least \$611,000 in fees from the project since 2015, federal financial-disclosure forms filed last May show. The forms don't disclose the company's total income from the deal.



The Trump International Hotel and Tower in Toronto was dogged by financial problems. PHOTO: GEORGE PIMENTEL/WIREIMAGE/GETTY IMAGES

Shortly after the project broke ground in 2007, about 85% of the units were presold. During the financial crisis, some buyers pulled out and others were unable to get financing, receivership documents show. Midland Resources Holding Ltd., then owned by Mr. Shnaider and a partner, was on the hook for cost overruns, the documents show.

Midland Resources had acquired its stake in the Ukrainian steelmaker, called Zaporizhstal, for about \$70 million after the collapse of the Soviet Union. The 2010 transaction to sell it was opaque. Midland transferred ownership of its portion of the steelmaker to the unnamed buyer through five offshore companies, according to Mr. Shnaider's lawyer and court documents.

The idea for the deal was brought to a top VEB executive by a former Ukrainian government official, according to an investment banker familiar with what happened. Although the buyer wasn't named, a steel trader with knowledge of the deal said VEB itself ended up with control of Midland's share of the steelmaker. At the time, Russian entities saw gaining control of large industrial assets in Ukraine as having strategic value to Russian political interests in the future, said another investment banker with knowledge of the deal.

Mr. Zucker, Mr. Shnaider's lawyer, said Midland Resources "has never had any relationship with VEB" and "does not dictate where their purchasers borrow funds." He declined to identify the buyer, citing confidentiality provisions, other than to say it was a "Ukrainian industrial group."

Mr. Shnaider's companies continued to pump money into the Toronto tower as it struggled to stay afloat, according to his lawyer and later court documents. Later, Mr. Shnaider became embroiled in a legal battle with Mr. Trump's companies over management issues. The Trump Organization declined to comment.

In November, a Canadian judge placed the tower into receivership. Mr. Trump's company was owed C\$116,165.72, and Mr. Shnaider's company as much as C\$105 million, court documents show.

Recently, a judge approved the sale of the building to a California-based investment firm for about \$220 million.

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