

DONALD TRUMP'S GREAT, AMAZING, ABSOLUTELY

WINE

ACQUISITION OF VIRGINIA'S BIGGEST VINEYARD

A LOOK AT HOW THE WOULD-BE PRESIDENT REALLY NEGOTIATES

BY MARISA M. KASHINO





Trump used Albemarle Estate's grand opening in July for some stumping.



DONALD TRUMP HAD BEEN BARNSTORMING for a month by the time his shiny black helicopter touched down in Charlottesville in mid-July.

On the stump, Trump had been bellowing about just how tough he would be in negotiations: Unlike the loser politicians who made small talk with Chinese leaders, he'd said, he wasn't afraid to demand a deal on our terms. By the time he was through with Mexicans, he'd insisted, their government would be paying us for the fence along the US border.

But now, on a pastoral swath just a short trip down the road from Thomas Jefferson's Monticello, Trump was talking about a different kind of negotiation: the one that ended with his getting a steal of a deal on a Virginia bed-and-breakfast.

The occasion wasn't really a campaign event at all. Rather, it was a ribbon-cutting for the Trump Organization's latest gilded property—Albemarle House, which is to your typical Old Dominion country inn what Trump is to your typical politically minded plutocrat.

In its day, the 23,000-square-foot mansion was among the largest and most expensive in Virginia, with 45 rooms, a private chapel, and English gardens. But by 2010, the estate was in trouble. That's when Trump entered the picture. And five years later, the real-estate mogul was there

to reopen the place in all its abundantly Trumpified glory.

Standing in front of the mansion's columned entrance, the developer could have stuck to his real-estate talking points, steering the crowd of local pols, media, and neighbors to details such as the gold wastebaskets and floor-to-ceiling trompe l'oeil. But Trump was a candidate now, so this was no longer just some local-yokel chamber-of-commerce event.

It didn't take long for him to launch into a campaign-style speech about how he'd blown away the competition and come to own the joint, the county's most infamous estate—and done so, naturally, under an incredible set of terms. The property, he explained, had once been listed for \$100 million. He'd gotten it for a measly \$6.5 million.

"That's what our country should be doing with its deals," he boasted.

As with his policy proposals, The Donald left out most of the details that day. Like, say, the multiple lawsuits that, among other things, generated a paper trail giving us a much more transparent view of Trump the negotiator than we might have if he'd actually been negotiating with a foreign regime.

Drill down and you discover there's plenty to learn about Trump from this particular transaction. For one, he'd rather

get sued than pay full price. For another, he won't let an old friendship stand in the way of a good bargain. And while he may not enjoy getting bogged down in contractual fine print, he sure does love picking out drapes.

One more thing: When he wants to, Donald Trump can be the neighbor from hell.

AT FIRST BLUSH, A VIRGINIA COUNTRY house seems an uncharacteristic purchase for a New Yorker known for his skyscrapers, casinos, and seaside golf courses. But as anyone with cable or a Twitter account knows, Trump likes things that are "amazing" (as in every crowd at every campaign stop), "great" (how America will be again after he's President), and "the best" (his poll numbers).

"If you look at us as a company, what's the one thing that's consistent? It has to be the biggest, the best, the greatest," says Trump's 31-year-old son, Eric, a vice president of the Trump Organization and heir to the family gene for hyperbole. "My father, over the years, has bought some of the best mansions of the world. It's just something he loves."

Eric is referring, first, to Mar-a-Lago, the 17-acre Palm Beach estate constructed in the 1920s by cereal heiress Marjorie Merriweather Post. Trump snapped it up

TRUMP AT ALBEMARLE BY ANDREW SHURTLEFF/AP IMAGES; ALBEMARLE ESTATE COURTESY OF JIM BONNER

The Kluges liked to party at the home in the '80s; Trump made it a B&B.



The Donald helped pick out the drapes: "He decides in two seconds."



in 1985 for \$10 million and later turned it into a members-only club and spa. And he's talking about Seven Springs, originally built in 1919 by financier Eugene Meyer, eventual owner of the *Washington Post*, whose daughter Katharine Graham grew up there. In 1995, Trump bought the 213-acre Westchester County spread for \$7.5 million and converted it into a private summer compound.

Albemarle House, though much newer, is similarly pedigreed. It was built 30 years ago by billionaire John Kluge. A media and entertainment mogul—he owned the Harlem Globetrotters and Ice Capades as well as an empire of TV and radio stations—Kluge was a king of 1980s New York right alongside The Donald. According to Eric Trump, his dad was a big Kluge fan: "John was the wealthiest man in the world." (Not quite, but in 1989 *Forbes* did name him richest in America.)

Buying the mansion of America's wealthiest resident might have been incentive enough for Trump, but the property had more to offer than just his old pal's imprimatur. It was also home to an award-winning vineyard, an obvious addition to the Trump family's portfolio of luxury brands. "Wine is incredibly sexy," says Eric, who oversees the Charlottesville property.

Finally, and not insignificantly, there

was its proximity to Washington, where Eric lived as a student before graduating from Georgetown in 2006. While there, he had a job at a private investment firm in Tysons. "If you look at Tysons Corner when I worked there versus today, that place is not even comparable," he says.

As a Republican candidate, the elder Trump publicly disdains "totally broken" Washington. But as a real-estate mogul, he's banking on the resilience of the place whose economy is buoyed by the federal government.

Thus in 2009, a year before he grabbed for Albemarle House, Trump bought the former Lowes Island golf club in Sterling. He spent \$25 million upgrading it to a Trump National Golf Club, which will host the Senior PGA Championship in 2017. In 2012, he beat out a pack of bidders for Pennsylvania Avenue's storied Old Post Office, which will be reborn in 2016 as a Trump International Hotel, just blocks from the White House.

"We couldn't be more bullish on Washington," says his son. And in their efforts to wrest control of Albemarle House, they showed it.

WELL BEFORE TRUMP EVER LAID eyes on it, Albemarle House had a history that fit nicely with the candidate's roots in

the tabloid excess of the go-go '80s.

John Kluge and his wife Patricia, a former model 34 years his junior, arrived in Charlottesville in 1985 to raise their son in their just-built neo-Georgian mansion. From the beginning, the Kluges didn't exactly fit with old-money Virginia horse-country types. They hosted movie stars and European royals at Gatsby-grade parties and bedecked their home in the most opulent decor new money can buy—from hand-engraved brass doorknobs to heavy gold custom drapery.

The Kluges gave millions to local causes, but within a few years they also found themselves at the center of a macabre spectacle: Wildlife agents raided the "game preserve" on their grounds where Patricia liked to hunt, uncovering mass graves of hawks, owls—and neighborhood dogs. Three gamekeepers were found guilty of killing the animals, which had been menacing birds kept on the Kluge property for shooting. At trial, according to a 1989 account in *Spy* magazine—the great chronicler of Trump's own '80s misadventures—a neighbor testified that he had once found his dog hanging by the neck on the Kluge land. (The article hypothesized that the estate might be cursed.)

The marriage survived the tabloid mess—throughout it all, the couple maintained they knew nothing—but not by

much. In 1990, John and Patricia divorced. She got to keep Albemarle.

Nine years later, Patricia established Kluge Estate Winery on 960 acres of the estate, with hopes of making top-tier wines. Early on, she and her new husband, Bill Moses, a former IBM executive, had much success, beating California and French vintages for industry accolades. The couple then ramped up production and began work on a related real-estate venture: a gated community of McMansions, each with its own mini-vineyard. To finance the projects, they took out tens of millions in loans, including a \$22.8-million Bank of America mortgage on Albemarle House.

Then the economy crashed.

In 2009, Patricia put Albemarle on the market for \$100 million. Michael Rankin, managing partner of Washington's TTR Sotheby's, had the listing. Though he admits "it was really bad timing," he says a few potential buyers expressed interest in turning the place into "a big family compound." But even though he hacked the price first to \$48 million, then \$24 million, none panned out.

While the house was in limbo, Patricia's floundering vineyard hit the auction block. But it couldn't attract a buyer, either, and was repossessed. It wasn't long before Kluge, desperate to avoid financial ruin, teamed up with an old friend: Donald Trump.

TRUMP'S INITIAL RUN AT ALBEMARLE was a fairly simple one. Eric says his father offered Kluge's creditors \$28 million to buy several pieces of the estate and keep it out of bankruptcy. But he was turned down. "They told us they wanted north of \$100 million," Eric says.

A year later, in February 2011, Trump made another play just for the mansion—by then in foreclosure—when it went up for auction one morning in front of the 1800s-era Charlottesville courthouse. His lawyers started the bidding at \$2 million but bowed out at \$3.6 million. Bank of America placed the winning offer, buying the house from itself for \$15.26 million. (It was betting it would make the sum back when it relisted the property.)

Trump wasn't worried. He had a plan he believed would eventually get him Albemarle House for far less than the bank had



When Patricia Kluge ran into money trouble after her divorce from her husband John, Trump swooped in and strong-armed the bank to get Albemarle House—but not without a fight.

just paid. All he needed was the front yard.

It was not, of course, your standard lawn. The land outside the mansion's front door and bordering its long driveway is a 217-acre stretch of rolling greenery that had a former life as an Arnold Palmer-designed golf course for John Kluge's private use. Because of a quirk in the Kluges' divorce settlement, John Kluge had kept this front patch even as his ex-wife took the mansion and the land underneath. That meant the yard was insulated from Patricia Kluge's financial woes. It was still the family's to give. (John Kluge died in 2010, leaving the 217 acres in a trust for his son; Patricia Kluge is a trustee.)

Trump knew this was his way in. In early 2011, he got the Kluge trust to sell him the yard for the bargain-basement price of \$150,000. "That," says Eric, "is the art of the deal right there."

Here was the logic: By buying the front

lawn, Trump made himself the immediate neighbor of the house. And who would want a bank-owned mansion with The Donald camped out front?

A couple of months later, the Kluge vineyard hit the auction block again. Trump swooped in and bought it for \$6.2 million, outbidding Virginia developer Sal Cangiano. He now owned the vast majority of the land around Albemarle House.

Of course, he didn't have the mansion itself—yet.

But when Bank of America put it back on the market for \$16 million, would-be buyers made themselves scarce. "In order to not waste people's time, it was important to try to explain what was going on," when possible buyers called, says Jim Bonner, a Charlottesville realtor who had the listing. According to Bonner, once Trump's involvement became clear, only a few prospects bothered to show up in person.

Those who did so found a surreal, Cold War spectacle. The bank had hired security guards who, according to Trump winery employees, stood zealous guard by the house and routinely pulled them over. On his side of the property, in full view of the mansion's front door, Trump planted grim black-and-white signs that read: NO TRESPASSING. THIS LAND IS OWNED BY TRUMP VIRGINIA ACQUISITIONS LLC.

It thus would have been virtually impossible for a future resident of Albemarle House to do anything—go to the grocery store, get the mail—without looking at or setting foot on land owned by America's best bloviator.

"It was a 1,500-acre sea of Trump," says Eric. "We surrounded them. Even the road that went to the house was on our property."

Trump's neighbor-from-hell routine had been carefully cultivated over time: In the '80s, while he was trying to get rent-controlled tenants to vacate one of his New York City apartment buildings, he proposed housing the homeless in the complex. When he bought Mar-a-Lago in Palm Beach, he deployed the same tactics as at Albemarle—only instead of using a front lawn as leverage, he used a beach.

The way Trump tells it, he didn't want to pay Mar-a-Lago's \$38-million asking price but knew that an old friend had bought the

beach in front of it. Trump got his friend to sell him the beach for \$2 million—and then, according to remarks he made in Washington in 2014, threatened to build “the ugliest building ever” on it to obstruct the views of the mansion. A couple of years later, Mar-a-Lago still hadn’t fetched a buyer, and Trump got it for \$8 million.

Ever since, he and Palm Beach residents have waged a series of feuds, including one over a 375-square-foot American flag Trump put up on an 80-foot pole—twice the allowed height. In a lawsuit against the town, according to the Associated Press, Trump claimed that anything smaller than his flag—the size of a studio apartment—would fail to “express the magnitude of [his] patriotism.”

Could a couple of central-Virginia real-estate agents beat back that kind of assault? Of course not.

Showing Albemarle House, Bonner says diplomatically, “was not particularly rewarding.” The most action it got in nine months on the market was when a scouting crew, interested in using it as a set for a Steve Carell movie—*Foxcatcher*, Bonner thinks—came to visit. Even that didn’t work out. The movie was filmed at Leesburg’s Morven Park estate.

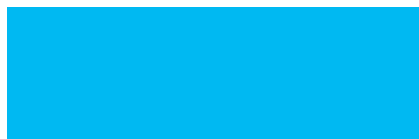
NOT EVERYTHING, HOWEVER, WAS going Trump’s way. As part of the deal to buy the front lawn, the Kluge trust purported to grant Trump right of first refusal on the mansion that was supposedly attached to the yard. Obtaining the right meant Trump would have the chance to match the offer of any other buyer Bank of America lured in. In other words, it was yet another way for him to upend a sale to anyone but himself.

After Albemarle House went on the market for \$16 million, Eric and Trump Organization general counsel Jason Greenblatt sent letters to Bank of America notifying it of Trump’s first-refusal right and warning that ignoring it would lead to litigation.

“They were pushing the boundaries,” says Raighne Delaney, a partner at the Arlington law firm Bean, Kinney & Korman, who represented the bank during the ordeal. But Delaney and the bank were having none of it. They filed a federal lawsuit essentially claiming that the

“IT WAS A 1,500-ACRE SEA OF TRUMP.”

—ERIC TRUMP



provision was a fairy tale.

It was true, the bank said, that such a right had existed at one time. But it was attached to a much larger parcel of the estate that—in the course of the Albemarle saga—had been chopped up into several pieces.

The two sides sparred for almost a year. Finally, the judge entered his ruling: for the bank. (This doesn’t stop Eric Trump from saying today that the suit was settled to “our satisfaction” and bragging, “We were able to acquire the land and the right of first refusal, literally for pennies.” In reality, of course, the Trumps bought something that didn’t exist.)

On top of that, The Donald had found himself another adversary.

His company had hired Richmond-area lawyer David Hopper to represent it against Bank of America in the land-rights skirmish. But a few months into the matter, Hopper asked the judge to let him

withdraw from the case. Why? Trump apparently didn’t want to pay full price for his lawyer, either.

Hopper alleged that nearly \$95,000 in bills went unpaid—a significant sum for his small firm. When he pressed the Trumps about the money, Hopper said Eric asked him to cut his fees by 70 percent. At that point, Hopper said he wanted off the case.

Those claims were laid out in a lawsuit Hopper filed against Trump’s company. The suit was settled, and Hopper declined an interview to discuss the terms. But in a written statement, he said his “claim for legal fees” had been “satisfied.”

TRUMP MAY HAVE BEEN LOSING IN court, but he was successful where it counted, for even as they battled each other in front of a judge, Bank of America and the Trumps were conducting backroom negotiations over the sale of Albemarle House. For the final rounds, in September 2012, Eric and his dad were both on the phone, in direct discussions with the bankers. “There’s nothing we do in this company that we’re not all involved with,” Eric says. “We’re the largest mom-and-pop in the world.”

With nary another buyer in sight, the Trumps got the bank down to their fire-sale closing price of \$6.5 million. Albemarle was theirs.

But a week after the deal, Trump had a new issue to sort out. According to the sale contract for the yard, if Trump ultimately succeeded in buying Albemarle House, he’d be required to make an additional payment of as much as \$350,000 to the trust of Patricia Kluge’s son. After the mansion sold, the trust’s lawyers came to collect.

Trump refused to pay.

In a letter written by Eric, the Trumps instead demanded that the Kluge trust write *them* a check. The trust, Eric wrote, owed the Trumps for the “tremendous legal fees and expenses” incurred while litigating over the bogus right of first refusal. So much for the old family friendship. The trust proceeded to sue, accusing Donald and Eric Trump of fraudulently inducing it to sell them the front yard without ever intending to pay for it fully.

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“Trump’s modus operandi is he doesn’t pay unless he gets sued,” says the trust’s lawyer, Edward McMahon Jr. “If he’d just honored his contract, none of this would’ve been necessary.”

This fight—lawsuit number three against the Trumps relating to Albemarle—was settled quietly within a couple of months, preventing a tabloid field day. “My guess is they decided they’d gotten a little too far up over their skins and decided to rein it back as soon as possible,” says McMahon.

Eric Trump says he maintains “incredible respect” for Patricia Kluge and her family. Bill Moses, Patricia’s husband, declined on his and his wife’s behalf to talk about the drama around their former estate. But he did say this when asked if the settlement was favorable to his stepson’s trust: “Oh, yeah.”

And then he laughed.

THE SCENERY SURROUNDING ALBEMARLE HOUSE doesn’t require any Trump-style exaggeration. It actually is tremendous, phenomenal, and really good.

I visit on a cloudless September day, and the first stop on my tour is the winery’s tasting room. The vineyard is Virginia’s largest in acreage, and some 20,000 cases of Trump Chardonnay, rosé, Viognier, and other varieties ship annually to 26 states and four countries. (Like the property, the wines don’t require any embellishing. Trump can’t take credit for that part, though—he still employs Kluge’s winemaker, Jonathan Wheeler.)

Trump-branded polo shirts and crystal wineglasses line the shelves. My guide, general manager Kerry Woolard, says online sales of the merch have doubled since Trump announced his campaign. She’s gracious and lovely, and a die-hard Trump fan.

“I have never met smarter people,” she says of her bosses, Donald and Eric. “They are the best people I’ve ever worked for.” (And because she lives in an apartment

inside Albemarle House, she typically works for them seven days a week.)

We climb into her black company SUV—she opens my door, as “Mr. Trump” always does for her when he visits. We stop at an old cattle barn and a building once used to house John Kluge’s antique carriage collection, both converted into wedding venues, and pass a chapel where Patricia’s parents are interred, before the mansion finally looms into view. Given its soap opera of a past, Woolard explains that only paying guests are typically allowed inside. Otherwise, town looky-loos would constantly come to snoop.

Though the house was constructed to resemble one that would have stood in Thomas Jefferson’s day, the 1980s influences are unmistakable. The foyer, for instance, appears at first to be marble-clad, but like much of the mansion, it’s been painted to resemble stone. Across the hall, a flat-screen TV near the check-in shows a video on a loop: A soaring orchestra plays as the black Trump-copter touches down, then Eric steps out, then there’s a series of before-and-afters depicting the estate’s \$20-million renovation.

When Trump bought the place, it was a wreck. Ornate plaster moldings were marred with water damage, custom wallpaper peeled everywhere, and the whole mansion had been stripped of curtains, light fixtures, and furniture, which Patricia had auctioned to stave off creditors. The living room’s gold drapes are the only originals to the house—not because they didn’t sell but because Donald Trump bought them to hang at Mar-a-Lago. When he landed Albemarle House a couple of years later, the drapes came back home.

Woolard leads me past a curving stairway, plastered with floor-to-ceiling wallpaper designed to look like billowing gold fabric—another relic of 1980s nouveau riche. I ask about it because it’s impossible not to. It’s original to the house, and there was debate, Woolard says, about taking it down. But “Mr. Trump loves it”—and when it comes to decor, Mr. Trump makes the final calls. When outfitting the mansion, Woolard and an interior designer narrowed down window and wall coverings, furniture, and fixtures to three options for Trump to select from. Says Woolard: “He decides in two seconds.”

That is Trump’s gift, and maybe also his curse. Asked to explain how his dad’s dealmaking skills would apply in the White House, Eric offers this: “There’s no one who’s better at cutting through red tape

and nonsense than him. It’s not getting deterred by the 4 million pages of due diligence, because that’s what kills a deal.”

Looking back at the battle over Albemarle House, though, it’s also worth noting that sometimes a little due diligence can save you hefty legal fees.


Still, there was undoubtedly some art to the Albemarle deal. But just how much is debatable. Trump’s ability to get what was once a \$100-million house, then a \$48-million house, and then a \$16-million house for “peanuts,” in Eric’s words, was as much a result of the broader economy, not to mention the questionable choices of Patricia Kluge and her lenders. To use terms Candidate Trump employs, it was less like out-negotiating China and more like beating Greece.

OR PERHAPS ALBEMARLE HOUSE really is cursed, as *Spy* once speculated. Because it looks likely that the Trumps, even after securing control of the place, are in for another fight over it soon.

Two years ago, Eric Trump unveiled the family’s next vision for Albemarle’s front lawn: a PGA-class golf course. The plans immediately drew fierce opposition from the Trumps’ rural neighbors.

Because Patricia Kluge years ago put the land under a conservation easement, the Trumps can’t simply start construction. They’d have to get a state organization in charge of preserving open green space to agree that building a golf course wouldn’t violate the terms of the easement. The Trumps would also have to get county officials to issue a special-use permit allowing them to circumvent zoning restrictions on commercial recreation.

The family started the application for the permit in 2013 but has since let it expire. Which doesn’t mean the locals can breathe easy. “To say that we’re busy is an understatement, and truthfully, we just haven’t been pushing it,” says Eric. “But at the right time, I think [a golf course] would be a great complement to that property.” After all, John Kluge used to have one on the very same lawn.

If Donald Trump decides to push the issue, local NIMBYs are prepared to dig in, and—thanks to Patricia Kluge’s easement—he may very well lose. But that doesn’t mean he won’t make life hard in the interim. 

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