Hospitality Investors Trust Inc., a publicly registered non-traded REIT formerly known as American Realty Capital Hospitality Trust, has amended its limited partnership agreement with its investment partner, Brookfield Strategic Real Estate Partners II Hospitality REIT II LLC. Brookfield holds all of the outstanding Class C units, which are limited partner interests in the REIT’s operating partnership. The REIT also adjusted its key executives’ bonuses.

In April 2017, Hospitality Investors Trust became a self-managed REIT following the close of an initial $135 million investment from an affiliate of Brookfield Asset Management, which committed $400 million in convertible preferred limited partnership units of the REIT’s operating partnership.

Brookfield was entitled to receive fixed, quarterly cash distributions at a rate of 7.50 percent per year and fixed, quarterly distributions paid in additional Class C units at a rate of 5 percent per year.
Following the amendment, the distribution paid on December 31, 2020 will not include cash, but instead, Brookfield will receive Class C units paid at a rate of 12.5 percent per year.

The amendment also provides that, if a definitive agreement is not reached by March 31, 2021, the REIT’s operating partnership will be required to redeem 60 percent of the Class C units that were paid as distributions on December 31, 2020, subject to certain conditions.

“As previously disclosed, due to the impact of the coronavirus pandemic on the company’s business, the company expects it will no longer have sufficient cash on hand to continue to pay its current obligations during the first half of 2021 and the additional liquidity from a source other than property operations the company requires may not be available on favorable terms or at all,” the REIT state in a filing with the SEC. “The objective of the [limited partnership amendment with Brookfield] is to preserve at least in the short-term the company’s cash position as it continues discussions with the Brookfield investor regarding a holistic solution to the company’s liquidity dilemma.”

If there is a material breach to the agreement, Brookfield could require the operating partnership to redeem all the Class C units at a significant premium. If the operating partnership fails to complete any redemption when required to do so, other severe consequences would also arise. Brookfield could appoint a majority of the company’s board and begin selling the assets and properties of the operating partnership until the Class C units have been fully redeemed. The REIT has been engaged in ongoing discussions with Brookfield regarding strategic and liquidity alternatives.

In addition, Hospitality Investors Trust amended the employment agreements with each of its executive officers, Jonathan Mehlman, chief executive officer and president, Paul Hughes, general counsel and secretary, and Bruce Riggins, chief financial officer and treasurer.

For the 2020 fiscal year only, the annual cash bonus each executive is entitled to receive will be determined solely by the company’s compensation committee and will not be based on performance goals previously established by the board or the committee. Additionally, each executive will not be entitled to receive an annual long-term incentive program award in the form of restricted stock units or any other equity award.

In June 2020, The DI Wire reported that Hospitality Investors Trust entered into forbearance agreements with the lenders under certain of its mortgage and mezzanine indebtedness.

Hospitality Investors Trust invests primarily in premium-branded select-service lodging properties in the United States. As of the third quarter of 2020, the REIT’s $2 billion hotel portfolio included 101 properties. The offering was declared effective in January 2014 and suspended sales activities in November 2015 after raising $903 million in investor equity. The company severed ties with its external advisor, an affiliate of AR Global, and became self-managed in 2017.

Click here to visit The DI Wire directory sponsor page.