



## AMENDED STATEMENT OF ASSIGNMENT

### I. PURPOSE

On March 25, 2022, the contracting officer with authority to administer the Lease between Trump Old Post Office LLC (“TOPO” or “Tenant”) and the U.S. General Services Administration (“GSA”) executed a Determination and Findings (“D&F”) in which he concurred that CGI Hospitality Opportunity Fund I, LP (“CGI”) is a qualified transferee, which determination is a prerequisite for TOPO to assign its interest in the Lease, and that Hilton Worldwide Holdings Inc. (“Hilton”) is a qualified operator. The contracting officer notified TOPO of his decision by letter dated March 25, 2022. On May 11, 2022, TOPO assigned the lease to CGI.

In the time since GSA published a Statement of Assignment to its Electronic Reading Room,<sup>1</sup> several aspects of the transaction have changed, which required the contracting officer to issue an amendment to his prior D&F. The amendment memorialized his determination that the conclusion reached in the D&F dated March 25, 2022, remained appropriate in light of the new information submitted. As detailed below, the additional information the contracting officer received did not impact his prior conclusion that CGI is a Qualified Transferee under the Lease.

As noted in the prior Statement of Assignment, the Lease defines a Qualified Transferee to mean:

a Transferee who (i) will use the Premises for the Permitted Use in accordance with the Applicable Standard, (ii) is authorized (or qualified) to do business in the District of Columbia, (iii) has a good business reputation and is not an Excluded Contractor, (iv) has demonstrable prior successful experience in owning and operating (either itself or a Person holding a controlling interest (which satisfies items (i), (ii) and (iii) in the definition of Control) in the transferee) a full service hotel of quality equal to or better than the Applicable Hotel Standard (which operating experience element of this clause (iv) can be satisfied if a Qualified Operator is retained at the Premises), (v) has sufficient capability to manage properties of historic significance (which clause (v) can be satisfied if a Qualified Operator is retained at the Premises), **(vi) has sufficient financial capacity to perform its obligations under this Lease, and the financial condition and**

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<sup>1</sup> <https://www.gsa.gov/reference/freedom-of-information-act-foia/electronic-reading-room>.

**operating performance of the transferee is similar to or better than the financial condition and operating performance of the initial Tenant under this Lease**, and (vii) has a Person holding a controlling interest (which satisfies items (i), (ii) and (iii) in the definition of Control) in the transferee that has Access to Liquidity equal to or greater than such Person's share of the direct and indirect interests in Tenant multiplied by Thirty Million Dollars (\$30,000,000) (escalated for inflation in accordance with CPI) and a Net Worth of equal to or greater than such Person's share of the direct and indirect controlling interests in Tenant multiplied by \$100 Million (escalated for inflation in accordance with CPI).

The additional information the contracting officer received since March 25, 2022, is only relevant, if at all, as to factor six (highlighted in bold above) of the Qualified Transferee definition. Based on the new information, the contracting officer did not change his prior determination regarding CGI's status as a Qualified Transferee. However, GSA is proactively issuing this Amended Statement of Assignment to provide as much information as possible regarding the contracting officer's decision-making process.

## **II. UPDATED INFORMATION**

### **A. Debt/Equity Changes**

On or around Friday, May 6, 2022, the contracting officer learned that CGI's total loan amount would increase slightly (approximately 7%) and that the nature and extent of the equity contribution from Hilton Worldwide Holdings Inc. ("Hilton") would be changing.<sup>2</sup> These debt and equity contribution changes were primarily in order to cover additional, unanticipated transaction costs, including additional transfer taxes, additional reserves requested by the lenders, and other closing and transactional costs.

As noted in the prior Statement of Assignment, "[t]he contracting officer notes that the loan to value ratio will not exceed the amount specified in the Lease. Furthermore, the debt to capital ratio of the proposed transaction is lower than the current debt to capital ratio of the Tenant." Even with the slight increase in the loan amount referenced, the loan to value ratio will not exceed the amount specified in the Lease, and the debt to capital ratio of the proposed transaction is still comparable to the debt to capital ratio of TOPO.

Regarding the equity financing, the prior Statement of Assignment noted that, "[i]mportantly to the contracting officer, Hilton will not only serve as the intended hotel operator for the subject transaction but is an investor in the Hospitality Fund." Based on the updated information

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<sup>2</sup> Despite the increased debt and equity, the purchase price payable to TOPO by CGI remained unchanged.

provided to the contracting officer, an affiliate of Hilton will be making an additional equity investment to support the additional closing costs. In the contracting officer's view, Hilton's increased equity investment bolsters his prior determination. As noted in the prior Statement of Assignment,

the contracting officer based his decision primarily on the strength of the partnership between CGI and Hilton, the latter of which is a publicly traded company whose net worth is approximately \$40 billion and will operate the hotel under its iconic Waldorf Astoria brand upon the closing of the transaction. The three pillars of the parties' commitment to ensuring the financial success of the future hotel include: (1) entering into a long-term property management agreement to be effective upon the closing of the transaction; (2) providing significant equity; and (3) providing material credit support to assist with securing debt financing.

The additional information regarding the debt and equity changes did nothing to alter the contracting officer's original determination. The three foundational pillars that formed the basis of the contracting officer's prior determination remain unchanged.

## **B. Deferred Payment of the Purchase Price**

On or around May 10, 2022, the contracting officer learned about an unexpected and significant increase in the transfer, recording, and mortgage taxes than originally estimated, resulting in a potential shortfall in the funds required to close the transaction. Accordingly, the Trump Organization agreed to defer a portion of the purchase price<sup>3</sup> payable by CGI until a future date. As the contracting officer understands the arrangement, it is a short-term, unsecured loan in which the Trump Organization will have no recourse or right to exercise remedies against CGI's interests in the Old Post Office asset—neither the Trump Organization nor any of its affiliates will retain any interest in the hotel.

In the contracting officer's view, the deferred payment is unlikely to impact CGI's ability to satisfy the terms of the Lease. As noted in the prior Statement of Assignment, "[t]he contracting officer took notice that CGI has transacted billions of dollars of debt and separately managed accounts since inception with a wide array of lenders and manages hundreds of millions of dollars in equity from a diverse profile of capital partners." In addition, the year-end financial statements previously submitted by CGI for two of its investment funds demonstrate its ability to raise capital far in excess of the deferred payment amount. Thus, in the contracting officer's opinion, it is reasonably apparent that CGI, based on its prior fund-raising history and strong

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<sup>3</sup> Much like the prior Statement of Assignment, most of the documentation shared with the contracting officer is marked as confidential, proprietary business information by the parties involved in the transaction.

financial relationships, will be able to satisfy the deferred payment. And, even if that does not happen, as noted above, the Trump Organization has no recourse or right to exercise any remedies against CGI's interests in the Old Post Office building.

*-End-*