

On November 20, 2025, Cornell Tech, a campus of Cornell University located on Roosevelt Island in New York City, sent its faculty and students a notice that the Graduate New York would cease operations on November 24.ⁱ The sudden closure occurred less than a week before Cornell's Thanksgiving Break.ⁱⁱ The Graduate New York was on a long-term ground lease with the University.

Following the closure of the hotel, the AJ Capital fund that guaranteed the loan on the property, Graduate Hotels Real Estate Fund III (Fund III), was sued by the mortgage lender, alleging a breach of the loan terms and seeking recovery of the full value of the loan.ⁱⁱⁱ Fund III has contested the allegations, and the lawsuit remains in litigation. The hotel also allegedly failed to make timely utility payments to Cornell.^{iv} Cornell subsequently terminated the ground lease and filed its own lawsuit against the hotel,^v seeking over \$1.4 million in alleged damages because, it contends, the lease required that the hotel operate continuously throughout its term.^{vi} The hotel disputes the claim and responded with a counterclaim against Cornell.

In light of these events, you should consider contacting Tim Ryan, CIO for Campus Lodging for AJ Capital Partners, at tryan@ajcpt.com or 312-267-4185, and Cooper Manning, Senior Managing Director, Investor Relations for AJ Capital, at 410-868-4188. You can ask them whether the situation at Cornell is unique to Cornell, or if something similar could transpire with respect to any of the company's other real estate holdings. Ask them the following questions regarding the finances of AJ Capital's Graduate portfolio:

- 1. Why has AJ Capital's Graduate Hotel Real Estate Fund III received investments from investors whose strategy includes distressed asset investments?** The Fund received \$192 million in preferred equity investment from affiliates of Lubert-Adler^{vii} and \$100.7 million in a loan from an affiliate of Värde Capital,^{viii} two distressed-asset investment specialists referred to by some industry observers as "vulture funds."^{ix x xi xii} Why did Fund III seek funding from these firms? As a form of financing, preferred equity investments tend to be costlier than senior debt, leading us to ask:^{xiii} what's the impact of Lubert-Adler's investment on Fund III's cash flow and ability to pay other lenders and investors?
- 2. How indebted is the portfolio?** Real property records indicate that AJ's Graduate hotel portfolio, the majority of which is owned by Fund III,^{xiv} has incurred over \$800 million in principal amount of mortgages.^{xv} The Fund's gross asset value was \$990 million as of May 2026, according to AJ Capital's most recent SEC Form ADV.^{xvi} Do the hotels generate enough cash to both satisfy the terms of their mortgages and produce distributions to Fund III investors?

3. **What's AJ Capital's exit strategy?** In 2018, Weprin said that exit opportunities for the company's Graduate portfolio include "a portfolio sale, an IPO or a deal-by-deal exit."^{xvii} Yet, so far, we find that AJ has only sold five of its Graduate hotels.^{xviii} Moreover, Fund III has become a continuation fund for the company's older AJ Capital Real Estate Fund II (Fund II) assets.^{xix xx} Why hasn't AJ Capital more broadly pursued the exit strategies Weprin outlined in 2018 for the Fund II portfolio?

ⁱ <https://rooseveltislander.com/2025/11/20/hilton-branded-aj-capital-owned-graduate-hotel-on-roosevelt-island-cornell-tech-campus-tells-employees-they-are-closing-monday-november-24-week-of-thanksgiving/>

ⁱⁱ <https://www.timeout.com/newyork/news/the-only-hotel-on-nycs-roosevelt-island-appears-to-be-closing-112125>

ⁱⁱⁱ <https://unitehere.box.com/s/spg7t31fxj6av75y3uc43tltf2qwh9ye> p. 5

^{iv} <https://unitehere.box.com/s/wi7kv1c23w6d59xmegavg7wml7s0lanr> p. 3

^v <https://unitehere.box.com/s/wi7kv1c23w6d59xmegavg7wml7s0lanr> p. 4

^{vi} <https://unitehere.box.com/s/wi7kv1c23w6d59xmegavg7wml7s0lanr> p. 33-34. The alleged damage consist of:

- Base Rent of approximately \$483,790
- Campus-allocated maintenance charges of approximately \$198,838
- Unpaid utility charges of approximately \$52,310.49
- Lost conference and event revenue of not less than approximately \$605,646.64
- Lost Bloomberg Café revenue of not less than approximately \$80,000

^{vii} <https://unitehere.box.com/s/drfrv80n5jip1s0bose226zqm4udufouf> p. 16 of the PDF. L-A GH Fund Investor provided \$142 million of preferred equity investment to Graduate Hotels Real Estate Fund III. L-A GH Fund Recipient Investor REIT provided \$50 million of preferred equity investment to GH PE Recipient. Both L-A GH Fund entities are controlled by L-A GH Investors Parent, whose registered office address matches Lubert-Adler's address (see <https://unitehere.box.com/s/xm1325yqjsxj3318ph4gkwf62sk8caer> and <https://lubertadler.com/contact-us/>)

^{viii} VP Capital L.P. provided \$100.7 million in loan to "Joint Venture Entity". (see First Amendment to Loan Agreement <https://unitehere.box.com/s/drfrv80n5jip1s0bose226zqm4udufouf> p. 5 of the PDF). According to the chart on page 16 of same PDF, VP Capital L.P. is controlled by Värde Management. "Joint Venture Entity" is defined in the original Loan Agreement with ACRES

(<https://unitehere.box.com/s/llw3lcn65qwsz75pl4b75jrx0romqmu0> p. 23 of the PDF) as GH PE Recipient, which is controlled by Fund III. Note that the First Amendment to Loan Agreement refers and amends the original Loan Agreement document for its definitions

(<https://unitehere.box.com/s/drfrv80n5jip1s0bose226zqm4udufouf> p. 2 of the PDF)

^{ix} "The buyers are usually specialized distressed-asset investors such as Värde who are willing to wait and to haggle." <https://www.bloomberg.com/news/newsletters/2023-03-19/svb-collapse-evokes-memories-of-2008-lehman-brothers-failure>

^x Bulk buyers -- who pool resources into what are often called "vulture funds" because of their predilection for buying up distressed properties at bargain-basement rates -- have priorities that are likely to conflict with the lifestyle condominium residents seek. [...] Among such funds known to be scanning the horizon for condo opportunities are Lubert-Adler Partners, Condo Capital Solutions and Skyvest Real Estate Opportunity Fund. <https://www.cnbc.com/2009/02/19/vulture-funds-can-taint-condo-deals.html>

^{xi} "Lubert-Adler, also a dominant player in the distressed retail business" <https://ir.acadiarealty.com/news-releases/news-release-details/acadia-realty-trust-announces-formation-retailer-focused>

^{xii} Definition of vulture fund: <https://www.investopedia.com/terms/v/vulturefund.asp>

^{xiii} "The cost of preferred equity financing solutions is generally more expensive than senior debt, often in the realm of 8-12% per annum with a target return in the vicinity of 1.3x, and often requires the private fund

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sponsor or seller to forego a portion of the future upside in a portfolio.”

<https://prfirmwwwcdn0001.azureedge.net/azstgacctpwwwct0001/uploads/8a97e85beba7988048c300dfc0f31af.pdf>

^{xiv} Source available on request.

^{xv} Source available on request.

^{xvi} <https://reports.adviserinfo.sec.gov/reports/ADV/291880/PDF/291880.pdf> p. 194

^{xvii} <https://www.cnbc.com/2018/02/16/graduate-hotels-ben-weprin-rivals-hotel-giants-in-college-towns.html>

^{xviii} We searched for all AJ Capital hotel sales since 2014, and found only 5 Graduate-branded hotels.

^{xix} <https://unitehere.box.com/s/t807ks3ab8s5j8rpdbkpl4x87r9dx1ly> p. 1 (p. 2 of the PDF).

^{xx} Definition of continuation fund: <https://www.moonfare.com/glossary/continuation-fund>