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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 #11 – (1) Discovery of Unauthorised Application made under the United States Paycheck Protection Program on behalf of the Queen Mary Master Lessor, (2) Delinquency of Taxes by Certain Master Lessees, and (3) Receipt of Notices of Default and Termination under Certain Franchise Agreements

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 (“**Stapled Securityholders**”) on (a) the discovery of an unauthorised loan application dated 18 May 2020 that was made under the United States Paycheck Protection Program administered by the United States Small Business Administration on behalf of Urban Commons Queensway, LLC (the “**QM Master Lessor**”, being the Master Lessor of the Queen Mary Long Beach (the “**QM**”) and a subsidiary of EH-REIT), and (b) certain Master Lessees’ delinquency to pay outstanding taxes to the relevant tax authorities.

DBS Bank Ltd. was the sole financial adviser and issue manager for the initial public offering of Eagle Hospitality Trust.
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2. Discovery of Unauthorised Application made and Receipt of Loan Proceeds under the Paycheck Protection Program on behalf of the QM Master Lessor

- 2.1 The Managers and the REIT Trustee were informed by their professional advisers that they discovered that an unauthorised loan application dated 18 May 2020 (the “**QM PPP Application**”) was submitted on behalf of the QM Master Lessor under the United States Paycheck Protection Program¹ (“**PPP**”) administered by the United States Small Business Administration (“**US SBA**”) purportedly on behalf of the QM Master Lessor. The QM PPP Application was signed by Mr. Taylor Woods but as at the date of the QM PPP Application, he had already been removed and was no longer an officer of the QM Master Lessor. Pursuant to public releases made by the US SBA with respect to certain recipients of PPP loan proceeds, the Managers and the REIT Trustee understand that the QM PPP Application was approved by the US SBA and a loan of an amount in excess of US\$2.0 million (the “**QM PPP Loan**”) was granted from a lender (the “**QM PPP Lender**”) pursuant to the QM PPP Application with the QM Master Lessor as the debtor thereunder. For the avoidance of doubt, neither the Special Committee nor the REIT Trustee was aware of, nor did any of them authorise, the QM PPP Application. Furthermore, no portion of the QM PPP Loan proceeds from the QM PPP Lender was received by the QM Master Lessor.
- 2.2 Upon the discovery of the unauthorised QM PPP Application, a demand letter dated 9 July 2020 (the “**QM PPP Demand Letter**”) was sent by the QM Master Lessor to Mr. Taylor Woods requesting, amongst others, that he (a) provide further information regarding the QM PPP Application and the QM PPP Loan (including the exact amount of the proceeds received under the QM PPP Loan, account details where the proceeds of the QM PPP Loan were deposited by the QM PPP Lender and details of all disbursements and/or transfers of any portion of the proceeds of the QM PPP Loan), and (b) take all necessary actions to transfer all such proceeds of the QM PPP Loan as the QM Master Lessor may direct (which may include a direction to unwind the transaction entered into with the QM PPP Lender). In addition, a separate demand letter dated 9 July 2020 was sent by the QM Master Lessor to the QM PPP Lender to inform the QM PPP Lender of the relevant circumstances surrounding the unauthorised QM PPP Application submitted on behalf of the QM Master Lessor and requesting that the QM PPP Lender freeze all amounts with respect to the QM PPP Loan that might be held in any account under the control of the QM PPP Lender and to provide all information regarding the QM PPP Application and the QM PPP Loan to the QM Master Lessor.
- 2.3 In response to the QM PPP Demand Letter, the Master Lessors received a letter dated 15 July 2020 (the “**PPP Response Letter**”) from the Master Lessees stating that the QM PPP Application was a result of errors in certain payroll records that indicated the QM Master Lessor as the employer and that Urban Commons, LLC (the “**Sponsor**”, being the sponsor of EHT) had explained the error to the QM PPP Lender and the Sponsor was working with the QM PPP Lender to transfer the QM PPP Loan from the QM Master Lessor to the QM Master Lessee, with the expectation that the issue would be completely resolved within two (2) weeks of the PPP Response Letter (i.e. by 29 July 2020).

For the avoidance of doubt, the REIT Manager, the REIT Trustee and their professional advisers have not been able to validate any of these statements. Notwithstanding any explanations proffered by the Sponsor and/or the Master Lessees, the professional advisers of the Managers and the REIT Trustee have concluded and are of the view that the QM PPP Application that was submitted on behalf of the QM Master Lessor and the receipt of the funds under the QM PPP Loan were both unauthorised and improper.

- 2.4 The Managers and the REIT Trustee understand from the Sponsor that the QM Master Lessee had issued a letter to a local office of financial program operations of the USA SBA (the Office of Financial Program Operations at Fresno Commercial Loan Servicing Center) dated 24 July 2020 to notify the USA SBA PPP task force of the unauthorised QM PPP Application made on behalf of the QM Master Lessor and that the QM Master Lessee is working with the QM PPP Lender to transfer the QM PPP Loan from the QM Master Lessor to the QM Master Lessee.

¹ The PPP is a business loan program enacted amidst the COVID-19 pandemic whereby eligible lenders provide low-interest loans to certain businesses as an incentive to maintain employment and facilitate continued operations, which loan is eligible for forgiveness subject to the satisfaction of certain criteria including complying with the limited purposes on which PPP loan proceeds may be spent.

2.5 As at the date of this Announcement, the Managers and the REIT Trustee understand that the transfer of the QM PPP Loan from the QM Master Lessor to the QM Master Lessee has not been effectuated. The Managers and the REIT Trustee are in the midst of consulting with their professional advisers to determine any further actions to be taken in respect of the unauthorised QM PPP Application and the QM PPP Loan. In addition, the Managers and their professional advisers continue to be in correspondence with the Sponsor and the QM Master Lessee as to the rectification and unwinding of the unauthorised QM PPP Loan. In the meantime, all rights of the Managers, the REIT Trustee and the QM Master Lessor against the Sponsor, its shareholders and the QM Master Lessee are reserved. The Managers will provide further updates on the QM PPP Application and the QM PPP Loan as and when there are material developments.

3. **Certain Master Lessees' Delinquency to Pay Certain Taxes**

Holiday Inn Denver East – Stapleton and Renaissance Denver Stapleton

- 3.1 The Managers and the REIT Trustee have been informed that the Master Lessees of the Holiday Inn Denver East – Stapleton and the Renaissance Denver Stapleton (the “**Denver Master Lessees**”) have been deficient in paying certain outstanding sales taxes, lodger’s taxes and tourism improvement district taxes that have continued to accrue over certain periods in respect of the abovementioned hotels since at least December 2019 to the tax authorities of the City and County of Denver (the “**Denver Outstanding Taxes**”). However, the Denver Master Lessees entered into a settlement arrangement with the Denver tax authorities on 1 July 2020 pursuant to which the Denver Master Lessees would pay the Denver Outstanding Taxes by way of instalments. The Managers and the REIT Trustee understand that the total outstanding amount of the Denver Outstanding Taxes to be settled under the settlement arrangement (inclusive of penalties and interests) is approximately US\$954,000, which is to be paid by way of six (6) monthly instalments from July 2020 to December 2020.
- 3.2 It was also brought to the attention of the Managers and the REIT Trustee that the Denver Master Lessees failed to pay the first instalment that was due on 13 July 2020 to the tax authorities of the City and County of Denver. In response, the tax authorities issued a warrant of seizure of assets (the “**Warrant**”) in respect of the Holiday Inn Denver East – Stapleton and Renaissance Denver Stapleton.
- 3.3 Under the terms of the MLAs between the relevant Master Lessors and the Denver Master Lessees, the Denver Master Lessees are responsible for the payment of the Denver Outstanding Taxes to the tax authorities of the City and County of Denver and the Denver Master Lessees’ failure to timely pay such outgoings by the due date for payment constitutes an event of default by the Denver Master Lessees under the respective MLAs.
- 3.4 The Managers and the REIT Trustee were subsequently informed that on 14 July 2020, the Denver Master Lessees paid the first instalment in respect of the Denver Outstanding Taxes to the tax authorities of the City and County of Denver and the tax authorities have accepted such payment. Accordingly, as at the date of this Announcement, as far as the Managers and the REIT Trustee are aware, there has been no enforcement action taken by the relevant tax authorities or enforcement agencies pursuant to the Warrant.
- 3.5 Pursuant to the settlement arrangement between the Denver Master Lessees and the Denver tax authorities with regard to the Denver Outstanding Taxes, a second instalment was due on 6 August 2020 which, as at the date of this Announcement, has not been paid by the Denver Master Lessees. The Managers and the REIT Trustee’s local counsel has informed the Managers and the REIT Trustee that as a result of the non-payment by the Denver Master Lessees of the second instalment by the due date, the tax authorities of the City and County of Denver have indicated that they will not be giving any advance notice prior to issuing and executing their seizure warrants on the Holiday Inn Denver East – Stapleton and the Renaissance Denver Stapleton.
- 3.6 The Managers and the REIT Trustee are in the process of consulting their professional advisers to ascertain the impact of the non-payment of the relevant Denver Outstanding Taxes by the

Denver Master Lessees to the tax authorities of the City and County of Denver and the appropriate course of action to be taken.

Holiday Inn Resort Orlando Suites – Waterpark

- 3.7 In addition, the Managers and the REIT Trustee have been informed that the Master Lessee of the Holiday Inn Resort Orlando Suites – Waterpark (the “**HIRO Master Lessee**”) has also been deficient in paying certain outstanding tourism development taxes that have continued to accrue in respect of the Holiday Inn Resort Orlando Suites – Waterpark since February 2020 to the Comptroller of Orange County, Florida. As a result of the outstanding taxes, the Comptroller of Orange County, Florida filed a tourism development tax warrant against both UCCONT1, LLC (the “**HIRO Master Lessor**”, being the Master Lessor of the Holiday Inn Resort Orlando Suites – Waterpark and a subsidiary of EH-REIT) and the HIRO Master Lessee for the collection of the delinquent outstanding tourism development taxes in the amount of approximately US\$244,000 (including penalties and interest) (the “**Orlando Outstanding Taxes**”). The Comptroller of Orange County, Florida further issued a notice dated 12 June 2020 (the “**HIRO Tax Notice**”) to the HIRO Master Lessor of its intent to levy upon any cash in possession of the HIRO Master Lessor and a bank account of the HIRO Master Lessor with Bank of America (the “**HIRO Account**”).
- 3.8 Similar to Paragraph 3.3 above, under the terms of the MLA between the HIRO Master Lessor and the HIRO Master Lessee, the HIRO Master Lessee is responsible for the payment of the Orlando Outstanding Taxes to the tax authorities of Orange County, Florida and the HIRO Master Lessee’s failure to timely pay such outgoings by the due date for payment constitutes an event of default by the HIRO Master Lessee under the applicable MLA.
- 3.9 The Managers and the REIT Trustee understand that on or about 25 June 2020, the Sponsor entered into a repayment agreement with the Comptroller of Orange County, Florida to pay all delinquent tourist development taxes (including penalties and interest) due to the Comptroller of Orange County, Florida in three (3) instalments due on 26 June 2020, 1 August 2020 and 1 September 2020, as well as to satisfy the levy. Despite the Sponsor’s payment of the first instalment due on 26 June 2020, the Comptroller of Orange County, Florida refused to release the HIRO Account or delay enforcement of the garnishment referenced in the HIRO Tax Notice.
- 3.10 Accordingly, the Managers and the REIT Trustee appointed local counsel which then filed a complaint on behalf of the HIRO Master Lessor against the Comptroller of Orange County, Florida on 2 July 2020 (the “**HIRO Complaint**”) to contest the Comptroller of Orange County, Florida’s levy and garnishment of the HIRO Account to collect the Orlando Outstanding Taxes as (a) the HIRO Master Lessee is the party that is directly and solely liable to pay the Orlando Outstanding Taxes, and (b) the Comptroller of Orange County, Florida is able to collect the Outstanding Orlando Taxes pursuant to the repayment arrangement with the Sponsor. As advised by the Managers and the REIT Trustee’s local counsel, pursuant to applicable State laws, the filing of the HIRO Complaint should prevent the garnishment from being enforced by the Comptroller of Orange County, Florida until the proceedings are fully resolved.
- 3.11 The Comptroller of Orange County, Florida then indicated that it would lift the levy and the garnishment over the HIRO Account if the Sponsor paid the second instalment that was due on 1 August 2020. However, as at the date of this Announcement, the Managers and the REIT Trustee understand that the Sponsor failed to pay the second instalment by the due date and therefore, the levy and garnishment over the HIRO Account by the Comptroller of Orange County, Florida have not been lifted.
- 3.12 The Managers and the REIT Trustee’s local counsel has been instructed to continue with its proceedings against the Comptroller of Orange County, Florida to set aside the levy, the garnishment and any judgment or liability against the HIRO Master Lessor in respect of the Orlando Outstanding Taxes.
- 3.13 In the meantime, all rights of the Master Lessors against the Master Lessees (including the Denver Master Lessees and the HIRO Master Lessee) under the MLAs are expressly reserved and the

Master Lessees remain obliged to fulfil their obligations under the MLAs. The Managers will provide further updates on these matters as and when able.

4. Receipt of Notices of Default and Termination under the Respective Franchise Agreements

4.1 The Managers and the REIT Trustee have been informed that as at the date of this Announcement, the Master Lessees of ten (10) hotels have received notices of default and termination from the relevant franchisors under the respective franchise agreements (the “**Franchise Agreements**”) as a result of the Master Lessees’ failure to cure its default for non-payment of fees and other amounts due and owing to the relevant franchisor under the relevant Franchise Agreement (the “**FA Termination Notices**”). Based on the FA Termination Notices and the information available to FTI Consulting, Inc. (being the Chief Restructuring Officer), the aggregate outstanding amount due by the Master Lessees to the franchisors under such Franchise Agreements amount to approximately US\$3.8 million.

4.2 Pursuant to the FA Termination Notices, the relevant franchisors will have the right to terminate the respective Franchise Agreements if the relevant Master Lessees do not cure the defaults under the Franchise Agreements within the applicable cure periods as stated in the FA Termination Notices. A summary of the applicable cure periods and termination dates as stated under the FA Termination Notices is set out below:

Hotel	Deadline for payment of outstanding amounts	Termination date
Sheraton Pasadena	16 August 2020	31 August 2020
Holiday Inn & Suites San Mateo ²	9 April 2020	17 May 2020
Four Points by Sheraton San Jose Airport	16 August 2020	31 August 2020
Westin Sacramento	13 August 2020	28 August 2020
Renaissance Denver Stapleton	16 August 2020	31 August 2020
Holiday Inn Denver East – Stapleton	17 August 2020	19 October 2020
Sheraton Denver Tech Center	16 August 2020	31 August 2020
Holiday Inn Resort Orlando Suites – Waterpark	26 August 2020	26 October 2020
Delta Woodbridge	16 September 2020	1 October 2020
Crowne Plaza Danbury	26 August 2020	26 October 2020

4.3 Pursuant to the terms of the applicable MLAs in respect of the abovementioned hotels, the relevant Master Lessees are responsible for the payment of such outstanding amounts under the Franchise Agreements to the applicable franchisors and the alleged defaults under the FA Termination Notices, if true, would in turn also constitute a breach of the respective MLAs by the Master Lessees.

4.4 The Managers and the REIT Trustee, with the assistance of their professional advisers, are in the midst of assessing the impact of the alleged defaults and the appropriate steps to be taken in response to the FA Termination Notices, and the Managers will provide further updates if there are material developments. In the meantime, all rights of the Master Lessors against the Master

² The Managers only received a copy of the FA Termination Notice in respect of the Holiday Inn & Suites San Mateo on 6 August 2020 as such FA Termination Notice was addressed to the relevant Master Lessee, and not the relevant Master Lessor. As at the date of this Announcement, as far as the Managers are aware, no further notices have been received in relation to the termination of the Franchise Agreement in respect of the Holiday Inn & Suites San Mateo.

Lessees under the MLAs are reserved and the Master Lessees remain obliged to fulfil their obligations under the MLAs.

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 claimants). Stapled Securityholders should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

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Issued by:

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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: 14 August 2020

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