As its stock collapsed, Trump's firm gave him huge bonuses and paid for his jet

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It was promoted as the chance of a lifetime: Mom-and-pop investors could buy shares in celebrity businessman Donald Trump's first public company, Trump Hotels and Casino Resorts.
Their investments were quickly depleted. The company known by Trump's initials, DJT, crumbled into a penny stock and filed for bankruptcy after less than a decade, costing shareholders millions of dollars, even as other casino companies soared.

In its short life, Trump the company greatly enriched Trump the businessman, paying to have his personal jet piloted and buying heaps of Trump-brand merchandise. Despite losing money every year under Trump's leadership, the company paid Trump handsomely, including a $5 million bonus in the year the company's stock plummeted 70 percent.

Many of those who lost money were Main Street shareholders who believed in the Trump brand, such as Sebastian Pignatello, a retired private investor in Queens. By the time of the 2004 bankruptcy, Pignatello's 150,000 shares were worth pennies on the dollar.

"He had been pillaging the company all along," said Pignatello, who joined shareholders in a lawsuit against Trump that has since been settled. "Even his business allies, they were all fair game. He has no qualms about screwing anybody. That's what he does."

But interviews with former shareholders and analysts as well as years of financial filings reveal a striking characteristic of his business record: Even when his endeavors failed and other people lost money, the presumptive Republican presidential nominee found a way to make money for himself, to market his Trump-branded products and to pay for his expensive lifestyle.

Trump was the chairman of Trump Hotels and Casino Resorts in Atlantic City from 1995 to 2009, his only outing as the head of a major public company. During that time, the company lost more than $1 billion, financial records show. He also was chief executive from 2000 to 2005, during which time share prices plunged from a high of $35 to as low as 17 cents.

Trump received more than $44 million in salary, bonuses and other compensation during his time at the company, filings show. He also benefited from tens of millions of dollars more in special deals, advisory fees and "service agreements" he negotiated with his company.

Trump's campaign did not make him available to respond to specific questions about the company, but in a recent Washington Post interview, Trump said he "made a lot of money in Atlantic City," adding, "I make great deals for myself."

He expounded: “They say, ‘Why don’t you take the casinos public or something?’ You know, if you take them public, you make money on that. All I can say is I wasn’t representing the country. I wasn’t representing the banks. I wasn’t representing anybody but myself.”

Corporate governance experts say it’s rare for executives of public companies to suggest that they haven’t been looking out for the shareholders who financed them.

“When companies go public, when they first invite investors in . . . they say: ‘I promise you, you will come first. We are here to create shareholder value, and that’s why you should trust us,’ ” said Nell Minow, the vice chair of ValueEdge Advisors, which advises shareholders on corporate governance issues. “For them to say, ‘I don’t really care about you,’ it’s basically your [sell] signal. Who’s going to make sure my interests as a shareholder are going to be protected?”

Whatever price he wanted

Trump Hotels and Casino Resorts started out as a holding company that owned the Trump Plaza Hotel and Casino in Atlantic City, and then it steadily added other Trump properties.

Because it was publicly traded, Trump could sell shares and quickly raise money while other corners of his empire were in distress. Virtually all of Trump’s other businesses are privately held, so key information about their performance is hidden from view.

The company began advertising its public offering of stock in 1995, saying shareholders would benefit from “the widespread recognition of the ‘Trump’ name and its association with high quality amenities and first class service.”

When it debuted that year on the New York Stock Exchange, Trump’s company raised $140 million from investors, at $14 a share, and said the money would go toward expanding the Plaza and developing a riverboat casino in Indiana.

But much of that money went to pay off tens of millions of dollars in loans Trump had personally guaranteed, filings show. Those loans were taken out before the company went public, but Trump’s private fortune could have been at risk if they went unpaid.

The company got off to an encouraging start. An improving national economy and an upturn in Atlantic City gambling helped shares soar to a peak of $35 in 1996. That boosted the value of Trump’s stake in the company and helped him return to the Forbes 400 list — the magazine’s ranking of America’s wealthiest people — for the first time since 1989.

The early success didn’t last long. In less than a year, the company paid premium prices for two of Trump’s deeply indebted, privately held casinos, the Trump Taj Mahal and the Trump Castle. In essence, he was both buyer and seller, able to set whatever price he wanted. The company bought his Castle for $100 million more than analysts said it was worth. Trump pocketed $880,000 in cash after arranging the deal, financial filings show.

By the end of 1996, shareholders who had bet on a rosy Trump future were now investors in a company with $1.7 billion of Trump's old debt. The company was forced to spend hundreds of millions of dollars a year on interest payments, more than the casinos brought in, securities filings show. The unprofitable company couldn't afford the upgrades it needed to compete with newer gambling rivals.

Spooked investors fled the company in 1996, sending its share price down to $12. As millions of dollars in shareholder value evaporated, the company gave Trump a $7 million pay package, including a 71 percent raise to his salary, financial filings show. Trump defended his compensation by telling the Wall Street Journal, "Other than the stock price, we're doing great."

"He ran these companies into the ground," Graef Crystal, an executive-pay consultant who watched the company at the time, said in an interview.

As the company spiraled downward, it continued to pay for Trump's luxuries. Between 1998 and 2005, it spent more than $6 million to "entertain high-end customers" on Trump's plane and golf courses and about $2 million to maintain his personal jet and have it piloted, a Post analysis of company filings shows.

Trump also steered the company toward deals with the rest of the Trump-brand empire. Between 2006 and 2009, the company bought $1.7 million of Trump-brand merchandise, including $1.2 million of Trump Ice bottled water, the analysis shows.

"If you're chairman of the company, there have to be safeguards to avoid that kind of blatant self-dealing," said Pignatello, who said he lost tens of thousands of dollars in the investment. "He was milking the company."

A 'basket of goodies'

The grand promises and boasting Trump had become famous for as a private businessman became a source of tension with public investors. Wall Street traders spoke of the "Donald discount" to highlight the gap between what Trump promised and what they believed his stock was actually worth.

Trump said in 1997 that he was "the biggest there is in the casino business." But that March, when the stock was trading at a quarter of its price 10 months before, Chase bond analyst Steve Ruggiero said the company wasn't "forthcoming" about its financial performance with analysts, which he said "raises suspicions."

The company at times ran into trouble. In 1998, the U.S. Treasury fined one of the Trump casinos $477,000 for failing to file reports designed to help guard against money laundering. Trump did not comment then on the action. The company agreed last year to pay a $10 million civil penalty after regulators found that it had continued to violate the reporting and record-keeping requirements of the Bank Secrecy Act.

In 2000, Trump and his partners paid $250,000 to settle a case brought by New York state alleging that they had secretly funded an ad blitz opposing the opening of competing casinos in the -Catskill Mountains. “It’s been settled. We’re happy it all worked out nicely,” Trump said then.

In 2002, federal securities regulators issued a cease-and-desist order against the company, saying it had misled shareholders by publishing a news release with numbers “deceptively” skewed to appear more upbeat. The company said it quickly corrected the error and was not fined. Trump defended the release by saying it “was just a statement that was too verbose.”

The company lost money every year of Trump’s leadership, and its share price suffered. A shareholder who bought $100 of DJT shares in 1995 could sell them for about $4 in 2005. The same investment in MGM Resorts would have increased in value to about $600.

In 2004, the year Trump took home a $1.5 million salary, stock-exchange officials froze trading in the company — and, later, delisted it entirely — as word spread that it was filing for bankruptcy because of about $1.8 billion in debt.

Under the company’s Chapter 11 reorganization plan, shareholders’ stake in the company shrunk from roughly 40 percent to about 5 percent. Trump, meanwhile, would remain chairman – and receive a $2 million annual salary, a $7.5 million beachfront tract in Atlantic City and a personal stake in the company’s Miss Universe pageant.

“I don’t think it’s a failure. It’s a success,” Trump said in 2004 about the bankruptcy. “The future looks very good.”

Shareholders sued, saying in court filings that the “sweetheart deal” amounted to a “basket of goodies” for Trump. “Chairmen of public companies usually don’t celebrate when millions of dollars of shareholder equity are being wiped out,” attorneys wrote in a court filing that year. “Donald Trump apparently does.”

Trump settled, agreeing to give creditors $17.5 million in cash and the proceeds from an auction of the Atlantic City land.

Trump has said he had no regrets about the company’s performance. “Entrepreneurially speaking, not necessarily from the standpoint of running a company but from an entrepreneur’s standpoint, [the stock offering] was one of the great deals,” he told Fortune in 2004.

The ‘imperial CEO’

Company decisions were, as in most public companies, approved by a board of directors. None of the original directors responded to requests for comment. Trump wrote in his book “Trump: Surviving at the Top” that he “personally didn’t like answering to a board of directors.”

Charles Elson, the director of the John L. Weinberg Center for Corporate Governance at the University of Delaware, said that Trump exemplified the -corporate-American role once known as the “imperial CEO”: an unchallenged, dominant leader who singlehandedly steered the company.

“The CEO ran the show . . . and the board was the creature of the CEO,” Elson said. “These days, it’s very different,” he added, because of a shift toward greater oversight from company directors and the increasing presence of activist shareholders.

One later director was close to Trump: his daughter. Ivanka Trump was named to the board of directors in 2007, when she was 26 and had been working for two years at her father’s private company, the Trump Organization. The public company paid her $188,861 in cash and stock awards that year, filings show. Representatives for Ivanka Trump declined to comment.

Ivanka and Donald Trump both resigned from the company in 2009, after Trump declared in a statement that he strongly disagreed with bondholders who had been pushing the company to file again for bankruptcy.

“The company has represented for quite some time substantially less than 1 percent of my net worth, and my investment in it is worthless to me now,” Trump said at the time.

The company, now called Trump Entertainment Resorts, never escaped its crippling debt and filed for bankruptcy twice more, in 2009 and 2014. Carl Icahn, the billionaire investor Trump has called a friend, took control of the public company this year.

Trump’s corporate reign was disruptive enough to give even his biggest supporters pause. Jimmy Mullins, a Trump superfan who once paid for specialty “TRMP 1” license plates, said he bought some of the company’s first publicly traded shares believing that Trump would lead the casinos to glory. “How could you lose money at a casino?” Mullins said in a recent interview.

But in 2009, after losing money, Mullins told the Press of Atlantic City newspaper: “He let us down. . . . I could have bought another [car]. That’s how much money I lost in this company.”

Mullins, now 64 and working part time at a catering hall in New York, said Trump called him after the story appeared and offered him complimentary hotel stays at the casino. Mullins said he was upset when interviewed in 2009 but no longer feels that way. He said he intends to vote for Trump for president.

“Other people did lose money,” Mullins said. “But he took care of me.”

Alice Crites contributed to this report.