

# PROC

HOTEL REIT



<b>SPONSOR</b>	Procaccianti Companies, Inc.
<b>STRUCTURE</b>	Public, non-traded corporation that intends to elect to be taxed as a real estate investment trust (REIT)
<b>OFFERING SIZE</b>	Up to \$550 million (includes \$50 million in distribution reinvestment program (DRIP) shares)
<b>MINIMUM INVESTMENT</b>	\$4,000; \$100 minimum additional purchase
<b>PRIMARY OFFERING PRICE PER SHARE</b>	\$9.30 per share
<b>DISTRIBUTION RIGHTS<sup>1</sup></b>	6% Annual Distribution, when and as authorized by the board and declared, paid quarterly, payment of distributions are not guaranteed
<b>DRIP PRICE PER SHARE</b>	\$9.50 per share
<b>SHARE REPURCHASE PLAN<sup>2</sup></b>	0-1 years: no repurchase; after 1 year, may repurchase generally at estimated NAV per share, reduced based on applicable holding period
<b>TAX REPORTING</b>	1099 DIV
<b>EXPECTED TERM</b>	5 to 7 years from the termination of our current offering
<b>INVESTOR SUITABILITY<sup>3</sup></b>	Net worth of at least \$250,000 <b>or</b> gross annual income of at least \$70,000 and a minimum net worth of at least \$70,000, in addition to any applicable heightened state suitability standard

## Overview

Procaccianti Hotel REIT, Inc. (PROC) intends to provide investors access to a portfolio of premium branded select-service hotels that are geographically diversified across the United States.

## Investment Strategy

PROC intends to acquire and own a diverse portfolio of stabilized, income-producing hospitality properties consisting primarily of existing select-service, extended-stay, and compact full-service hotels. PROC may also make investments in modest value-add opportunities, distressed debt and preferred equity where the intent is to acquire hotel properties underlying such investments.

## Investor-Focused Structure

The K Share structure was created to meet the needs of the investor, and, upon a liquidation event, investors would be entitled to payments of principal before the advisor and any holders of junior securities.<sup>1</sup> There is no guarantee of a liquidity event.

## Sponsor Overview

### PROCACCIANTI C O M P A N I E S

Procaccianti Companies, Inc. (Procaccianti) brings over six decades of real estate experience along with considerable expertise in hospitality sector investments to this investment opportunity. As one of the largest, privately-held hotel owner operators in the United States, Procaccianti and its predecessors have owned or operated over 160 hotels, representing thousands of guest rooms coast to coast over the last 30 years. PROC believes Procaccianti's fully integrated approach drives yields through aggressive operations, asset management, financial management, product positioning, and sales and revenue management.

1) Pursuant to PROC's charter, distributions accrue on a daily basis at a rate of 6.0% per annum of each K Share, K-I Share and K-T Share distribution base, which is equal to \$10.00 for each K Share, K-I Share and K-T Share, reduced for any distributions paid from net sales proceeds upon the sale or disposition of assets. With respect to K Shares that were sold in PROC's private offering, PROC has paid cumulative distributions equal to \$722,534 for the quarters ended 6/30/2017, 9/30/2017, 12/31/2017, 3/31/2018, 6/30/2018, 9/30/2018 and 12/31/2018. For distributions paid for quarters prior to 3/31/2018 – the periods in which PROC did not own any hotel properties – PROC used proceeds from subordinated promissory notes in favor PROC's advisor to fund distributions. Distributions paid with respect to 3/31/2018, and the quarters thereafter were funded from cash flow from operations. Payment of distributions on K Shares is not guaranteed. PROC's charter does not restrict it from paying distributions from any particular source, which means that PROC could use an unlimited amount of offering proceeds and borrowings, as well as proceeds from the sale of assets and the waiver or deferral of fees otherwise owed to the advisor, to pay distributions. Any of these distributions may reduce the amount of capital PROC ultimately invests in properties, and negatively impact the value of your investment, especially if a substantial portion of distributions is paid from offering proceeds. PROC's board of directors has adopted a policy (which it may change in its sole discretion) to refrain from funding distributions from offering proceeds; instead, PROC plans to fund distributions from cash flows from operations and capital transactions (other than net proceeds from the offering or other securities offerings, but which may include the sale of one or more assets). Therefore, PROC does not expect to use return of capital sources to pay distributions; however, PROC's charter does not restrict it from doing so. 2) Repurchase limited to 5% of the weighted average number of K Shares, K-I Shares and K-T Shares outstanding during the prior calendar year; program may be amended, suspended or terminated without stockholder approval upon 30 days notice to stockholders. Early repurchase price based on the current net asset value and applicable holding period. Repurchases of our K Shares, K-I Shares and K-T Shares, when requested, are at our sole discretion and generally will be made quarterly. 3) Please review the prospectus prior to investing or recommending that clients invest.

THIS SALES AND ADVERTISING MATERIAL IS NEITHER AN OFFER TO SELL NOR A SOLICITATION OF AN OFFER TO BUY SECURITIES. AN OFFERING IS MADE ONLY BY THE PROSPECTUS. **This material must be read in conjunction with the prospectus in order to fully understand all of the implications and risks of the offering of securities to which the prospectus relates. A copy of the prospectus must be made available to you in connection with any offering.** Neither the Securities and Exchange Commission, the Attorney General of the State of New York nor any other state securities regulator has approved or disapproved of Procaccianti Hotel REIT, Inc.'s securities, determined if the prospectus is truthful or complete or passed on or endorsed the merits of the offering. Any representation to the contrary is a criminal offense.

## FORWARD LOOKING STATEMENTS

This sales and advertising material contains forward-looking statements within the meaning of federal securities laws and regulations relating to the business and financial outlook of Procaccianti Hotel REIT, Inc. ("PROC") that are based on management's current expectations, estimates, forecasts and projections and are not guarantees of future performance. These forward-looking statements are identified by the use of terms and phrases such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "should," "will" and other similar terms and phrases, including references to assumptions and forecasts of future results. Actual results may differ materially from those expressed in these forward-looking statements. You should not place undue reliance on any such statements. A number of important factors could cause actual results to differ materially from the forward-looking statements contained in this brochure. Forward-looking statements in this material speak only as of the date on which such statements were made and PROC undertakes no obligation to update any such statements that may become untrue because of subsequent events.

## RISK FACTORS

PROC is an "emerging growth company" under the federal securities laws and will be subject to reduced public company reporting requirements. **Investing in PROC's common stock involves a high degree of risk. You should only purchase PROC's securities if you can afford a substantial loss of your investment. See the section entitled "Risk Factors" of PROC's prospectus for a discussion of the risks which should be considered in connection with your investment in PROC's common stock, including:**

- This is an offering of a newly formed entity with limited operating history, and an investment in PROC's shares is speculative. You should consider the prospectus in light of the risks, uncertainties and difficulties frequently encountered by companies that are, like PROC, in their early stages of development.
- No public market currently exists for PROC's securities, and it has no current plans to list their securities on a national securities exchange. If you are able to sell your shares, you would likely have to sell them at a discount from the price at which you purchased them from PROC.
- You should consider your investment in PROC's shares a long-term investment. If PROC does not successfully implement a liquidity event, you may suffer losses on your investment, or your shares may continue to have limited liquidity. PROC is not required to provide for a liquidity event.
- PROC's advisor, Procaccianti Hotel Advisors, LLC, and its affiliates will face conflicts of interest, including significant conflicts created by its advisor's and its affiliates' compensation arrangements with PROC, including compensation which may be required to be paid to PROC's advisor if its advisor is terminated.
- Conflicts of interest may also arise in connection with other investment vehicles sponsored by PROC's sponsor, Procaccianti Companies, or its affiliates, which could result in decisions that are not in the best interests of its stockholders, including decisions relating to the allocation of investment opportunities among PROC and such other investment vehicles.
- PROC does not have any employees and will rely entirely upon its advisor to manage its business and its property manager or third parties to manage hotels PROC acquires. The key personnel of PROC's advisor and property manager will face conflicts of interest regarding the amount of time they allocate between PROC's business and other businesses for which they perform services.
- In order to qualify as a REIT, PROC cannot directly operate its hotel properties, and its returns will depend on the management of their hotel properties by its property manager, which is also an affiliate of Procaccianti Companies.
- PROC's property management agreements will require its taxable REIT subsidiaries, or TRSs, which are fully taxable corporations in which it holds interests, to bear the operating risks of their hotel properties. Any increases in operating expenses or decreases in revenues may have a significant adverse impact on its TRSs and thus its earnings and cash flow.
- This is the first public offering sold by the dealer manager. PROC's ability to raise money and achieve its investment objectives depends on the ability of the dealer manager to successfully market the offering.
- PROC will depend on its advisor and its affiliates to conduct its operations, and they will depend on its dealer manager and its affiliates to conduct PROC's offering and certain administrative functions for PROC; thus, adverse changes in their financial health or PROC's relationship with them could cause PROC's operations to suffer.
- PROC's charter does not restrict it from paying distributions from any particular source, which means that they could use an unlimited amount of offering proceeds and borrowings, as well as proceeds from the sale of assets and the waiver or deferral of fees otherwise owed to their advisor, to pay distributions. Any of these distributions may reduce the amount of capital they ultimately invest in properties and other permitted investments, and negatively impact the value of your investment, especially if a substantial portion of their distributions are paid from offering proceeds. PROC's board of directors has adopted a policy to refrain from funding distributions with offering proceeds; instead, they plan to fund distributions from cash flows from operations and capital transactions (other than net proceeds from this or other securities offerings, but which may include the sale of one or more assets). Therefore, PROC does not expect to use return of capital sources to pay distributions. However, its charter does not restrict them from paying distributions from any particular source, including proceeds from securities offerings, and its board of directors has the ability to change their policy regarding the source of distributions.
- If PROC were to become internally managed, PROC would pay substantial fees to its advisor prior to holders of K Shares, K-I Shares and K-T Shares receiving their agreed-upon investment returns. In addition, PROC will pay substantial fees and expenses to its property manager and their affiliates, and will reimburse its advisor and its affiliates for expenses, which payments increase the risk that investors will not earn a profit on investment.
- This is a "blind pool" offering because PROC has not yet identified all of the properties it may acquire with the offering proceeds and has a limited prior operating history. You will not have the opportunity to evaluate the merits or risks of such investments before you purchase their securities. PROC may change its investment objectives and strategies without stockholder consent.
- PROC may incur substantial debt, which could hinder its ability to pay distributions to its stockholders or could decrease the value of your investment if income from, or the value of, the property securing the debt falls.
- PROC's failure to qualify as a REIT for federal income tax purposes could materially decrease cash available for distributions and limit its ability to make distributions to their stockholders.



**For more information and to obtain a prospectus, call S2K at 877.227.4141 or visit [www.PROCHotelREIT.com](http://www.PROCHotelREIT.com)**

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