

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

THE PEOPLE OF THE STATE OF NEW YORK,
by ERIC T. SCHNEIDERMAN, Attorney General of the
State of New York,

Petitioner,

-against-

THE TRUMP ENTREPRENEUR INITIATIVE LLC f/k/a
TRUMP UNIVERSITY LLC, DJT ENTREPRENEUR
MEMBER LLC f/k/a DJT UNIVERSITY MEMBER LLC,
DJT ENTREPRENEUR MANAGING MEMBER LLC
f/k/a DJT UNIVERSITY MANAGING MEMBER LLC,
THE TRUMP ORGANIZATION, INC., TRUMP
ORGANIZATION LLC, DONALD J. TRUMP, and
MICHAEL SEXTON,

Respondents.

Index No. 451463/2013
IAS Part 55
Assigned to Justice Kern

**AFFIDAVIT OF
RESPONDENT
MICHAEL SEXTON
IN SUPPORT OF
RESPONDENTS'
MOTION TO DISMISS**

I, Michael Sexton, being duly sworn, deposes and says:

1. I was the President of The Trump Entrepreneurship Initiative LLC f/k/a Trump University LLC (“TEI”) from when the company began in 2004 until July 31, 2010. As such, I have personal knowledge of many of the facts and circumstances that are the subject of this proceeding.

2. I make this affidavit in support of my motion to dismiss, and the motion to dismiss of TEI and the other Trump respondents (collectively “Trump Respondents”), the Verified Petition dated August 24, 2013.

Introduction

3. The Verified Petition, and the supporting affirmation of Tristan Snell, accuse TEI, the other Trump Respondents, and me personally of engaging in various deceptive practices in the operation of TEI, including using the designation “University” in the company name, running

misleading advertisements (concerning, among other things, Donald Trump's involvement in the business, the content of the instructional programs, and the quality of program instructors), employing bait-and-switch tactics, making misrepresentations, and engaging in other deceptive and improper conduct. The Verified Petition claims that, contrary to TEI's deceptive marketing, in reality its instructional products and programs were not designed to, and did not, provide meaningful instructional content to customers.

4. This portrayal in the Verified Petition is false. TEI provided quality instructional products and programs that allowed customers to gain access to insights from experts and experienced professionals in a variety of business subjects, and to develop practical knowledge and skills. TEI invested heavily on its curriculum, services provided to customers, efforts to continually improve its programs, and robust compliance procedures. The programs also incorporated concepts and strategies from Donald Trump, and included case studies from Mr. Trump's past transactions. Indeed, the Verified Petition ignores overwhelming evidence showing that TEI was designed to and consistently delivered quality instructional products and programs to customers, and engaged in appropriate, not deceptive, business practices.

Background

5. By way of background, I have a Bachelor of Arts degree from Tufts University and a Masters of Business Administration degree from the Tuck School of Business at Dartmouth. Before joining TEI in 2004 at its formation, I had worked as a management consultant for eight years, including with Accenture's global strategic services practice in New York. As a professional management consultant, I advised many different businesses on the strategic development, improvement, and restructuring of their businesses.

6. Before joining TEI, I also had held senior management positions in several early-stage companies, including at Katon Partners, a company that I co-founded. Katon Partners' business included developing technology-oriented products for clients to more effectively recruit and hire employees for their businesses. Prior to the formation of TEI, I spent considerable time studying and analyzing the development of internet-based instructional training products to educate working professionals.

The Formation of TEI

7. In 2004, as a result of my prior experience studying and analyzing instructional training products for professionals, my then business partner and I began to explore the idea of developing instructional products for small business owners and individual entrepreneurs under the "Donald Trump" brand. At the time, in addition to being renowned as a savvy and successful business owner and entrepreneur, Donald Trump also was featured in a very popular television program—"The Apprentice"—that not only was entertaining, but also provided instruction on Mr. Trump's business ideas and philosophy.

8. Our concept was to build a world-class business under the "Trump" brand focused on servicing the needs of small and mid-sized business owners through technology-based, practical instructional products. We focused on small and mid-sized business owners because we believed that entrepreneurs historically had been underserved by training and education companies up to that point in time in delivering practical, real-world instruction.

9. In 2004, I had a series of meetings with Mr. Trump and other of his representatives to discuss the concept of developing a company that would primarily use technology to provide a quality and practical instructional curriculum to small business owners and individual entrepreneurs across a broad range of business subjects, such as marketing,

finance, sales, entrepreneurship, and real estate, under the “Trump” name and brand. Mr. Trump and his representatives liked the concept and so I began further developing the business plan in anticipation of launching the business.

10. Toward that end, on October 25, 2004, Trump University LLC,¹ a New York limited liability company, was formed with the stated purpose of providing “education-related and educational products and services to individuals and businesses.” The New York Department of State did not object to the use of the word “University” in the company’s name and approved the company’s filing.

11. From 2004-2010, as President of TEI, I oversaw the company’s overall business practices, finances, compliance procedures, personnel management, and day-to-day operations. I also held a 4.5% ownership interest in the company, while Mr. Trump, through various entities, held a 93% ownership interest.

12. During my tenure, TEI was a small, private company that offered quality instruction and training in various business topics to small business owners and entrepreneurs across the country and also outside of the United States. At its height, TEI had approximately 39 employees and utilized approximately 35 independent contractors. Within weeks of my leaving the company on or about July 31, 2010, I am advised that the company stopped advertising or marketing instructional programs and accepting new customers.

Donald Trump’s Personal Involvement with TEI

13. From TEI’s inception until I left in 2010, Mr. Trump, through various entities, had significant involvement with both the operation and overall business strategy of TEI.

¹ As discussed below, on May 21, 2010, Trump University LLC officially changed its name to The Trump Entrepreneur Initiative LLC.

14. In addition to indirectly owning 93% of TEI, Mr. Trump's involvement with the business included frequently meeting with me to discuss TEI's operations, the company's philosophy, development of the instructional curriculum, and overall business strategy. During this time, Mr. Trump also attended meetings with many of the experts responsible for developing TEI's instructional materials, including Columbia University Professor Donald Sexton,² Columbia University Adjunct Professor Jack Kaplan, and Roger Schank, a former professor at Yale University and Northwestern University. The purpose of these meetings was not only for Mr. Trump to personally meet, interview, and approve the many business experts who would be developing the curriculum and related materials, but also for Mr. Trump to communicate and integrate his own ideas, strategies, and overall business philosophy into the instructional programs.

15. Mr. Trump's involvement also extended to reviewing, revising, and ultimately approving newsletters, blog entries, and essays featured on TEI's website, reviewing and approving TEI publications, and providing specific real-estate case studies from Mr. Trump's long-storied career in business and real estate for integration into TEI's instructional programs. Such case studies included Mr. Trump's acquisitions and/or development of prized properties such as 40 Wall Street, Trump Tower, and Mar-A-Lago.

16. With respect to the selection of TEI's instructors, Mr. Trump conveyed his thoughts and insights to me, which I also conveyed to other members of TEI's senior management, concerning the types of people he wanted developing and teaching TEI programs, which we attempted to follow in selecting TEI instructors throughout the period of TEI's operations. Mr. Trump personally was involved in the selection of Donald Sexton, Gary Eldred, Michael Gordon and Jack Kaplan as TEI instructors.

² Although we share the same last name, I am not related to Donald Sexton.

Development of TEI's Quality Instructional Programs

17. During the entire time I was with the company, TEI strived to provide and did provide quality instructional programs that allowed customers to gain access to insights from experienced professionals in a variety of business subjects (including real estate investment) and develop practical knowledge and skills. TEI provided these instructional programs through a variety of formats.

18. Initially, TEI focused on providing quality, practical instruction on a range of business-related subjects consistent with the “Trump” brand—including marketing, entrepreneurship, and real estate—through online learning courses (also commonly known as e-learning) and home-study products, including DVDs, CDs, and workbooks.

19. E-learning is the electronic delivery of instructional content to users. Although in 2004 e-learning had begun to take hold in the corporate world as an effective method of instructing employees, e-learning instruction to individuals not employed in large corporations was still in a nascent stage because of, among other things, the previous limits on available and affordable technology to individuals.

20. In 2005, TEI believed that it could make quality business-oriented instruction available to consumers—primarily geared towards small business owners and individual entrepreneurs—and it began developing the content for this instruction. TEI hired world-class subject matter experts to develop the content and deliver instruction for e-learning courses and to develop home-study products on business-oriented subjects. These experts included Donald Sexton, a professor for over 40 years at Columbia Business School; Paul Wimer, a successful partner at a private equity firm, who had previous experience as a management consultant; Jack Kaplan, an adjunct professor at Columbia Business School; and John Vogel, an adjunct professor

at Dartmouth's Tuck School of Business. Roger Schank, an expert in online learning who had previously been a computer science professor at Yale University, was hired as TEI's chief learning officer and worked with these experts to design the e-learning course curriculum from the subject-matter content that they provided.

The Evolution of TEI's Business to Include Live Instruction

21. TEI began offering the e-learning and home-study products to consumers in 2005.
22. Over time, TEI received feedback from the market reflecting some lack of familiarity and comfort with e-learning-only based courses and that customers preferred greater interactive instruction in educational programs. As a result of this customer feedback, TEI experimented with different methods of delivering content to customers, including through webinars, teleconferences, and additional home-study products, including books.
23. TEI created books on real estate, commercial real estate investing, marketing, entrepreneurship, branding, wealth building, and asset protection, which were published by John Wiley & Sons. Mr. Trump, himself, personally contributed a great deal of content to many of TEI's books, including Trump 101 and Never Give Up. Other times, Mr. Trump and his staff worked closely with TEI's Executive Editor, Barry Lenson, on drafting, revising, and providing content for TEI's books. TEI also released home-study products in conjunction with Barnes & Noble.
24. TEI also received feedback from customers reflecting strong interest in learning more about real estate investing, given the state of the real estate market at that time and Donald Trump's well-known success as a real estate investor and developer.
25. To meet these customer needs, TEI, with the personal involvement of Mr. Trump, hired Gary Eldred, who had served on the faculty at the Stanford University Graduate School of

Business and authored several books on real estate investing, to serve as a subject-matter expert in real estate investing and to work with Mr. Trump on developing instructional programs and products in that subject area. The Real Estate Investor Training online program developed by Dr. Eldred and Dr. Schank provided focused training that covered different aspects of real estate investment. The online program included six self-directed courses, “Empire City”—a real world simulator, various instructional materials, and live instructor feedback via webinars and email. The instructional materials on real estate developed by Dr. Eldred included case studies based on Mr. Trump’s investments, and encompassed techniques that had been used by Mr. Trump in his real estate investing.

Trump Institute’s Live Instructional Programs

26. Around early 2006, based on consumer demand, rather than offer only online courses and other technology based products, TEI decided to make instructional programs under the “Trump” brand available to consumers at live events focused on real estate investing. Because the business of conducting live instructional events was more operationally complex and different from TEI’s online-oriented instruction up to that point, TEI licensed the Trump brand to Business Strategies Group (“BSG”), an independent, third-party firm experienced in providing live instruction, to conduct live events on real estate investing under the brand “Trump Institute.”

27. From approximately 2006 to 2008, BSG conducted preview sessions, three-day workshops, and advanced training including advanced workshops, in-field mentorships, and coaching. TEI’s relationship with BSG was merely a licensing arrangement; TEI had no ownership interest in, corporate affiliation with, or control over BSG or “Trump Institute.”

28. In approximately 2007, TEI began developing and conducting its own live previews and three-day programs under the brand “Trump University.”

29. The free preview events provided two-hour previews of the content that would be covered during TEI’s three-day instructional workshops. The previews were conducted by TEI-selected program instructors and contained substantive content, including discussion of strategies for real estate investing and, in many cases, discussion of local investment opportunities.

30. TEI’s advertisements never represented that Mr. Trump would personally appear at the free preview events.

31. The three-day workshop essentially was a “Real Estate 101,” which covered the basics and fundamentals of real estate investing. The workshop included substantive content that had been developed for TEI by various experienced real estate investors.

32. An emphasis of the three-day workshop was Mr. Trump’s philosophy of entrepreneurial real estate investing and his methodology of experiential learning (i.e., learning by doing). The workshops included interactive exercises, such as breakouts into smaller, interactive groups focused on specific topic areas and exercises where the instructor called local realtors or property owners about specific deals, providing students with a real-world illustration of how to take the first steps in real estate investing. The workshops embodied Mr. Trump’s philosophy of motivating people to get out of their comfort zone, overcome their anxieties, and to take an entrepreneurial approach. Customers were encouraged and given the ability to audit the three-day workshops for free as many times as they liked, anywhere in the country.

33. The TEI workshops also covered investing in foreclosed properties, which was a technique that Mr. Trump favored and had used.

34. Individual instructors also had latitude to provide additional content of their own at the workshops and to tailor their presentations, such as by adding information or examples relating to the specific geographic area where the live presentation was taking place or discussing specific strategies relevant to that geographic area.

35. The three-day workshops included a great deal of substantive content, contrary to the misleading impression given by the Attorney General's selected excerpts of transcripts from TEI programs. The topics covered during a typical three-day workshop included:

Introduction and Overview

- A Look at Foreclosure Statistics
- What Causes Foreclosure
- Market Advantages in this Economy

Understanding the Foreclosure Process

- Types of Foreclosures
- Judicial Timeline
- Non-judicial Timeline

Locating Great Deals

- What Makes a Property a Bargain
- Finding Real Estate with Motivated Sellers
- Analyzing Lis Pendens

Choosing an Area

- Determining Factors for Choosing an Area
- Categorizing Neighborhoods as A,B,C, or D
- Creating a Functional Plan

Finding Properties

- The Shotgun Method
- The Laser Method
- The Advertising Method

Contacting Owners

- Outbound Calls
- Inbound Calls
- In-person Meetings

Working with People

- Options for Homeowners in Foreclosure
- Foreclosure Attitudes and Behaviors
- Items You Must Get

Structuring the Deal

- Establishing Property Value
- Determining ARV
- Contract Requirements

Building a Buyer's List

- Ways to Find Buyers
- Showing Properties
- Assigning the Deal

Understanding Short Sales

- Why Banks Sell Short
- What You Need to Negotiate a Short Sale
- The Short Sale Process

Investing in Bank REOs

- Secrets to REO Success
- Offer Language
- Government REOs

Commercial Financing

- When to Use Commercial Financing
- The Lender's View of LTV vs. True LTV
- Working with Banks and Mortgage Brokers

Quick Turning Real Estate

- 5 Ways to Quick Turn Real Estate
- The Difference Between Wholesaling and Retailing
- Wholesaling
 - Why Should You Wholesale?
 - Wholesaling Basics
 - Contract Clauses
- Retailing
 - Retailing Basics
 - Principles of Retailing
 - Retailing Examples
- Options and Lease Options
 - How Lease Options Work
 - Seller and Buyer Benefits
 - Three Profit Scenarios

- Owner Financing
 - Four Ways to Profit
 - How You Can Work It
 - The Due-on-Sale Clause

36. The sales component delivered by instructors at these workshops was limited to a brief presentation of advanced training options, typically given after the conclusion of the second and/or third day of instruction. Instructors and team members also met with customers in one-on-one sessions to further discuss these options. These approximately 15-minute one-on-one sessions initially occurred during the workshop period. By 2009, however, TEI further limited these sales sessions by having them take place outside of the regular instructional period.

37. The alleged lack of substance in TEI's programs is contradicted by the overwhelmingly positive feedback from thousands of contemporaneous customer surveys, as well as by statements in affidavits and complaints relied on by the Attorney General in this proceeding.

38. In approximately 2008, TEI also started offering advanced training options that provided customers with significant guidance and support through advanced workshops, in-field mentorships, and coaching. Many of the advanced training options also provided customers with continued access to the TEI e-learning programs and other materials that had been developed by TEI's subject matter experts.

39. I am advised that TEI's records reflect that 80,308 people attended the free preview events, 9,208 attended the three-day workshops, and 794 people purchased mentorships.

40. TEI also continued to offer its quality e-learning instruction to customers during this time period as individual courses and as a supplement to the live event instruction.

TEI Instructors Were Carefully Chosen by TEI Senior Management

41. TEI consistently exercised care in hiring instructors for its live instructional programs. TEI sought individuals who combined excellent communication skills with content knowledge and experience in real estate investing.

42. As part of its selection process, TEI interviewed potential instructors and conducted auditions, during which many candidates gave presentations in front of TEI staff members. TEI reviewed resumes and arranged for background screenings. By September 2009, TEI's procedures to vet instructors and mentors also included reviewing documentation—such as bank statements, closing statements, escrow checks, and leases—to support the instructors' claimed real estate experience.

43. By approximately January 2010, TEI had formalized a process whereby real estate expert and mentor Steve Miller conducted instructor interviews and collected supporting documents for review and analysis in order to verify that an instructor was "Trump Certified." TEI's senior management was personally involved with establishing procedures for the vetting and selection of instructors for the live programs, and directly participated in that process.

TEI Consistently Strived to Improve Customer Satisfaction

44. Throughout my tenure with the company, TEI made continual efforts to improve the quality of its instructional programs. For example, it was TEI's business practice to conduct customer-satisfaction surveys at all of its live-instruction programs, which asked customers to rate programs on the quality of presentations, relevance of topics covered, and usefulness of information. As part of this process, customers were asked how programs could be improved, whether the customer would attend another program, whether the customer would recommend the program to a friend, and whether the program met the customer's goals.

45. During my tenure with the company, approximately 10,000 TEI customers filled out these surveys, with roughly 98% indicating that the customer was satisfied. The overwhelming degree of customer satisfaction was further supported by testimonials that TEI collected from customers.

46. TEI also took steps to ensure the reliability of customer feedback through survey procedures and phone calls. For example, TEI developed a protocol whereby customers returned surveys to TEI program coordinators, rather than instructors, to avoid the possibility of feeling pressured to give a higher rating. TEI also instituted a policy for customers to mail surveys about their mentorships back to TEI, rather than handing them back to mentors, to further reduce the possibility of pressure for higher ratings.

47. TEI also invested in technology systems designed to collect information about customer experiences and to provide that feedback to individuals throughout different TEI departments. For example, a Real-Time Customer Feedback Meter would send an immediate email out to the TEI customer service and management team for follow-up if a customer submitted a rating for a TEI instructor below a “3” (on a scale of 1 to 5). A phone queue was developed to track customer interaction. Detailed notes from calls with customers were entered to track customer progress and experiences. A ticket system was instituted to track customer issues that needed to be addressed, assign responsibility, and document resolution of the issue. TEI also instituted a customer-facing portal to monitor phone coaching to help ensure that calls happened as they were supposed to and that customers were satisfied. That system tracked calls and allowed customers to provide feedback about the calls.

48. As a further form of quality control, TEI also instituted a limit on the number of mentees that any mentor could handle at one time to ensure that each customer mentee would receive appropriate attention and receive responses in a timely fashion.

49. TEI also instituted a process for mentors to provide additional assistance and improve the customers' experience and overall satisfaction if a customer was not highly satisfied with a mentor. TEI did not simply rely on a mentor's representation that customer satisfaction had increased, and instead TEI placed follow-up calls to customers to make sure that they were satisfied. TEI's practice was to enter contemporaneous notes from these telephone conversations about customers' experiences with their mentors.

50. During my tenure with the company, TEI was focused on providing quality programs and services to customers, and spent millions of dollars on program development and customer fulfillment services such as instructors, mentors, phone coaching, and webinars. I am advised that TEI's records reflect that it spent over \$1.9 million on developing its curriculum and over \$5.5 million on delivering instruction to its customers.

51. As part of its business practice, TEI consistently offered a three-day cancellation right (money-back guarantee) to customers for programs sold at live events. TEI's enrollment form stated.

“You, the Buyer, may withdraw without penalty from the training class scheduled above without penalty by the end of the first day of the training class scheduled above. In addition to our refund policy which exceeds legal requirements, You may cancel this agreement without any penalty, at any time prior to midnight of the third business day after the date of this transaction. See cancellation notice on reverse side for explanation of this right.”

52. To obtain a refund, customers simply were required to sign the “Notice of Cancellation” form provided to them as part of the contract within three days of their enrollment in the program.

53. For the three-day workshops, TEI generally provided greater cancellations rights than the three-day period required by law: TEI typically permitted customers to cancel on the earlier of the first day of the workshop or fourteen days from the enrollment date. In addition, TEI provided refunds to customers for good cause, even when the requests were made after the refund deadlines had elapsed.

54. TEI did not promise specific results, profits, or wealth to its customers—who had varying abilities, experiences, expectations, motivations, resources, and educational levels, and who dealt with different market conditions, local properties, and competition.

55. TEI's customer enrollment forms stated that TEI provided no warranties or guarantees:

“This Program is provided for information only and no guarantees, promises, representations or warranties of any kind regarding specific or general benefits, monetary or otherwise, have been or will be made by the Program, Program instructors, Trump University, their affiliates or their officers, principals, representations, agents or employees (collectively, ‘Principals’). I acknowledge that none of the Principals is engaged in rendering financial, investment, legal, accounting, or other professional services or advice. If such professional advice or other expert services are required I acknowledge that I should seek the services of a competent professional who can consider my particular circumstances. I acknowledge that non of the Principals is responsible for, and they shall have no liability for, my business success or failure, my acts and omissions, the appropriateness of my business decisions, or my use of or reliance on Program information. Trump University’s obligation to start providing services starts when full payments is received.”

56. The customer enrollment form also included the following terms and conditions:

“Trump University (‘TU’) Programs are provided for training and education purposes only.

“TU does not procure or identify specific real estate deals. You may be exposed to real estate deals at the Retreats, but it is your sole responsibility to evaluate and act on those properties for your personal investment. We do not recommend or guarantee any investment or property.

“You acknowledge and agree that TU has not made any express or implied representation or assurance regarding the potential profitability, chances of funding or likelihood of success of any transaction, investment, opportunity or strategy. Further, you agree that TU is not endorsing your project and you shall not represent same to any third-party. Further, TU is not rendering legal or financial advice.

“If you choose to pursue a transaction, it is your sole responsibility to seek independent advice from professionals such as Real Estate Agents and Brokers, Appraisers, Lawyers, Accountants, and Mortgage Brokers.”

57. TEI’s practice was for testimonials from customers to be accompanied by disclaimers stating that those results were not typical.

TEI’s Robust Compliance Measures

58. TEI also instituted robust compliance procedures and self-policing mechanisms to ensure that proper business practices were followed.

59. TEI’s considerable compliance efforts included recording live programs, retaining outside counsel to design a process of reviewing transcripts and flagging potential issues, and sharing feedback with instructors, both from customers and senior TEI management, about how to improve presentations and correct any practices not consistent with TEI’s rules and policies.

60. Beginning in approximately 2008, the Trump University Playbook, for example, was disseminated to TEI’s customer-facing employees and independent contractors. The Playbook continued to be reviewed and updated throughout my tenure at the company. Contrary to the allegations in the Verified Petition that attempt to portray the Playbook as a deceptive tool to be used by TEI’s employees and representatives, the Playbook was an aggregation of the company’s standard operating procedures, rules and regulations, much of which had been reviewed by outside legal counsel, and governed how TEI and its representatives should behave and act in the field.

61. For example, the Playbook set forth various compliance procedures, including that customers needed to be made aware of their three-day right to cancel purchases, and that workshops and retreats would be recorded for compliance and training purposes. The Playbook also made clear that “Trump University makes no earning claims. Accordingly, you are prohibited from directly or indirectly advising any client/customer of any likelihood of success.” The Playbook also specifically prohibited instructors from “shar[ing] a personal story or testimonial unless and until appropriate documentation in support has been provided to [TEI] and the story/testimonial has been approved in advance.” The Playbook directed TEI program coordinators to immediately inform senior management if any instructor or team member engaged in conduct or presented material that violated TEI’s rules and policies.

62. TEI also required that its instructors sign agreements containing detailed “Rules of Engagement.” These rules included prohibitions on instructors making any representation to customers about his/her capabilities and investment experience not certified and approved by TEI, offering any courses, products, and services not approved in advance by TEI, making any earnings claim, advising any customer of any likelihood of success from the program, sharing any personal story or testimonial not approved in advance by TEI until TEI had received and evaluated supporting documents, or implying that TEI or Donald Trump endorsed any third-party offer or investment opportunity.

63. TEI relied on independent, outside counsel and staff to ensure that TEI had appropriate compliance procedures and to conduct compliance reviews. In approximately 2008, TEI hired Peter Hoppenfeld as independent, outside counsel, specifically because he had expertise in advising companies in the live instruction program industry concerning their advertising, marketing, and compliance procedures. Because of TEI’s regular reliance on Mr.

Hoppenfeld to advise TEI concerning its advertising, marketing, and procedures and practices, TEI paid Mr. Hoppenfeld an agreed monthly fee for his availability and legal services.

64. From 2007 through the end of my tenure at the company, TEI also had annual compliance training meetings with its live-event teams to review the company's rules and policies.

The Use of "University" in the Company Name Was Not Misleading

65. Central to the Verified Petition's claim that TEI engaged in a deceptive practice is that TEI initially was formed under the name "Trump University," and used "University" in its name from October 27, 2004 until May 20, 2010, although not licensed or chartered by New York State as an accredited educational institution. I believed at the time, however, and continue to strenuously believe today that using the name "Trump University" was not misleading to consumers, but rather accurately described the nature of the business the entity was engaged in.

66. As discussed above, at the time of its formation the idea for the Trump instructional business was that it would provide practical and quality instructional programs to small business owners and individual entrepreneurs across a broad range of business areas that the Trump brand generally was recognized for, such as marketing, finance, sales, entrepreneurship, and real estate. The focus of TEI's business was offering practical instruction for building specific, real-world business skills, a tailored form of continuing education for working adults, which is the antithesis of traditional, broad-based education offered by colleges and universities.

67. Given Donald Trump's widespread recognition as a street-wise business person and media celebrity (amplified by the success of the Apprentice, which focused on Mr. Trump imparting practical business advice and real-world skills to contestants), and certainly not as an

“ivory-tower” educator, I did not believe that the name Trump University could possibly mislead anyone into thinking that Donald Trump founded a college or similarly accredited educational institution. I also was aware that “university” was a term used publicly in different contexts where it was clear that what was being referred to was not an accredited college.

68. TEI also had no educational facility or campus, and, throughout the life of the business, TEI never held any instructional programs in a classroom setting. The live instructional programs were typically held in hotels, not in classrooms or utilizing the facilities of any educational institution, and I did not believe that use of the term “university” in the company name was misleading to consumers.

69. At no time did TEI hold itself out as approved by the State of New York, licensed by the State Education Department (“NYSED”), accredited by the Board of Regents, or approved to issue diplomas. In fact, to ensure that there was no confusion, TEI specifically made clear in the “frequently-asked-questions” section of its website that “Trump University does not offer credits or degrees.” This was in response to the specific question “Can I earn a degree or college credits by taking courses from Trump University?”

70. In addition, TEI changed its name to “The Trump Entrepreneurship Initiative” and stopped operating as “Trump University” as of May 21, 2010.

TEI Was Its Own Legal Entity and Operated Independently

71. At all times relevant, TEI and The Trump Organization were separate legal entities. The Trump Organization did not control the day-to-day operations of TEI.

72. TEI’s offices were located at 40 Wall Street, not at 725 Fifth Avenue where The Trump Organization is located.

73. TEI regularly paid for its own expenses, including rent, utilities, office equipment, insurance, outside counsel, outside accounting, shipping expenses, and payroll.

74. During my tenure at the company, TEI did not use The Trump Organization to handle its human resources function or payroll. Rather, TEI outsourced and hired Administaff as an independent HR company to handle human resources and payroll.

Winding Down of TEI's Operations and Sexton's Departure

75. Around July 2010, TEI decided to essentially wind down its operations and focus on fulfilling obligations that had already been purchased by customers.

76. My last day as President at TEI was July 31, 2010. After July 31, 2010, I provided limited transition assistance to TEI, for which I was not compensated.

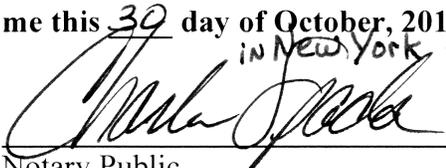
TEI's Business Records

77. As the former President of TEI, I was familiar with the company's practices and procedures regarding business records.

78. I have reviewed Exhibits 5, 6, 7, 8, 9, 16, 17, and 18 to the Affirmation of Jeffrey L. Goldman In Support of the Trump Respondents' Motion to Dismiss, which appear to be true and accurate copies of documents and records that were made and kept in the regular course of TEI's business.



MICHAEL SEXTON

Subscribed and sworn to before
me this 30 day of October, 2013
in New York County


Notary Public

