

LENDER COMFORT LETTER – GOOD STANDING ACKNOWLEDGEMENT/ESTOPPEL

Will Hilton Worldwide give my lender a good standing acknowledgement?

Hilton Worldwide does not issue good standing acknowledgements outside a comfort letter. We will include a “franchisor estoppel” in a comfort letter on request. However, if we learn of negative facts during our internal due diligence, we are only willing to give a “qualified” estoppel. If a hotel is already under an active notice of default, we will not issue a comfort letter.

Financial Issues: If the hotel has a delinquent account with franchisor or its affiliates, we will issue a draft of the comfort letter. If the accounts have not been brought current before the estoppel is requested, we will insert the following qualifier at the end of the estoppel: “*provided, however, that the Hotel is delinquent in payment of fees in the amount of \$_____.*” Franchisee must bring the hotel’s accounts current before we will countersign and issue a final comfort letter.

Quality Assurance (“QA”) Issues: Hilton Worldwide Brand hotels are inspected twice a year. Each QA inspection is scored and a copy of the QA report is given to the hotel. We may refuse to issue a comfort letter if we learn there is a history of QA failures at the hotel. If we approve issuance of a comfort letter, we notify franchisee that if lender requests an estoppel in the comfort letter, we will insert the following qualifier at the end of the estoppel: “*provided, however, that the Hotel failed its most recent Quality Assurance Inspection, but the failure is not a default under the Franchise Agreement.*” If the hotel failed a QA inspection and this qualifier is included in the estoppel, it is franchisee’s responsibility to share a copy of the QA report with its lender and explain the issues that caused the failure.

There is an active comfort letter for my hotel, and my lender wants an updated estoppel from Hilton Worldwide. Can I get one?

The comfort letter requires franchisor to notify the lender if the franchisee is in default. Due to the large number of hotels in the Hilton Worldwide system that are subject to a comfort letter, we do not issue periodic updates to an estoppel.