EAGLE HOSPITALITY TRUST

Q&A

December 2020

1 What is the status of the hotels and when will the hotels reopen?

- 3 of 18 hotels remain open, namely the Renaissance Denver East Stapleton, Holiday Inn Denver East – Stapleton and Delta Woodbridge.
- The remaining 15 hotels are currently under caretaker agreements with Crestline, Evolution, Interstate, or GF Hotels (as applicable) for continued care and maintenance.
- After EHT has regained legal possession and control of the Properties and activated EH-BT, the New Managers aim to re-open and commence operations at those Properties which are currently closed (when practically and economically feasible), and work to stabilise the operations and performance of the Properties. The New Managers will work together with the relevant third party hotel managers (who will manage the day-to-day operations of the Hotels) and franchisors to re-open the closed Properties at the appropriate time, taking into account, among others, the prevailing market and economic conditions.
- Given that one of the expected conditions of the Proposed Bridge Facility is for EHT to divest certain Properties (contingent on the receipt of a bid or offer for such Properties and the Bank of America, N.A. approving the price and terms of the proposed disposition), the New Managers intend to work towards completing the divestment of the selected Properties by the deadline specified by the lenders of the Proposed Bridge Facility. The proceeds from such divestments are intended to be applied towards payment of approved EH-REIT expenses or reducing EHT's outstanding liabilities, in accordance with the conditions of the Proposed Bridge Facility.

2 Why has the property valuation declined?

- This is primarily due to the negative impact of COVID-19 on property operating metrics which remains unprecedented and beyond what was witnessed during the global financial crisis
- According to the Independent Valuer, the impact of COVID-19 on property operating metrics principally accounts for the decline in valuations:
  - Decline in market fundamentals, change in anticipated trading performance post recovery, depressed hotel values across the US, which has resulted in significantly lower earnings projection and higher discount rates being applied to EHT's investment properties
  - Change in Master Lease Arrangements where 2020 valuations are based on the anticipated income generated at the property level on a flow through basis to EHT, without any assumptions of master lease arrangements
  - Increase in required capital expenditures of EHT hotels, to help the properties generate more attractive returns in the market
- Post COVID and if the hotels were operating at a fully stabilised level in and around 2023/24, the value of the hotels is anticipated to be at US$899.6m

3 What is the status of the forbearance by the lenders?

Borrowings	Status
BoA Facilities Agreement	In negotiations for long-term forbearance extension (and subject to finalisation whether Proposed Bridge Facility is documented as a senior tranche under the BoA Facilities Agreement, such that loan tenure will be 18+18 months)
BofW Swap Agreement	Terminated; incurring interest
Mortgage Loans	In negotiations for forbearance extension
Lendco Unsecured Loan	Remain subordinated

4 Why is the Proposed Bridge Facility necessary?

- Sufficient capital investment will be required to allow EHT the ability to pay for hotel reopening costs and property expenses (including critical hotel liabilities incurred by previous Master Lessees)

5 What are the New Managers' strategies for EHT?

- The New Managers are focused on the long-term rehabilitation of EHT.

Phase 1: Reopening the Properties and Returning them to Stabilisation

- As the existing Master Lease Agreements have been terminated by the Master Lessors, New Managers intend to activate EH-BT to be the master lessees of the Properties (through wholly-owned OpCos). These master leases will be internalised within the EHT stapled structure
- Upon the Master Lessors obtaining legal and physical possession of the Properties, the New Managers intend to work closely with the hotel managers and franchisors to eventually reopen and commence operations at those Properties with an objective to stabilise the operations and performance of the Properties

Phase 2: Achieve Long-Term Stability and Growth

Proactive asset management and enhancement strategies to optimise the cash flow and value for Stapled Securityholders

- When circumstances and market conditions permit, refinance to lower the cost of capital
- Investments and acquisition growth strategy to source for suitable acquisition opportunities which provide attractive returns
- Prudent approach to capital management to optimise risk-adjusted returns
- Equity capital raisings at the appropriate time, taking into account conditions of the Proposed Bridge Facility (2021/2022)

6 Why does the Base Fee Structure need to be revised?

- The New Managers believe that the implementation of the Minimum Fee (which will apply until the end of the Financial Year ending on 31 December 2023) is reasonable given the following reasons:

  1. Annual Distributable Income is expected to remain extremely low (or nil) for the foreseeable future
     - As the Current Base Fee is computed on a formula of 10.0% per annum of the Annual Distributable Income, this would effectively mean that the New Managers would not be entitled to any fees for the foreseeable future during which the New Managers will be expending significant effort and resources towards EHT.
  2. Increase in work scope of the New Managers due to the need to stabilise the Properties and the MLA Internalisation
     - Considerable efforts and resources would be required to stabilise the operations and performance of the Properties and EHT and satisfactorily resolve the outstanding issues. This includes implementing a plan to re-open the Properties, negotiating hotel management agreements and franchise agreements, securing capital investment, restructuring EHT's borrowings and rebalancing EHT's portfolio. The foregoing efforts would not be typically required of REIT managers in the ordinary course.
  3. Alignment of Interest with Stapled Securityholders
     - By taking the Base Fees in Stapled Securities, this would conserve cash flows generated by EH-REIT and EH-BT in the near term (if any) for operational uses and strengthen the alignment of interest of the New Managers with that of Stapled Securityholders. Further, this also incentivises the New Managers to use their best efforts to expeditiously stabilise EHT's operations and performance.

7 What will be the New Managers' Base Fee Structure?

- In connection with the appointment of SCCPRE as the New REIT Manager, it is proposed that the EH-REIT Trust Deed be amended, modified and supplemented by way of a Supplemental Deed of Trust to amend the REIT Base Fee structure such that, with effect from the later of (a) date of appointment of the New REIT Manager, and (b) 1 January 2021 (the "Effective Date") and up to (and including) 31 December 2023, the REIT Base Fee payable to the New REIT Manager will be the higher of:
  a) the Minimum Fee; and
  b) 10.0% per annum (or such lower percentage as may be determined by the New REIT Manager in its absolute discretion) of the Annual Distributable Income.
- The "Minimum Fee" means the minimum REIT Base Fee which the New REIT Manager shall be entitled to receive from the Effective Date, in respect of FY2021, FY2022 and FY2023, being the sum of US$4.5 million per annum (and for FY2021, such sum shall be pro-rated by dividing US$4.5 million by the number of days between (and including) the Effective Date and 31 December 2021), which sum shall be reduced by an amount equal to any BT Base Fee payable to the New Trustee-Manager in respect of the relevant period. The formula of the Minimum Fee ensures that there is no double-counting across EH-REIT and EH-BT. Accordingly, the aggregate minimum base fees payable to both the New Managers will not exceed a sum of US$4.5 million per annum.
- For the avoidance of doubt, from 1 January 2024, the REIT Base Fee will revert to the formula of the Current Base Fee, being 10.0% per annum (or such lower percentage as may be determined by the New REIT Manager in its absolute discretion) of the Annual Distributable Income.

8 How will the New Managers' Base Fees be paid?

- The New Managers will agree to accept their Base Fees in the form of Stapled Securities which helps to address the limited cash resources available to EH-REIT and strengthen the alignment of interest with the Stapled Securityholders
- The Issue Price per Stapled Security of the up to 140,000,000 new Stapled Securities to be issued for payment of the Base Fees payable to the New Managers for FY2021 and FY2022 shall be computed as follows:
  - *While trading of the Stapled Securities remains suspended*

    Issue price will be equal to the NAV of EHT per Stapled Security as at the last day of the relevant quarter or period in respect of which the REIT Base Fee is being paid
  - *When trading of the Stapled Securities has resumed*

    Issue price will be based on the 10-business day VWAP per Stapled Security immediately preceding the end of the relevant financial period in which the Base Fee accrues OR if the New Managers believe that the foregoing calculation does not provide a fair reflection of the market price of the Stapled Securities, the Issue Price will be an amount as determined after consultation by the New Managers with a Stockbroker (and such Stockbroker is subject to the approval of the EH-REIT Trustee), and as approved by the EH-REIT Trustee, as being the fair market price.

9 What is the dilution impact to Stapled Securityholders?

- Of the comprehensive proposals received as part of the RFP Process, SCCPRE's proposal presents a key benefit of preserving value within EHT with minimal dilution impact to Stapled Securityholders as it does not contemplate:
  - any immediate equity fund raisings in weak market conditions *(US$20 million by 31 Dec 2021 and US$30 million by 31 Dec 2022 as a Proposed Bridge Facility condition)*; or
  - any debt fund raisings at interest rates which would be expensive in the context of EH-REIT as a borrower.
- Future equity raising will be envisaged if market conditions are more opportune.
- The dilution to Stapled Securityholders is currently expected to arise from the New Managers agreeing to take their Base Fees for FY2021 and FY2022 in Stapled Securities (of up to 140,000,000 new Stapled Securities)
- At the maximum level of issuance, the 140,000,000 new Stapled Securities represents approximately 16.0% of the existing number of issued Stapled Securities.
- The actual dilution will depend on the issue price based on reported NAV when trading remains suspended, when the Stapled Securities will resume trading and the trading price of the Stapled Securities when trading has resumed.

10 How do the New Managers intend to reduce leverage?

- The New Manager will endeavour to reduce the aggregate leverage to the permitted limit under the Property Funds Appendix through a combination of:
  - Portfolio rebalancing (which includes the divestment of select Properties and new accretive acquisitions, where appropriate);
  - Creation of valuation uplift through rigorous asset management initiatives; and
  - (subject to market conditions and other factors which the New Managers may consider relevant) recapitalising EHT's balance sheet through new equity issuances.

11 What if all the EGM Resolutions are not passed?

- In the event any of Resolutions 1 – 4 is not passed and/or carried at the EGM, EHT will not have sufficient resources or time in light of current challenging issues facing it to identify and present another potential new manager with an actionable plan for Stapled Securityholders' consideration:
  - No new manager of EH-REIT
  - No potential additional capital investment
  - No reasonable prospect for EHT to continue to operate the Properties on a going concern basis
- Therefore, through Resolution 5, it is proposed that Stapled Securityholders be provided with the alternative option of realising any remaining value of their Stapled Securities through the voluntary delisting of EHT, voluntary termination and winding-up of EH-REIT and voluntary winding-up of EH-BT
- In the event that Resolution 5 is also not passed, the EH-REIT Trustee will likely be compelled to consider seeking insolvency protection under Chapter 11 of the United States Bankruptcy Code to facilitate a reorganisation of EH-REIT or an orderly winding down of EH-REIT

12 Other Voting Queries

- **What happens if I do not vote for one or more of the resolutions?**
  - If a Stapled Securityholder does not give a specific direction as to voting for a particular resolution, the appointment of the Chairman of the EGM as proxy for that particular resolution will be treated as invalid.
  - A resolution will only be passed as such by a majority being greater than 50% or at least 75.0% (depending on the approval threshold) of the total number of votes cast for and against such resolution. If you do not vote, your vote will not count as part of the total number of votes to be tallied for and against such resolution.
- **Can I vote for some of the Resolution 1, 2, 3, 4 only and not for all of them?**
  - Stapled Securityholders should note that Resolution 1, Resolution 2, Resolution 3 and Resolution 4 are inter-conditional. Therefore, if any of Resolution 1, Resolution 2, Resolution 3 or Resolution 4 is not passed and/or carried, ALL of Resolution 1, Resolution 2, Resolution 3 and Resolution 4 will not be passed and/or carried and Resolution 5 will be put forth for voting.
- **Do I have to vote for Resolution 5, if I voted for Resolution 1, 2, 3, 4?**
  - Yes, please indicate your vote for all 5 Resolutions. so that in the event that Resolution 5 is tabled because any of Resolution 1, Resolution 2, resolution 3 or Resolution 4 is not passed and/or carried, your vote on Resolution 5 will be counted.
- **If Resolution 5 is passed, what will happen to my Stapled Securities and will I get cash back?**
  - If Resolution 5 is passed, Stapled Securityholders would have voted for the voluntary delisting of EHT, voluntary termination and winding-up of EH-REIT and voluntary winding-up of EH-BT. Please refer to Paragraph 3 of the Circular.
  - The Properties will be divested, and various debt repayments, obligations and expenses will be deducted from the sale proceeds. Subsequently, should there be any residual value, the net cash proceeds will be distributed to the Stapled Securityholders in proportion to the number of fully paid-up Stapled Securities held by each of the Stapled Securityholders – the process may result in minimal to no distributions to Stapled Securityholders

13 What value will Stapled Securityholders receive in a winding up process?

- Various factors would have to be accounted for and amounts to be deducted from the reported NAV of EHT to ascribe any residual value to the Stapled Securityholders, including (but not limited to):
  - Changes to asset value based on estimated sale proceeds of EHT's hotels at a divestment discount (if any) to its reported valuations and excluding any operating expenses
  - Repayment of EHT debt facilities any borrowings effected by EHT (together with any interest accrued but remaining unpaid) for the time being outstanding and all other debt and liabilities in respect of EHT
  - Settlement of taxes, liens and judgements, and any other additional payments for unsecured creditors under a Chapter 11 process
  - Settlement of professional fees, administrative fees and transaction expenses
- Any remaining net cash proceeds may be distributed to Stapled Securityholders in proportion to the number of fully paid-up Stapled Securities held by each Stapled Securityholder.
- Whether the hotels can be divested at their reported valuations as at 31 August 2020 or at a discount depends on various factors, including the economic outlook of the United States hospitality industry and market, the impact of the ongoing COVID-19 pandemic on the reservation rates of the Properties, the present state of the hotels (including EHT's ability to reopen the hotels) and the availability of tenants of the hotels.
- **Selling all assets in a winding up process in a distressed market is sub-optimal, and likely to be reflected in sales proceeds.**

14 When will EHT resume trading?

- When sufficient progress has been made towards stabilising EHT's operations, including after the Properties have been re-opened and EHT is operating on a going concern basis and subject to any requirements of the SGX-ST, the New Managers intend to engage with the SGX-ST, with a view to eventually lifting the trading suspension of the Stapled Securities.
- This would enable Stapled Securityholders to re-commence trading in their Stapled Securities.
- Notwithstanding the above, as stated in the Circular, there is no certainty as to when the trading suspension on the Stapled Securities will be lifted. The ability to achieve the milestones necessary to lift the trading suspension are dependent on numerous factors outside of EHT and/or the New Managers' control. Accordingly, there can be no certainty as to when the trading suspension on the Stapled Securities will be lifted (and no assurance that the trading suspension will be lifted at all).

15 Is there a basis for the Sponsor’s complaints or assertions?

- The incumbent Managers and the EH-REIT Trustee do not believe the claims are meritorious at this time.
- As of the present date, the Sponsors have not commenced litigation. As with any threatened litigation, however, no definitive assurances can be provided regarding the claims. If litigation is filed, EHT will dispute these claims.

16 What actions will EHT be taking against the Sponsor and/or Master Lessees?

- Based on the facts it knows, the incumbent REIT Manager believes that each of the Master Lessor's claims against the respective Master Lessees regarding possession of the hotels are each based on defaults by each Master Lessee's that would entitle the relevant Master Lessor to seek to reclaim the possession of the respective hotel.
- Notices of Defaults have been issued by the Master Lessors to the Master Lessees in respect of the many defaults under the Master Lease Agreements as detailed in the earlier announcements since March 2020. The Master Lessors have also sent notices to the Master Lessees terminating the Master Leases. The Master Lessors have each initiated proceedings against the Master Lessees to reclaim possession and terminate the respective leases. While possession has been restored with respect to certain hotels through these proceedings, these claims remain open as to others.
- A demand letter has also been sent to Mr. Taylor Woods in respect of the unauthorised loan application made by Mr. Taylor Woods on behalf of Urban Commons Queensway, LLC (a subsidiary of EH-REIT) under the United States Paycheck Protection Program. Issues regarding this loan remain unresolved as do other issues with respect to the Master Lessees.
- Litigating in the US is expensive, time consuming, and can be unpredictable. No guarantees are provided regarding the outcome of any referenced pending litigation. With limited resources, there is a need to be prudent and vigilant to ensure that EH-REIT's limited resources are prioritised and used to protect the equity value for the Stapled Securityholders, as these same resources are needed for hotel operations and the rehabilitation of EHT.
- A decision regarding litigation next steps is still being evaluated and has not yet been made.

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