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EAGLE HOSPITALITY TRUST

Comprising:

EAGLE HOSPITALITY REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 11 April 2019 under the laws of the Republic of Singapore) managed by

Eagle Hospitality REIT Management Pte. Ltd.

EAGLE HOSPITALITY BUSINESS TRUST

(a business trust constituted on 11 April 2019 under the laws of the Republic of Singapore) managed by

Eagle Hospitality Business Trust Management Pte. Ltd.

Update Announcement #9 – Commencement of Forensic Accounting Investigation of Sponsor of EHT and Master Lessees and Issuance of Notices of Defaults to Master Lessees

1. Introduction

Eagle Hospitality REIT Management Pte. Ltd., as manager (the “**REIT Manager**”) of Eagle Hospitality Real Estate Investment Trust (“**EH-REIT**”), and Eagle Hospitality Business Trust Management Pte. Ltd., as trustee-manager (the “**Trustee-Manager**”, collectively with the REIT Manager, the “**Managers**”) of Eagle Hospitality Business Trust (“**EH-BT**”, collectively with EH-REIT, “**EHT**”) wish to provide an update to stapled securityholders (the “**Stapled Securityholders**”) on (a) the commencement of a forensic accounting investigation by FTI Consulting, Inc. (as Chief Restructuring Officers of the Managers) (“**FTI**”) of Urban Commons, LLC (the sponsor of EHT) (the “**Sponsor**”) and the Master Lessees; and (b) the issuance of notices of defaults by the Master Lessors to the Master Lessees of EHT’s properties under the Master Lease Agreements (the “**MLAs**”) and the Extension Agreement (as defined below).

References are made to (i) the announcement “Business Strategic Review and Update” dated 19 March 2020 (the “**19 March 2020 Announcement**”); (ii) the announcement “Request for Voluntary Trading Suspension” dated 24 March 2020 (the “**24 March 2020 Announcement**”); (iii) the announcement “Update Announcement and Response to the SGX-ST’s Queries” dated 20 April 2020 (the “**20 April 2020 Announcement**”); (iv) the announcement “Update Announcement – Appointment of Chief Restructuring Officers and other Updates” dated 24 April 2020 (the “**24 April 2020 Announcement**”); (v) the announcement “Update Announcement – (1) Termination of Interest Rate Swap Agreement, (2) Discovery of Interested Person Transactions, and (3) Liabilities

DBS Bank Ltd. was the sole financial adviser and issue manager for the initial public offering of Eagle Hospitality Trust.
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of Master Lessees” dated 15 May 2020 (the “**15 May 2020 Announcement**”); and (vi) the announcement “Update Announcement #8 – (1) Additional Notices of Default by Master Lessees under Hotel Management Agreements and Demand for Repayment of Key Money from Master Lessors, (2) Implementation of Additional Temporary Caretaker Arrangements, (3) Proceedings in relation to the Sheraton Pasadena, (4) Liens over Certain Hotels, and (5) Defaults under The Queen Mary Long Beach Lease” dated 21 June 2020 (the “**21 June 2020 Announcement**”, collectively with the aforesaid announcements, the “**Earlier Announcements**”).

Unless otherwise defined, all capitalised terms used and not defined herein shall have the same meanings as given to them in the Earlier Announcements (as the context requires).

2. Commencement of Forensic Accounting Investigation of Sponsor of EHT and Master Lessees

2.1 Since FTI’s appointment in late April 2020 by the Managers and the REIT Trustee, the Special Committee, together with FTI and the other professional advisers, have prioritised and primarily been focused on, among others, (a) engaging in discussions with the lenders of EHT with a view to achieving a longer-term forbearance arrangement, including a consensual strategy moving forward; (b) uncovering and understanding the potential liabilities of EHT (including the liabilities which may be potentially assumed under the Further Non-Disturbance Agreements as announced in the 15 May 2020 Announcement); (c) evaluating and implementing appropriate strategic measures to safeguard the underlying value of EHT’s properties; and (d) evaluating the MLAs and the various defaults that have occurred thereunder to assess the appropriate course of action to be taken.

2.2 As disclosed in the 24 April 2020 Announcement, FTI had also been appointed by the Managers (acting through the Special Committee) and the REIT Trustee with a view to assist with, *inter alia*, the evaluation of (a) the income, expenses, cash and profitability at the Master Lessee level, to determine the viability of the MLAs; and (b) the unpaid rent by the Master Lessees to EHT.

2.3 Accordingly, the Managers wish to further update Stapled Securityholders that the Managers (acting through the Special Committee) and the REIT Trustee have on 25 June 2020 directed FTI to commence a forensic accounting investigation of the Sponsor and the Master Lessees (which are wholly-owned subsidiaries of the Sponsor). The scope of work agreed with FTI for the forensic accounting investigation includes, *inter alia*, (a) reviewing and analysing the fluctuations of the financial statements of the Master Lessees; and (b) comparing the sources and uses of the funds of the Master Lessees to the payment of fixed and variable rent by the Master Lessees to the Master Lessors as well as the various reserves, capital expenditure and other payment obligations provided for in the MLAs (including whether there was any failure by the Master Lessees to apply funds received from the hotel operations towards the rent due under the MLAs for the months of January 2020 and February 2020 prior to the onset of the COVID-19 pandemic in the United States). Depending on the initial outcome and findings of the investigation, the scope of the investigation may be extended. The Managers will provide further updates on FTI’s findings as and when appropriate.

3. Issuance of Notices of Defaults by Master Lessors to Master Lessees of EHT’s Properties

Notice of default issued by Master Lessors in respect of delinquencies in provision of security deposits under certain MLAs

3.1 As disclosed in the 19 March 2020 Announcement and the 20 April 2020 Announcement, 15 Master Lessors (being the Master Lessors for all of EHT’s properties save for the Crowne Plaza Dallas Near Galleria-Addison, the Hilton Houston Galleria Area and the Delta Woodbridge) granted a further extension of the deadline for the provision of outstanding security deposits owed by the relevant 15 Master Lessees to the relevant Master Lessors under the relevant MLAs pursuant to an extension agreement dated 14 February 2020 (the “**Extension Agreement**”). Following such extension, the relevant Master Lessees were required to provide approximately US\$15.0 million of security deposits by 8 June 2020 through cash contribution and/or letters of

credit which would bring the total security deposits to US\$43.7 million (representing nine (9) months of fixed rent) as stipulated in EHT's prospectus dated 16 May 2019.

- 3.2 As at the date of this Announcement, the relevant Master Lessees have not provided the outstanding security deposits of approximately US\$15.0 million (either through cash contribution or letters of credit or otherwise) which, in turn, constitutes an event of default (the "SD Defaults") by each relevant Master Lessee under each of the relevant MLAs and the Extension Agreement. Accordingly, the relevant Master Lessors have, on 10 June 2020, issued a notice of default in respect of the SD Defaults under the relevant MLAs and the Extension Agreement to the relevant Master Lessees.

Notice of defaults issued by Master Lessors in respect of various defaults under MLAs

- 3.3 Further to the 20 April 2020 Announcement and the 15 May 2020 Announcement, the fixed rent for the months of January 2020 to May 2020 and the variable rent and additional rent for the months of January 2020 to March 2020 for all of EHT's properties remain substantially unpaid by the Master Lessees as at the date of this Announcement, which constitute events of default by the Master Lessees under the MLAs. As a result of such events of default under the MLAs, certain Master Lessors have applied the security deposits provided by the relevant Master Lessees to the payment of certain outstanding rent in respect of certain properties in EHT's portfolio as permitted pursuant to the applicable MLAs. In addition, the defaults by the relevant Master Lessees under the respective Hotel Management Agreements (the "HMAs") as a result of, *inter alia*, the Master Lessees' failure to provide and/or maintain sufficient working capital for the hotels' operations, and additional defaults resulting from the failure to pay management fees and/or failure to make funds available for the payment of hotel operating expenses, as disclosed in the 24 April 2020 Announcement, constitute additional defaults under the respective MLAs by the relevant Master Lessees.
- 3.4 The relevant Master Lessees have also defaulted on other obligations under the applicable MLAs including, without limitation, the following:
- (a) failing to make timely payment of outgoings (including without limitation the costs of insurance premiums in respect of certain of EHT's properties);
 - (b) failing to make reserve contributions for the repair, alteration, improvement and replacement of the plant, services infrastructure, furniture, fixtures, furnishings and equipment of EHT's properties;
 - (c) failing to replenish the security deposits for three (3) properties (being the Crowne Plaza Dallas Near Galleria-Addison, the Hilton Houston Galleria Area and the Delta Woodbridge) within the stipulated time period under the applicable MLAs, as the relevant Master Lessors had previously applied part of the security deposits for such properties to the payment of the outstanding rent as permitted pursuant to the terms of the MLAs as a result of the relevant Master Lessees' non-payment of rent for certain periods;
 - (d) in respect of The Queen Mary Long Beach, (i) failing to provide the City of Long Beach access to the financial records of the Master Lessee of The Queen Mary Long Beach, as required under the applicable MLA; and (ii) causing defaults under the ground lease for The Queen Mary Long Beach by failing to comply with covenants and obligations therein which the Master Lessee of The Queen Mary Long Beach is responsible for performing pursuant to the applicable MLA, as disclosed in the 21 June 2020 Announcement;
 - (e) failing to (i) prevent the termination of the relevant HMAs as disclosed in the 24 April 2020 Announcement due to the relevant Master Lessees' uncured defaults thereunder; and (ii) replace the hotel manager with a new hotel manager of each of the applicable hotels; and
 - (f) (A) failing to, among other items, (i) take all reasonably necessary precautions and other measures to secure the relevant properties in EHT's portfolio; (ii) keep and maintain EHT's properties in good condition; (iii) provide management reports within the stipulated time period for certain hotels, as required under the applicable MLAs, and (B) permitting liens

to be filed against certain of EHT's properties in connection with services furnished to the relevant Master Lessees (as disclosed in the 21 June 2020 Announcement).

- 3.5 In light of the above defaults under the MLAs and the Extension Agreement, the Master Lessors have, on 19 June 2020, issued a separate notice of default in respect of, *inter alia*, the abovementioned defaults and events of defaults under the MLAs and the Extension Agreement to all of the Master Lessees.
- 3.6 As mentioned in certain Earlier Announcements, the Managers are also in the process of undertaking the Strategic Review in consultation with Moelis and the REIT Trustee, and the Strategic Review will take into account the abovementioned defaults and events of defaults under the MLAs and the Extension Agreement in respect of the appropriateness and viability of the MLA structure and any actions to be taken in respect of and pursuant to the MLAs. In the meantime, all rights of the Master Lessors against the Master Lessees under the MLAs and the Extension Agreement are expressly reserved and the Master Lessees remain obliged to fulfil their obligations under the MLAs and the Extension Agreement.

Stapled Securityholders are advised to read this Announcement and any further announcements by the Managers carefully. There is no certainty or assurance as at the date of this Announcement that any discussions or prospects will be successfully concluded or any definitive agreements in relation to any transactions will be entered into (including whether there will be any satisfactory resolution with EHT's lenders, Master Lessees and/or hotel operators). Stapled Securityholders should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

For Strategic Review and related matters, please contact:

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Any queries relating to this Announcement should be directed to the following:

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For and on behalf of the Board

Salvatore Gregory Takoushian
Executive Director and Chief Executive Officer

Eagle Hospitality REIT Management Pte. Ltd.
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as manager of Eagle Hospitality Real Estate Investment Trust

Eagle Hospitality Business Trust Management Pte. Ltd.
(Company Registration No.: 201829816K)
as trustee-manager of Eagle Hospitality Business Trust

Date: 29 June 2020

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