

JER INVESTORS TRUST INC (JERT)

8-K

Current report filing

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 22, 2009 (December 17, 2009)

JER Investors Trust Inc.

(Exact Name of Registrant as Specified in Charter)

Maryland
(State or other jurisdiction
of incorporation)

1650 Tysons Boulevard, Suite 1600, McLean, VA
(Address of Principal Executive Offices)

001-32564
(Commission
File Number)

75-3152779
(IRS Employer
Identification No.)

22102
(Zip Code)

Registrant's telephone number, including area code (703) 714-8000

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

On December 21, 2009, JERIT Finance Co JPM, LLC ("JERIT Finance"), a wholly owned subsidiary of JER Investors Trust Inc. (the "Company"), amended its Master Repurchase Agreement with J.P. Morgan Securities Inc. ("J.P. Morgan"), dated as of September 12, 2008, as amended on December 17, 2008 (the "Repurchase Agreement") to (i) extend the term of the Repurchase Agreement through January 22, 2010 (the prior maturity date was December 22, 2009); and (ii) provide that all Income (as defined in the Repurchase Agreement) on the assets sold to J.P. Morgan be applied to reduce the amount owed by JERIT Finance upon its repurchase of such assets rather than be paid or credited to JERIT Finance. On the same date, the Guaranty, dated as of September 12, 2008, as amended on September 26, 2008 and December 17, 2008, between the Company and J.P. Morgan (the "Guaranty"), which was entered into in conjunction with the Repurchase Agreement, was also amended to (i) remove the leverage and tangible net worth covenants applicable to the Company; and (ii) reduce the liquidity covenant applicable to the Company to \$150,000. JERIT Finance's borrowings under the Repurchase Agreement were \$7 million as of December 21, 2009.

The Company believes that it is unlikely the Repurchase Agreement will be extended or renewed by J.P. Morgan upon its amended maturity date. Upon maturity of the Repurchase Agreement, the collateral that serves as security for the Repurchase Agreement may be liquidated or seized by J.P. Morgan in order to satisfy outstanding borrowings under the Repurchase Agreement. To the extent that the proceeds of the liquidation or credit for the seizure of such collateral are insufficient to satisfy outstanding borrowings, and JERIT Finance is not able to finance or refinance such deficiency, J.P. Morgan could make a further claim against the Company for the difference as the Repurchase Agreement is fully recourse to the Company.

The Guaranty, the Second Amendment thereto, and the Repurchase Agreement were filed as Exhibits 10.1, 10.2 and 10.3, respectively, to the Company's Current Report on Form 8-K filed on December 23, 2008.

Item 8.01 Other Events.

On December 17, 2009, the Company failed to fund a capital call issued by JER US Debt Co-Investment Vehicle, L.P. (the "US Debt Fund") on November 25, 2009 in the amount of \$2,667,273, which amount was attributable to the Company's status as a limited partner of the US Debt Fund. On the same date, the Company funded such capital call in the amount of \$60,000, which amount was attributable to the Company's status as a limited partner of JER Debt Co-Investment Advisors, L.P., the general partner of the US Debt Fund (the "General Partner"). On November 25, 2009 the Company, in its capacity as a limited partner of the US Debt Fund, failed to fund a prior capital call issued by the US Debt Fund on November 11, 2009 in the amount of \$620,870.

On December 7, 2009, the General Partner notified the limited partners of the US Debt Fund other than the Company of the failure by the Company as a limited partner of the US Debt Fund to fund the November 11, 2009 capital call and the Company's anticipated failure to fund the capital call of November 25, 2009. The General Partner also announced the remedies that it was imposing on the Company with respect to its limited partnership interest in the US Debt Fund pursuant to the Amended and Restated Limited Partnership Agreement of the US Debt Fund, which was filed as Exhibit 10.1 to the Current Report on Form 8-K filed by the Company on December 17, 2007, as modified by the First Amendment thereto, which was filed as Exhibit 10.1 to the Current Report on Form 8-K filed by the Company on December 10, 2008 (the "LP Agreement").

The General Partner imposed the following remedies on the Company as a limited partner of the US Debt Fund: (i) the Company became subject to interest charges on its unpaid capital calls at the prime rate plus 2% until such capital calls are met, such amount to be deducted from any distributions owing to the Company as a limited partner; (ii) the Company was assessed 25% of its Capital Account (as defined in the LP Agreement), such amount to be distributed to the limited partners of the US Debt Fund other than the Company; (iii) the Company's rights to participate in any vote, consent or decision of the limited partners of the US Debt Fund has been eliminated; and (iv) the Company's limited partnership interest in the US Debt Fund was offered for sale to other limited partners at a price equal to 75% of the Company's Capital Account.

Item 9.01 Financial Statements and Exhibits.**(d) Exhibits.**

- 10.1 Second Amendment, dated December 21, 2009, to Master Repurchase Agreement, dated September 12, 2008, between JERIT Finance Co JPM, LLC and J.P. Morgan Securities Inc.
- 10.2 Third Amendment, dated December 21, 2009, to Guaranty, dated December 18, 2008, between JER Investors Trust Inc. and J.P. Morgan Securities Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: December 22, 2009

JER Investors Trust Inc.
(Registrant)

By:

/s/ J. MICHAEL MCGILLIS

Name:

J. Michael McGillis

Title:

Chief Financial Officer

**AMENDMENT NO. 2
TO MASTER REPURCHASE AGREEMENT**

This amendment, dated as of December 21, 2009 (this "**Amendment**"), is by and between J.P. Morgan Securities Inc. ("**Party A**") and JERIT Finance CO JPM, LLC ("**Party B**"). Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

WHEREAS, the parties have entered into a Master Repurchase Agreement dated as of September 12, 2008 (the "**Original Agreement**") which Original Agreement was amended pursuant to that certain Amendment No. 1 to Master Repurchase Agreement dated as of December 17, 2008 (the "**First Amendment**") (the Original Agreement and First Amendment, together, the "**Agreement**"); and

WHEREAS, the parties acknowledge that they wish to amend the Agreement as set forth below;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed as follows:

1. Paragraph 5 of the Agreement, Income Payments, shall be deleted and replaced with the following:

"All Income paid or distributed on or in respect of the Purchased Securities or Additional Purchased Securities shall be used to reduce the Repurchase Price. Buyer shall apply any Income that it receives to reduce the amount to be transferred to Buyer by Seller on the Repurchase Date."

2. Section (iv) of Paragraph 11 of the Agreement, Events of Default, shall be deleted: "(iv) Buyer fails, after one business day's notice, to comply with Paragraph 5 hereof."

3. The Purchase Price with respect to the Purchased Securities listed on Annex A, attached hereto, shall be revised as set forth on Annex A as of each of the dates set forth on Annex A. Buyer's Margin Percentage shall be the percentage set forth on Annex A. The final Repurchase Date for the series of Transactions ending in December 2009 shall be January 22, 2010. Party B shall pay all amounts owed to Party A, including but not limited to any accrued and unpaid Price Differential and the difference between such Purchase Price as of the preceding month and the Purchase Price of such month, on the 22nd day of each month, or the immediately following business day, each such day a "Monthly Payment Date." Party B's failure to pay such amounts on the Monthly Payment Date shall constitute an Event of Default.

Except as otherwise set forth herein, the Agreement shall remain unchanged and in full force and effect. From and after the date hereof, any reference to the Agreement shall be a reference to the Agreement as amended hereby. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

THIRD AMENDMENT TO GUARANTY

This Third Amendment to Guaranty, dated as of December 21, 2009 (this "**Third Amendment**") is by and between JER Investors Trust Inc., a Maryland corporation (the "**Guarantor**") and J.P. Morgan Securities Inc. ("**JPMSI**").

WHEREAS, the parties hereto have entered into that certain Guaranty dated as of September 12, 2008 (the "**Original Guaranty**"), which Original Guaranty was amended pursuant to that certain Amendment to Guaranty dated as of September 26, 2008 (the "**First Amendment**") and a second Amendment to Guaranty dated as of December 21, 2008 (the "**Second Amendment**") (the Original Guaranty, First Amendment and Second Amendment, collectively, the "**Guaranty**"); and

WHEREAS, the parties hereto acknowledge and agree that they wish to further amend the Guaranty as more particularly set forth herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Guarantor and JPMSI hereby agree as follows:

Section 10 of the Guaranty is hereby amended as follows:

- (i) Section 10(a) shall be deleted in its entirety.
- (ii) Section 10(b) shall be deleted in its entirety.
- (iii) Section 10(c) shall be deleted and replaced with the following:

"(c) permit at any time the sum on a consolidated basis of cash and cash equivalents held free and clear of any liens or encumbrances by Guarantor to fall below \$150,000."

- (iv) The definition of "Tangible Net Worth" shall be deleted.

Except as otherwise set forth herein, the Guaranty shall remain unchanged and in full force and effect. From and after the date hereof, any reference to the Guaranty shall be a reference to the Guaranty as amended hereby.

THIS THIRD AMENDMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO ITS CONFLICTS OF LAW PRINCIPLES THAT WOULD DESIGNATE THE LAWS OF ANOTHER JURISDICTION.

IN WITNESS WHEREOF, the undersigned have caused this Third Amendment to be duly executed and delivered as of the day and year first written above.

J.P. MORGAN SECURITIES INC.

By: _____ /s/ Mark D. Pasierb
Name: _____ Mark D. Pasierb
Title: _____ Managing Director

JER INVESTORS TRUST INC.

By: _____ /s/ Jeffrey D. Goldberg
Name: _____ Jeffrey D. Goldberg
Title: _____ Authorized Signatory