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通 信 欄

米村様

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松枝

「宏悦 トランプ」レポート 余聞

平成 29 年 5 月 9 日(火)

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以下記にし、Mail に添付します
ご参考までです。

青木様 Mail 原文

記事に興味があるので、ざっと読みました。全訳は大変なので、ご容赦いただき、青木社長を中
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2017/01/04

プラザホテルの追跡

1988 年 9 月 25 日 ニューヨークポストの記事 別添「原文」黄マーカー分 参照

(青木建設関連に関する記事概要)

すでにホテル、別荘、カジノ、飛行機 B727、90m ヨット、パームビーチに 118 室のマンションを
所有する、42 歳のマンハッタン不動産王トランプが、プラザホテルの獲得に異常な興味を示した。
「プラザホテルは単なる建物ではなく、究極の芸術作品である。」

1987 年 6 月に Allegis Corporation (United Airlines の親会社) がプラザホテルを売りに出した。

世界各国の投資家から 150 もの引き合いがあった。その中にはサウジの王族、ブルネイ国王、日
本の実業家など世界の富豪が含まれていた。

その年の3月にはトランプは、プラザホテルを獲得するために、Allegisの株式を買い占めだしていた。他の有力な投資家も株式を買い占めだし、株価は暴騰 トランプは数か月後には80億円もの利益を得た。

Allegis がプラザホテルの売却を発表した際、公開入札の前に、独自のネゴでプラザホテルの購入を試みたが獲得できなかった。

Thomas Barrack (トム ; 41歳の弁護士) がプラザホテルの入札担当者は、プラザホテルの獲得に熱心な Robert Bass (ボブ ; 39歳のオイルマネー相続人) と知り合った。

Bass の融資先を探していると、Barrack は日本の銀行 IBJ に出会った。IBJ は 2000 億円の年商規模の青木建設社長の青木宏悦 (56歳) を Barrack に紹介、8月にロスで面談することになった。

青木建設は東京に本社を置き、巨大ビルプロジェクト、マレーシアでのダム、香港での病院建設、シンガポールでの地下鉄工事で有名である。10年前にはブラジルの事業パートナーが資金繰りより建設途上のホテルを引取り、ホテル事業の旨味を知った。1987年初頭にはブラジル、パナマ、台湾で小さなホテルチェーンを実現した。円高を武器に、ビバリーウィルシャーホテルの株主になり、マンハッタンのアルゴンキンホテルを買収した。

Barrack が青木とロスで面談する前に、Bass は過去の苦い経験より、ホテル運営より手を引き、青木が60のホテルの運営、Bass はプラザホテルを獲得する戦略に変更した。

青木は喜んでプラザホテルを Bass に引き渡した。彼の側近は、「日本人による Westin 獲得の反発を和らげるため、青木はテキサス人を必要とした」と打ち明けた。

Barrack と青木は応札価格を 1,400 億円とすることで合意した。Barrack はプラザホテルの 350 億円の 71%、250 億円を負担、青木は残り 100 億円 (29%) 負担する内容となった。Barrack は入札を担当、落札した場合、Barrack はプラザホテルを売却する権利を有することで合意した。

事前競売は 30 の参加者のうち、12 者が第二ラウンドに進んだ。1,000 億円を超える札を提示したのはわずか 3 者となった ; Mullikin-Juffani=1,200 億円、Trump=1,300 億円、Bass-Aoki=1,400 億円。

最終ネゴはハードネゴとなったが (経緯略)、1987年10月22日(木)に Bass-Aoki が総額 1,530 億円で落札した。(1987年10月19日のニューヨーク株式市場の株の暴落も結論を早めた)

11月下旬に、Bass は青木夫妻を Fort Worth での夕食に招待、彼のホテル運営への参加を打診したが、青木宏悦のプライドがニベもなくその要求を退けた。

プラザホテルの売却もルフトハンザ航空、香港のマンドリンホテルグループが入り乱れ、かなりの駆け引きの結果トランプが 407.5 億円 (実質 400 億円 ; 7.5 億円はホテルの 2 年間の売り上げの 2.25%を青木が受領との条件) での買収に 5 位した。

トランプの 400 億円 (49.5 百万円/部屋) の買収額は、当時の買収劇の最高値を更新した。トランプはプラザホテルの社長に妻である Ivana を指名した。

注) 計算を容易にするため、ドル換算を 100 円/ドルとした。

STALKING THE PLAZA

By William H. Meyers; William H. Meyers writes on business and finance from New York.
Published: September 25, 1988

DONALD TRUMP CHARGES UP A STAIRCASE, kicks open a fire door and greets the blinding summer sun. Surrounded by heavysset bodyguards wearing gold-plated "T's" in their lapels, he stands 18 stories above Fifth Avenue on the roof of the Plaza Hotel.

Trump is on a flying inspection tour of his latest acquisition, searching for ways to squeeze more profit out of the hotel. He spies a painters' workshop, and his eyes light up as he envisions the dusty rooms transformed into a set of deluxe duplexes: "Move a few walls, clean the skylights, install new elevators. What a freak-out!" There he stands in his blue pin-stripe suit and pink silk tie, the 42-year-old builder from Queens who became, in the space of a dozen years, the impresario of Manhattan real estate.

He has it all now - the flashy hotels and condos, the casinos, the 727 jet, the 300-foot yacht, the 118-room mansion on the ocean in Palm Beach. What Trump wants, Trump gets. But this moment is special. He has never wanted anything quite so much as the Plaza. It has been his obsession for more than a decade because, as he says, "This isn't just a building. It's the ultimate work of art. I was in love with it." And there was another reason: The \$400 million purchase of the legendary hotel conferred upon Donald J. Trump and his glitzy empire a social cachet beyond price. "I tore myself up to get the Plaza," Trump says.

The battle royal for the Plaza started the moment it went on the block in June 1987. The Allegis Corporation, parent of United Airlines, announced that it intended to sell its Westin hotel chain, which included the Plaza. Allegis was deluged with 150 inquiries from investors around the world, ranging from a Saudi sheik to a Japanese industrialist to the Sultan of Brunei, arguably the richest man in the world. There were queries from such acquisitive American financiers as Robert M. Bass of Fort Worth, Marvin Davis of Los Angeles and Jay A. Pritzker of Chicago.

It would be more than a year before Donald Trump gained control of the Plaza, and it would not come easily or cheaply. World-class deal-makers matched wits, launching pre-emptive bids, calling each other's bluffs. Behind the scenes, negotiators told each other lies with a straight face while the stakes rose higher and higher.

Investors today are feverishly chasing luxury hotels and paying astronomical sums to acquire them. But the price tags reflect factors beyond the uncertain economics of the highly competitive hotel business. (See Box, Page 23.) Steven E. Wheeler, a managing director of Morgan Stanley's real estate subsidiary, cites one factor above all others: "The luxury hotel market has become totally emotional. The values we're seeing are make-believe. Buyers aren't looking at these buildings like 10-year Treasury notes. They're only interested in the psychic return."











The Plaza has always stirred the emotions. From that October day in 1907 when the French Renaissance castle across from Central Park opened its doors, the hotel has captivated the rich and famous. At 9 o'clock that morning, the first of the moguls emerged from his horse-drawn carriage outside the 59th Street lobby, intent on registering for a permanent apartment. Throughout the day the Vanderbilts and the Goulds, the Wanamakers and the Harrimans arrived in a steady stream. They wandered among the soaring marble pillars and French tapestries, marveling at the elegant restaurants, at the ballroom with its ranks of crystal chandeliers.

High society adopted the Plaza as its playpen, a favored setting for coming-out parties and amateur theatricals and Liberty Bond balls. The Duke and Duchess of Windsor danced at the Rendez-Vous; Nikita Khrushchev was observed sticking out his tongue at hecklers in the lobby; Mrs. Jomo Kenyatta registered with a 50-pound cheetah in tow.

Today the Plaza still holds sway - as an enduring symbol of Manhattan's power and glamour, and as a magnet for some of the high rollers of global finance. <

HARRY MULLIKIN, WESTIN'S 60-year-old chief executive, loved the Plaza. In 1975, he had negotiated the purchase of the hotel; he had overseen an elaborate \$200 million renovation program; he maintained an apartment there. And now he would have to sell the hotel. On this morning in late June 1987, Mullikin sat at his corner table in the stately Edwardian Room, gazing out at the Pulitzer Fountain in Grand Army Plaza, while he awaited the arrival of two investment bankers who would run the auction for the Westin chain.

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- | MOST EMAILED | MOST VIEWED |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p>1. GRAY MATTER
How to Become a 'Superager'</p> |  <p>2. FEATURE
The Evangelical Scion Who Stopped Believing</p> |
|  <p>3. OPINION
Nixon's Vietnam Treachery</p> |  <p>4. Kitty Dukakis, a Beneficiary of Electroshock Therapy, Emerges as Its Evangelist</p> |
|  <p>5. Fingers Point After Mariah Carey's New Year's Eve Nightmare</p> |  <p>6. My Mexico City Is Everyone's Now</p> |
|  <p>7. OPINION
Hipsters Broke My Gaydar</p> |  <p>8. NICHOLAS KRISTOF
Lessons From the Media's Failures in Its Year With Trump</p> |
|  <p>9. Coolest Scene in Snowboarding? The Coast of Rhode Island</p> |  <p>10. DAVID LEONHARDT
A Month Without Sugar</p> |

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In its 80 years, the Plaza had known many owners, from the Texas showman, Conrad Hilton, to the Boston industrialist, A. M. Sonnabend. In the hands of Allegis, it fit nicely into a grand strategy, formulated by Richard J. Ferris, the C.E.O., to turn the airline into a widely diversified travel conglomerate. Ferris spent \$2.3 billion to acquire such giants as the Hertz rental-car operation and Hilton International, only to find himself on the losing end of a board-room battle. He was ousted, and the directors of Allegis voted to sell off the company's nonairline assets - the Westin chain included.

It was Harry Mullikin's task to honor that mandate. Over a lunch of chicken salad and iced tea, he worked out the ground rules for the Westin auction with E. Robert Cotter and Scott D. Lindsay, the bankers from the First Boston Corporation. Suitors would be required to submit preliminary offers for the chain - whose 61 units had produced 1986 revenues of \$491 million - by Sept. 18. And it would be a blind auction, the offers sealed so that contestants would not know whom they were bidding against or the size of their competitors' bids.

As the bankers were about to part, Mullikin informed them that he had personal plans for the auction. He intended to form an investment group to bid for the chain.

Meanwhile, Donald Trump had arrived on the scene. In March he began to buy Allegis stock. He says today that he hoped to take over the company and sell off its assets except for the Plaza - something like buying the haystack to get at the needle - but he might have had other motives as well. Some major investors, including Jay Pritzker, were also taking positions in the stock, and the price was starting to rise. A few months later, Trump sold his Allegis shares, reaping an estimated profit of \$80 million.

When Allegis announced its plans to sell Westin, Trump tried to pre-empt the competitive auction. He called Mullikin and Charles F. Luce, the former chairman of the Consolidated Edison Company and an influential member of the Allegis board, offering to buy the hotel chain outright. "Trump said he wanted to do a quick, quiet and easy deal for cash," recalls Luce. "We said no and referred him to First Boston. It was extremely naive of him to think we'd respond positively." For his part, Trump says, "I don't like auctions. I negotiate with my personality, one to one."

Several weeks after their lunch with Mullikin, Cotter and Lindsay of First Boston found repeated telephone messages on their desks from one Thomas J. Barrack Jr., who represented himself to be an aide to Robert Bass. The investment bankers had never heard of Barrack, and they had been besieged by inquiries about Westin from every nook and cranny of the real estate business, including a Century 21 broker from Long Island. They took their time returning Barrack's call.

"When you're running an auction like Westin," says Cotter, a confident, 37-year-old Harvard M.B.A. who was recently promoted to co-head of mergers and acquisitions at First Boston, "you're forced to talk to everyone, even if you think someone has no chance of success. And you have to keep the aura upbeat. That way you control the psychology of the deal and create a feeding frenzy."

For Tom Barrack, the Westin auction was critical - the first opportunity he would have to impress Bob Bass with his deal-making prowess. A 41-year-old lawyer and real estate developer from southern California, Barrack had been responsible for a number of major projects around the country, including Citicorp Plaza in downtown Los Angeles.

In 1982, Barrack had arranged for the sale of Edwin Meese 3d's California home when Meese was President Reagan's counselor. The developer ended up contributing about \$70,000 of his own money toward the purchase. Five months later, Barrack was named deputy under secretary of the Interior Department; he resigned in August 1983. The following year, during the Senate Judiciary Committee's hearings on Meese's nomination as Attorney General, both Meese and Barrack denied any connection between the real estate deal and Barrack's appointment to the Interior Department post.

When Barrack finally reached the bankers from First Boston, he reported that Bob Bass was seriously interested in buying the Westin chain. Soft-spoken and diffident, Bass was a 39-year-old oil heir and investor who had begun to emerge from the long shadow cast by his older brother Sid, a formidable financial figure in the early 1980's. A victory in the high-profile Westin auction would be another giant step in that direction.

In search of financing for Bass's Westin bid, Barrack made contact with the Industrial Bank of Japan. After lengthy discussions in New York, Fort Worth and Los Angeles, IBJ suggested that one of its clients - the Aoki Corporation, a \$2 billion construction company - be allowed to join in the bid. A meeting between Barrack and Hiro Yoshi (John) Aoki, the 56-year-old president, was scheduled for August in Los Angeles.

The Tokyo-based Aoki organization is renowned for its huge building projects: dams in Malaysia, hospitals in Hong Kong, a transit system in Singapore. But a decade ago, when a partner in Brazil was financially squeezed, Aoki took over an unfinished hotel, and that taste of the hotel business proved sweet. Soon the company was building a small chain of hotels in Brazil, Panama and Taiwan. Early in 1987, riding the strong yen, the Japanese

company invaded the United States, buying a stake in the Beverly Wilshire Hotel and taking possession, for \$29 million, of Manhattan's storied Algonquin.

By the time Barrack and John Aoki met in Los Angeles, Bob Bass had changed his mind about Westin. An earlier investment in the Americana Hotels had turned sour, and Bass feared that running the big Westin chain would be a managerial nightmare. Barrack urged him to stay the course, but with a dramatic change of direction: Let Aoki have 60 of the hotels, saving the Plaza for Bass. Says an executive familiar with the discussions, "Tom convinced Bob that they were sucking the quality out of the deal by taking the Plaza." The arrangement suited

Bass's Japanese partner. "John Aoki went for tonnage," says another bidder for Westin. "He wanted to travel from coast to coast in the United States and admire his assets." Aoki was willing to cede the Plaza to Bass, according to executives close to the Japanese team, because he needed the Texan as a point man and to help deflect any criticism of a Japanese takeover of Westin.

Barrack and Aoki placed a \$1.4 billion price tag on the entire Westin chain including the Plaza, which they valued at \$350 million. Bass would ante up \$250 million, entitling him to a 71 percent stake in the Plaza. Aoki would have the rest. As the meeting was about to break up, the parties agreed on two other points: Bass would manage the partnership during the auction, and should they triumph, Bass would have the right to sell the Plaza.

While the Bass and Aoki courtship proceeded apace, Harry Mullikin, Westin's C.E.O., was searching for a mate of his own. One of his first calls was on Kohlberg, Kravis, Roberts & Company, the powerful leveraged buyout group. Kohlberg, Kravis came up with a plan for management to acquire Westin and ultimately spin it off as a public company, but Mullikin backed off. He had already run the hotels on that basis; now he wanted to do the job with as little outside interference as possible.

In July, Mullikin met in London with Ahmad Juffali, a 64-year-old sheik who, along with his brothers, runs the largest commercial conglomerate in Saudi Arabia. Over the past 40 years they have expanded their father's carpet business into such fields as cement, insurance, air-conditioners and automobile tires. They also control the kingdom's electric utilities.

Mullikin and Ahmad Juffali had first become acquainted some years before when Juffali bought stakes in two Westin hotels. Now Mullikin was going to test the limits of their friendship by asking Juffali to bankroll his bid for Westin. When Mullikin walked out of the meeting, the friendship was still intact - and he had Juffali's promise of \$500 million in cash in support of his bid.

BY THE TIME SEPT. 18, THE DEADLINE FOR preliminary offers, rolled around, the ranks of those in active pursuit of the Westin chain were much diminished. The Marriott Corporation and Jay Pritzker's Hyatt Hotels had lost interest. A representative of the Sultan of Brunei had contacted First Boston to express the sultan's interest, but no more was heard from that quarter.

A stumbling block for some would-be suitors was the difficulty of putting together an intelligent bid. First Boston had provided only a sparse financial accounting of the hotels. "You want people to work hard, to really do their homework," says Robert Cotter. "Usually, the more challenging the analysis, the more appealing the target company becomes." Under those circumstances, Harry Mullikin's intimate knowledge of Westin gave him an edge over the other contestants; his bid would likely be more in line with the actual earning potential of the chain.

A total of 30 preliminary offers was presented. First Boston then set to winnowing out the "tire kickers" - those shoppers who were clearly browsing, not buying. Eventually, only 12 of the 30 were chosen to advance to the second and final round of the auction.

Each surviving contestant valued the chain at \$1 billion or more. The Mullikin-Juffali partnership priced the hotels at \$1.2 billion; Donald Trump came in at \$1.3 billion, and the Bass-Aoki team offered \$1.4 billion. Other survivors included the Kuwaiti Government and speculator Marvin Davis, who had recently sold the Beverly Hills Hotel to the Sultan of Brunei and reaped a \$65 million profit.

The finalists were given a new deadline. They had until Oct. 30 to hone their analyses and make their formal bids. First Boston was now willing to provide additional financial information on the properties. Three suites in the Plaza were set aside for the purpose, each containing 120 blue binders filled with data on the 61 hotels.

The contesting groups were booked into the suites for a three- or four-day stay. Every effort was made to prevent them from running into each other in the corridors and getting into a discussion of the auction. The suites were on three different floors and served by three different banks of elevators. "We wanted to keep the deal as compartmentalized as possible," recalls First Boston's Scott Lindsay.

Each of the groups had its own style and agenda. The Bass-Aoki team rented two extra suites and brought in machines to make multiple copies of the material in the blue binders. The Marvin Davis team consumed mountains of sandwiches and cole slaw ordered from the Carnegie Delicatessen.

As the October day of reckoning approached, Bob Bass gave Barrack a new assignment. Bass had committed \$250 million in a bid to gain control of the Plaza; now he wanted to make sure that, if he actually ended up with the hotel and decided to sell it, there were potential buyers out there. "Bob is ultraconservative," says a longtime Bass friend. "He wanted a back door out of the deal."

Barrack contacted a Lebanese representative of the Sultan of Brunei and walked him through the Plaza, pointing out the hotel's special qualities. The Sultan's man was impressed but noncommittal.

During the first week of October, still searching for a back door, Barrack met with Donald Trump in the Manhattan developer's office on the 26th floor of Trump Tower. By this time, Trump says, he had pretty much decided to abandon the Westin deal - having analyzed the financial data, he was loathe to pay more than \$1 billion for the hotels - but he did not share his feelings with his visitor. Instead, he listened as Barrack described Bass's determination to win the Westin auction and extolled the Plaza's virtues.

By all accounts, it was a classic meeting between two sophisticated negotiators. Like chess grand masters, drifting from tournament to tournament to match wits against worthy opponents, the two men constantly sought out deals in which they could display their bargaining finesse.

In this case, Barrack's first mission was to convince Trump that Bass had the Westin auction sewed up, though he never said it in so many words; anyone who wanted the Plaza would have to deal with Bob Bass. More to the point, Barrack had to determine whether -and how badly - Donald Trump wanted the Plaza. For Trump, as for any negotiator, the object was to squeeze as much information as possible from his visitor without yielding anything in return. The information would not come in the form of words; it would be revealed in the eyes of the other player, in the questions he asked.

But in this instance there were limits to Trump's inscrutability. "I wanted to be obvious in my desire for the hotel," he says, "because I didn't want them canvassing the world if they won, and I knew there were plenty of Japanese and Saudi buyers out there."

Barrack left Trump's office in a buoyant mood, convinced that, if the Bass-Aoki team acquired Westin, Trump would come calling. Barrack had found what his boss wanted - a back door out of the Plaza deal.

A few days later, Bass and Aoki tried to make an end run around the auction by offering a pre-emptive bid to First Boston. It was quickly rejected. Cotter and Lindsay were determined to stay with the auction, trusting to one simple precept: The competition would yield a higher sale price.

On Oct. 19, the stock market crashed. Confident investors turned into hesitant, wary bidders - some of the Westin contestants grew uncertain as to whether they could come up with financing. Others offered pre-emptive bids. Soon after the market meltdown, the Mullikin-Juffali team bid just over \$1 billion for the hotel chain. And on Thursday, a week before formal bids were due, Marvin Davis proposed a deal at \$1.15 billion. By the standards of September, the bids were low. "It was not a time to reach," says Jeffrey J. Rhodes, C.E.O. of Davis's real estate partnership.

Later that same Thursday, Tom Barrack appeared at First Boston's green glass headquarters near Park Avenue. He was ushered into a conference room on the 42d floor where he put forward a \$1.3 billion offer for Westin. Before Cotter and Lindsay could respond, Barrack added the clincher: The offer would expire at the close of business on Monday.

The odds were slim that First Boston could drum up a strong counteroffer before the deadline. Because of the time difference, Tokyo was effectively shut down for the weekend, the bankers who might provide financing gone from their offices. Ahmad Juffali would be hard to reach since Friday is a holy day in Saudi Arabia.

But the bankers were not displeased. "We were anxious to move the deal along," says Robert Cotter. "We were concerned about another 500-point down day in the marketplace." And the Bass bid was the highest they had received.

Cotter and Lindsay began negotiations with Barrack. After several hours in the steamy conference room, they convinced him to raise the bid by \$50 million. By 10 o'clock that evening, the Bass-Aoki partnership had agreed to acquire Westin for \$1.35 billion and assume its \$180 million in outstanding debt; the total purchase price was \$1.53 billion. Mullikin and Juffali eventually raised their offer to \$1.27 billion, but by then the Texas-Tokyo team had a done deal.

ONCE THE PLAZA was in his possession, Bob Bass secured a 100 percent mortgage on the property from Balcor, a subsidiary of American Express. The financing package provided him with \$300 million - \$250 million to pay for his stake in the hotel and another \$50 million to improve the hotel. Balcor demanded no collateral of him beyond the hotel itself. In fact, Bass had put no money of his own into the deal. Balcor did, however, negotiate an "equity kicker," under which the company would receive a share of the profits from any future sale of the hotel.

Now that Bass had the Plaza, he wasn't sure what he wanted to do with it - sell or hold. There was a strong argument to be made for selling. Though the 808-room Plaza was a formidable institution, with annual gross revenues of about \$85 million, it faced strong competition from newer, sleeker hotels. Of greatest concern to Bass was the Plaza's annual net cash flow of less than \$20 million. Until and unless he was able to raise that figure, he would have to make up the difference between the annual interest payments on his \$300 million borrowing and the \$20 million. On the other hand, there was no need to rush into selling the property. Given the state of the market for luxury hotels, with sales prices rising from month to month, the Plaza was an appreciating asset.

Like so many moguls before him, Bob Bass was dazzled by the Plaza and proud to own the landmark. In November, he and his wife, Anne, joined Barrack for dinner in the Oak Room. Afterward they walked through the hotel, admiring its glories. Bass asked Barrack to find ways to increase the Plaza's cash flow.

The construction of a four-story retail atrium, inside the Plaza's Palm Court, was briefly considered. "It was going to be modeled after the atrium in Trump Tower," says one of the plan's architects. But the idea had little appeal for Bass, who is chairman of the National Trust for Historic Preservation.

As the notion of keeping the Plaza took hold of Bob Bass, executives in his camp recall, he began to regret not having bid for the entire Westin chain. And in late November, Bass invited John Aoki and his wife, Cheico, who oversees the Aoki hotels, to dinner in Fort Worth.

It did not go well. When Aoki presented Bass with a set of teacups, the Texan failed to reciprocate with a gift of his own. Bass and his chief of staff, David Bonderman, a pugnacious, 45-year-old trial lawyer, sat Aoki down and force-fed him a plan that would have transferred partial control of Westin to Bass.

"The evening was a disaster," says an executive close to both Bass and Aoki. "Bob lost his poise, and John's pride flared up. There was no chemistry between them."

Back in New York, Donald Trump and Tom Barrack were taking each other's measure. At their first meeting following the Westin auction - a breakfast at the St. Regis Hotel - Trump asked if the Plaza was for sale. Barrack told him that Bass wanted to hold onto the hotel, but Trump sensed that Barrack was trolling for an offer Bass couldn't refuse. Then Trump hit Barrack with a barrage of questions: How was Bass going to handle the tough hotel unions in New York? What did he plan to do about the Plaza's antiquated telephone system? There had been criticism of the hotel's service - how did Bass expect to upgrade it?

They were the reasonable questions of a veteran of the New York hotel wars, the man who had transformed the down-at-the-heels Commodore into the glittering Grand Hyatt. But Trump had a specific, if unstated, goal in mind - to convince Barrack and Bass that they were in for trouble, that they would be well advised to unload the Plaza on a man who knew how to run a New York hotel. Barrack was noncommittal. As they walked out of the St. Regis after breakfast, Trump put his arm around Barrack's shoulders and wished him good luck with the Plaza.

Some weeks later, Trump called to invite Barrack to be his guest at the Tyson-Holmes heavyweight championship fight at the Trump Plaza in Atlantic City. The two men talked several times on the phone. Barrack called Bass's aides in Fort Worth to report his conclusion: Trump was eager. But David Bonderman vetoed the idea; Bob Bass had reason to be wary of Donald Trump.

In 1984, Bass and Trump had discussed a joint purchase of the rail yards between 59th and 72d Streets on Manhattan's West Side, but Trump turned around and bought the land on his own. "They wanted equal control," says Trump. "I said nobody can have control in my deals. I don't do partners. I don't want to call Texas every time I want to redesign a building." Whatever pique Bass might have felt, however, he did not let it interfere with his decision to sell his 21 percent stake in Alexander's, the New York retail chain, to Trump two years later; the price was \$50 million, 10 percent over market.

Barrack continued to push for the sale of the Plaza. He suspected that Bob Bass, for all of his pride in owning the Plaza, would not be able to resist the kind of huge profit that Barrack envisioned. And Barrack prevailed.

Early in February of this year, Barrack was directed to open formal negotiations with Trump. The terms were tough. Bass would not accept a penny less than \$450 million in cash for the hotel, and the transaction would have to be noncontingent - Trump would

have to agree not to sue Bass if any financial flaws or physical defects in the Plaza building were discovered after the closing.

Under those circumstances, Trump said, he was not interested. He insisted that he would not consider paying more than \$350 million for the hotel, and he broke off negotiations.

For several weeks, Donald Trump played hard to get, well aware that any further display of ardor would damage his bargaining position. He hoped his silence would force Barrack to come up with a lower asking price. "You've got to play it cool," Trump says. "If you want it like death, you can't negotiate the way you want to."

When word of the Plaza's availability spread, the calls came pouring in to Barrack's office. Lufthansa airlines expressed serious interest. A representative of the Sultan of Brunei promised to make a bid. Even though he had taken on over \$500 million in debt to acquire Westin, John Aoki was now determined to find additional financing to go after the Plaza. And an investment group that included such diverse players as the Mandarin Oriental Hotel Group of Hong Kong; the Manhattan real estate developers Arthur G. Cohen and Philip Pilevsky, the merchant banker James D. Wolfensohn and Australian media mogul Kerry Packer entered the lists.

The Mandarin group, led by Phil Pilevsky, was interested in converting part of the Plaza to cooperative apartments. Barrack and his associates told Pilevsky that his team had the inside track in the bidding for the hotel.

Details of the intricate negotiations were leaking out to the press. On Saturday, Feb. 27, The New York Times reported the possible sale of the Plaza to Pilevsky's group. That same day, Donald Trump called Barrack to get back in the running. They agreed to meet in Trump's office on Tuesday morning. Several participants in the Plaza deal believe that, directly or indirectly, Barrack was responsible for the newspaper coverage. "Tom played Donald like a Stradivarius," says a real estate executive familiar with the deal. "The Times story really softened Trump up." Trump, however, insists that the article had "no effect" on him.

On Monday, Barrack conferred with Pilevsky and received some bad news. Pilevsky was reluctant to sign the noncontingency agreement that Bass had insisted upon. "We couldn't take a chance," Pilevsky says. With no satisfactory commitments from any contender, Barrack was forced to revert to his prime prospect: Donald Trump. But that was not a piece of information Bass's man intended to share with Trump.

On Tuesday morning, when Barrack entered Trump's office, his host was agitated, swiveling about in the soft leather chair behind his marble desk. A third party was present in the person of Jonathan A. Bernstein, a member of the Manhattan law firm of Dreyer & Traub and Trump's attorney.

Barrack told Trump that he had to act immediately if he wanted to acquire the Plaza. The two men were more than \$100 million apart on price. After some haggling they split the difference, arriving at a figure of \$400 million.

That was the easy part. The stumbling block was the non-contingency issue. Bernstein advised against signing the agreement. For a moment, Trump broke off the discussion and spun about in his chair. Through the window, he could see the copper green mansard roof of the Plaza Hotel just two blocks up Fifth Avenue. Finally, Trump turned back and said he would sign.

"When I was buying in Brooklyn and Queens," says Trump, "I'd know every screw and bolt before I bought. But that's an income investment, not an art investment. If you have to check each room in the Plaza, you shouldn't be buying it." Says Bernstein: "Trump wasn't Trump in this deal. Normally we'd tear a property like this apart."

Two weeks later, Barrack and Bernstein were back in Trump's office. Bass was raising the ante: He wanted \$410 million for the Plaza. Trump asked Bernstein to step out of the office, and the two men finally agreed on a figure of \$407.5 million. But the negotiations were far from over.

Trump announced that he wanted the package to include 22 Central Park South, a small apartment building adjacent to the Plaza that was owned by the hotel. Barrack went along, but he asked in turn that Trump honor the management contract Bass had given John Aoki. Trump agreed to give the Japanese entrepreneur 2.25 percent of the Plaza's gross revenues for two years.

The \$400 million Donald Trump paid for the Plaza was a record price for a single hotel. It amounted to \$495,000 per room. The deal will yield the Bass team a gross profit of between \$50 million and \$80 million.

In early March, while the contract was being prepared, Bass received a higher bid for the hotel. Phil Pilevsky's group offered \$425 million and agreed to sign off on most of the terms of the non-contingency clause. But Barrack would not go back on his agreement with Trump. The grueling chess match had finally ended.

Meanwhile, Bass refinanced his Balcor loan with the Industrial Bank of Japan, thereby voiding the equity kicker under which he would have had to give Balcor a share of his profits on the Plaza sale. He did have to pay Balcor a penalty.

DONALD TRUMP, like Bob Bass, was given a 100 percent mortgage on the Plaza. In Trump's case, the loan was for \$425 million, provided by a consortium of banks led by Citicorp. Of the total, \$407.5 million went to finance his purchase of the hotel and 22 Central Park South and most of the balance was earmarked for improving the property. Trump was asked to guarantee \$125 million of the loan personally.

Trump had borrowed \$400 million on a property that does not yield enough cash to cover the interest payments on his loan. But he says he is determined to boost the Plaza's cash flow, and he knows a trick or two. During his first year as the owner of the St. Moritz Hotel, he increased the cash flow sixfold.

Two months ago, on a tour of the Plaza, Trump reeled off some of his ideas. Item: Installing boutiques for name designers on the order of Ralph Lauren in the lobby dress shop for a total annual rental of \$2 million to \$2.5 million; the dress shop is currently paying \$100,000. Item: Creating a health club on top of the Plaza's cavernous ballroom. Item: To restore the Plaza's luster as a clubhouse for the rich, he would assemble a board of directors composed of tycoons and socialites and lease apartments to the social-business elite. (Trump says that Carl C. Icahn, the chairman of Trans World Airlines, and Robert Campeau, the Canadian real estate mogul, have called to ask about the apartments.) Trump has appointed his wife, Ivana, a former model who ran one of his casino-hotels in Atlantic City for several years, as president of the Plaza. When he announced the move last spring, Trump declared that he would pay her "\$1 a year, and all the dresses she can buy." Now he admits that he "took some heat" because of the condescending remark; he has been loudly extolling her virtues as a hotelier ever since. But Trump has discouraged photographs of his wife in the Plaza to avoid comparisons between her and Leona Helmsley, the much-photographed, imperious doyenne of the Helmsley luxury hotels.

Ivana Trump has begun to put her stamp on the Plaza. She personally supervised fittings for the concierges' new uniforms. ("A lot of people in this job wouldn't know if the pants were too long or too short," she says.) She also insisted that the sand in the lobby ashtrays should be regularly imprinted with the famous Plaza logo - back-to-back "P's." The leaders of the hotel union balked at first, but Donald Trump says he brought them around. "I called these guys up," he recalls, "and said, 'Do it, or I'll turn the Plaza into a condo with three janitors and a super.'"

Trump insists that he is in the Plaza for the long haul. He says he will spurn the offers he claims to have received for the hotel, offers that make his own high bid look modest by comparison. But given the hyper-inflated prices for trophy hotels, he could, like Bob Bass before him, change his mind. Donald Trump may yet sacrifice his beloved Plaza on the high altar of profit. THE CONTENTENDERS/Key players in the selling of the Plaza

The contest began last year when the board of the Allegis Corporation, parent of United Airlines, reversed the diversification policies of Richard J. Ferris, the C.E.O., and put its Westin hotel chain - including the Plaza - up for auction.

The bidders included Ahmad Juffali, from one of Saudi Arabia's wealthiest families, and Marvin Davis, the Los Angeles acquirer. The winner, by means of a pre-emptive bid, was a team headed by Robert M. Bass, the Fort Worth investor and oil heir, and Hiroyoshi Aoki, president of a Japanese construction company.

For his \$250 million share of the \$1.53 billion price, Bass received a 71 percent stake in the Plaza. Within four months, he sold the hotel to Donald Trump for \$400 million. THE TROPHIES/Luxury hotels draw record prices

Steven Wheeler's desk was littered with blue binders, each emblazoned with the name of a different illustrious hotel. The binders contained essential financial information about a half-dozen properties, from New York to Chicago to San Francisco, that the managing director of Morgan Stanley & Company's real estate subsidiary was trying to sell. He was looking for top dollar, and the chances were he would get it.

Investors have been paying unprecedented prices for trophy hotels. In 1982, Caroline Rose Hunt's Rosewood Hotels paid \$23 million, or \$348,000 per room, for the Bel-Air in Los Angeles. In 1985, the Sultan of Brunei purchased the Dorchester Hotel in London for \$50 million, or \$177,000 a room. And two years later, the sultan paid \$200 million, or \$757,000 a room, for the Beverly Hills Hotel.

The lofty sums being offered for deluxe hotels are not based on the profits to be derived from operating them. "Nationwide," says Thomas P. McConnell, manager of the hotel consulting group at the accounting firm of Laventhol & Horwath, "it's generally very difficult to maintain the profitability rate." But carriage-trade properties in New York City, McConnell says, are making money with occupancy rates of more than 70 percent - "particularly because their room rates are among the highest in the United States." A combination of location and superior service attract a loyal clientele. Trophy hotels are also

sought after because, should inflation strike, room rates can be raised, and their value as real estate properties is likely to appreciate.

Even absent inflation, the real estate occupied by some luxury hotels tends to increase in value because it is rare: Such prime, big-city properties seldom become available. And as long as the prices for deluxe hotels continue to climb, an investor who buys one has an excellent chance of selling at a substantial profit. London-based Grand Metropolitan P.L.C., for example, bought the 100-hotel Inter-Continental chain in 1981 for \$500 million and recently put Inter-Continental up for sale - for \$2.5 billion. Says Thomas J. A. Lavin, a managing director of First Boston's real estate department, "Luxury hotel investors seem to think that the tree is going to grow to the sky forever."

Some bidders have special needs. Airlines see the hotels as generating passenger traffic. International hotel chains are eager to be represented in the capitals of the world - witness the sale of the troubled Maxim's de Paris Hotel in Manhattan to the Peninsula Group of Hong Kong, announced last month, for \$127 million, or \$500,000 per room.

Yet for many investors, the top-of-the-line hotels offer intangible benefits. "Owning a luxury hotel today is a little like owning a baseball team," says Daniel M. Neidich of Goldman Sachs' real estate group. "It gives super-affluent guys an enormous amount of exposure." THE IMP WHO TOOK OVER THE PLAZA

"I am Eloise. I am six." With these words, the world was introduced in 1955 to the mischievous imp who became the Plaza's most beloved symbol. The make-believe heroine of a book written by Kay Thompson and illustrated by Hilary Knight, Eloise lives with her nanny on the top floor of the hotel. But her days are spent by turns bedeviling and charming the Plaza's elevator operators, waiters ("Oooooooooooooo I absolutely love Room Service") and guests. For Eloise, any open door is an invitation.

The book was an immediate best seller (it has sold hundreds of thousands of copies to date), and soon there were Eloise dolls, dresses and bubble gum. The Plaza jumped on the bandwagon, introducing children's menus in its restaurants and offering guests the use of tricycles, even temporarily setting aside an Eloise room, properly appointed, for young readers of the book to explore.

Now Donald Trump, the Plaza's new owner, says he plans to create several Eloise suites as settings for children's birthday parties. "There's going to be a waiting list a mile long," Trump predicts. His minions had better be on guard lest any bored young guests take a leaf from Eloise's book. "Tomorrow," she says, her parting shot, "I think I'll pour a pitcher of water down the mail chute."

Copper drawing of "Eloise" by Hilary Knight; photos of Donald Trump with Plaza doorman (Gregory Heisler); the Plaza Hotel (Jill Levine) (pg. 20); the Plaza's Edwardian Room (Gregory Heisler) (pg. 21); sisters Mrs. James Fosburgh and Mrs. William Paley at the Plaza (Courtesy of the Plaza Hotel) (pg. 62); Richard Burton and Elizabeth Taylor; Adele Astaire and doorman Tom Clifford; former owner Conrad Hilton (Courtesy of the Plaza Hotel) (pg. 66); photos key players in sale of the Plaza: Robert M. Bass, Richard J. Ferris, Ahmad Juffali, Marvin Davis and Hiroyoshi Aoki (Ben Weaver; Michael Abramson/Woodfin Camp; Robert Azzi/Woodfin Camp; Barry King/Gamma-Liaison; Aoki Corp) (pg. 22); luxury hotels, the Bel Air and Beverly Hills, Los Angeles, and the Dorchester, London (Philip Saltonstal

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