



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)

EAGLE HOSPITALITY BUSINESS TRUST

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

Frequently Asked Questions

There have been a number of investor queries and recent media reports that have raised some common issues with regards to Eagle Hospitality Trust (EHT). In the interest of providing further clarity, we have provided responses to some commonly-asked questions.

1. **With the vaccine roll-out in the United States (US), the market is likely to recover in the coming months, why don't you delay the sale process?**

- **The sale process follows from the unsuccessful voluntary attempts in 2020 to secure a replacement REIT Manager for Eagle Hospitality Real Estate Investment Trust (EH-REIT) and viable recapitalisation proposals.**
- **Eagle Hospitality Group does not have the luxury of delaying the sale or restructuring process as the current pandemic continues to create volatility and uncertainty with respect to the US hospitality industry's recovery. Of the 15 Chapter 11 Properties, 12 remain closed and continue to draw on the US\$100 million in debtor in possession financing (DIP Financing) to fund critical maintenance expenses.**
- The DIP Financing facility matures in January 2022 and the monthly administrative cost of maintaining and operating the hotel properties is depleting this scarce source of funds on a daily basis.
- **Unless there is certainty that a delay in the sale process would result in better or higher bids for the hotels, delaying the sale process would put further risks on stakeholders by increasing the borrowers' exposure under the DIP Financing facility without creating an offsetting increase in the value of the hotels. (Please refer to Point 4 in the announcement dated 9 March 2021 which can be found here: [Link](#))**
- The ongoing sale process has been conducted in a thorough and robust manner, where EH-REIT and its debtor subsidiaries' (collectively, the Chapter 11 Entities') professional financial adviser Moelis had contacted more than 180 qualified parties to solicit their interest in submitting proposals for the restructuring and recapitalisation of EHT and/or the sale of the Chapter 11 Properties prior to the Stalking Horse bid.
- The sale process is supervised by the US Bankruptcy Court and supported by the Committee of Unsecured Creditors appointed in the Chapter 11 cases.
- In addition, the sale of the Crowne Plaza Dallas Galleria (CPDG) was concluded following a broad sale process. The REIT Trustee, with the assistance of its professional advisers, determined that the sale would be in the best interests of all stakeholders as there was also a risk of foreclosure of the CPDG by the mortgage lender. (Please refer to Point 2 in the announcement dated 12 April 2021 which can be found here: [Link](#))

2. **Is it common practice in the US for Chapter 11 entities to enter into a stalking horse process?**

- It is a common practice in the US for parties to enter into a stalking horse agreement to solicit higher and better offers under a Chapter 11 process.
- The stalking horse's bid provides certainty that the sale process can be completed with an eventual bidder.
- In this regard, the REIT Trustee along with its professional advisers have been conducting a highly competitive process to seek the highest or otherwise best bid from a wide and diverse pool of qualified bidders.
- The Chapter 11 Entities which own the 15 Chapter 11 Properties had entered into a Stalking Horse Agreement, which was announced on 9 March 2021 (Please refer to the announcement dated 9 March 2021 which can be found here: [Link](#)).

3. **How did we ensure the CPDG asset was sold at a fair price? How will the sales proceeds be used?**

- **The sale price of CPDG at US\$18 million (approximately S\$24.1 million) is higher than the reserve price of the CPDG Auction and preliminary bids received in the lead up to the CPDG Auction.**
- Prior to the sale of CPDG, a broad marketing campaign was carried out in parallel with the preparations for the auction of CPDG, but the process generated preliminary bids which were less than the auction reserve price of US\$16 million, with the highest bid visible to all bidders on the CPDG Auction system prior to its conclusion being US\$12.5 million.
- In the event there are net proceeds remaining after paying creditors of CPDG, such remaining net proceeds will be distributed upstream to certain of the Chapter 11 Entities, as the ultimate holding company of CPDG is a Chapter 11 Entity. Such remaining net proceeds, if any, will form part of the pool of assets which will be subject to the Chapter 11 process.

4. **Investors had voted against the voluntary winding-up of EHT at the EGM last December. Why did the REIT Trustee go ahead with filing for Chapter 11?**

- Unfortunately, despite the active stapled securityholder engagement programmes and the strong participation of voting by stapled securityholders, where 73.2% had voted at the extraordinary general meeting held in December 2020 (EGM), the necessary resolutions for the appointment of a new REIT Manager were not carried. (Please refer to the announcement and FAQ on the results of the EGM dated 30 December 2020 which can be found here: [Link](#))
- Accordingly, given the circumstance and challenges facing the Eagle Hospitality Group, including the fact that no new REIT Manager was voted in by stapled securityholders, and that the Eagle Hospitality Group did not have sufficient resources to continue as a going concern, the best available option at the time was to proceed with the Chapter 11 filing.
- **Without Chapter 11 filing, the creditors of the Chapter 11 Entities could have tried to foreclose on EH-REIT's hotel properties.** This means the hotel properties could have been seized by creditors without EH-REIT and/or the Chapter 11 Entities having the ability to control that process, which would have been less beneficial to stakeholders.
- The Chapter 11 filing provided immediate legal protection by staying claims against the Chapter 11 Entities, provided the Chapter 11 Entities with access to the DIP Financing, and provided EH-REIT with the runway to undertake a value-maximising strategy or proposition for the benefit of all stakeholders.

For background:

- In the lead up to the EGM in December 2020, the REIT Trustee, alongside its professional financial advisers and the proposed new REIT Manager, had shared during institutional and retail stapled securityholder engagement sessions the merits of the proposal by the proposed new REIT Manager.
- During that process, it was also highlighted that (a) with finite cash resources, (b) if no new manager were appointed to manage EH-REIT, and (c) in the absence of a successful financial and corporate out-of-court restructuring or recapitalisation of EHT, the REIT Trustee would likely be compelled to consider seeking insolvency protection, such as under Chapter 11 of the US Bankruptcy Code, or otherwise through liquidation, to facilitate a reorganisation of EH-REIT or ensure an orderly winding down of EH-REIT. This would be the case regardless of whether stapled securityholders voted against the resolution for the proposed voluntary winding-up of EHT.
- Prior to the Chapter 11 filing as well as part of the sale process (including the period following the EGM), the REIT Trustee, with the assistance of Moelis, explored restructuring and recapitalisation alternatives and invited proposals for these, including engaging in discussions with several potential interested parties in relation to the restructuring and recapitalisation of EH-REIT.
- However, such discussions have not led to any viable proposals for the restructuring and recapitalisation of EH-REIT (other than the proposal that was not approved by the stapled securityholders at the EGM).

5. What is the REIT Trustee doing to protect the interests of stapled securityholders? How can stapled securityholders be assured that the REIT Trustee is managing EH-REIT properly?

- **The REIT Trustee stepped up in an unprecedented manner and had done so not by working alone but with the support of and by working closely with its professional advisers, including Moelis as the professional financial adviser to the Chapter 11 Entities and FTI Consulting as chief restructuring officer overseeing the operational aspects of the Chapter 11 Entities.**
- Given that the former REIT Manager was removed in December 2020 at the directive of the Monetary Authority of Singapore and a manager of EH-REIT was not voted in by stapled securityholders during the EGM, the REIT Trustee was compelled to step in to protect the interest of stakeholders and to facilitate a restructuring of EH-REIT or an orderly winding down of EH-REIT. During the process, the REIT Trustee has gone over and above in its responsibilities as a trustee of EH-REIT.
- In the Chapter 11 process, the REIT Trustee has a fiduciary duty to act in the interest of all stakeholders and to protect the interests of all parties. The process is being conducted in a fair and rigorous manner under the supervision of the US Bankruptcy Court and with the support of the Official Committee of Unsecured Creditors appointed in the Chapter 11 cases. As the sale process for the Chapter 11 Properties is still ongoing, we seek the patience and understanding of all stakeholders to allow this process to run its course so that greater certainty on the outcome can be provided to stakeholders.

6. The Stalking Horse Bid is lower than the valuation of the properties as announced on 6 November 2020. How is this beneficial to stakeholders?

- Qualified parties who were involved in the process for (a) the sale of the Chapter 11 Properties and (b) submission of proposals for the restructuring and recapitalisation of EH-REIT, had included real estate focused asset managers, global multi-strategy asset managers, publicly-traded REITs, high net-worth investors, sovereign wealth funds, and private equity investors primarily in the US and Asia and those that had previously participated in the Request for Proposal process conducted in 2020 and the DIP Financing process.
- The Stalking Horse Bidder ultimately submitted a bid with a purchase consideration for the Chapter 11 Properties superior to all other proposals received to date, following an extensive solicitation process.
- In determining the size of their bids, potential bidders considered various factors and assumptions that may be different from that of the independent valuer that conducted an independent valuation of EHT's properties as at 31 August 2020, including the economic outlook of the US hospitality industry and market, the impact of the ongoing COVID-19 pandemic on the reservation rates of the assets, the present state of the properties (including costs required to reopen the assets, new PIP/capex requirements by the hotel franchisors, and deferred capital expenditure required) and the availability of tenants for the assets.

7. Why was an extraordinary general meeting not convened to provide stapled securityholders a chance to vote on the sale process of CPDG and on the sale of the Chapter 11 Properties that is ongoing?

- With regard to the sale of CPDG, based on the sale consideration, the relative figures computed on the relevant bases set out in Rule 1006 of the Listing Manual do not exceed 20%. Accordingly, the CPDG Disposal will be classified as a discloseable transaction under Rule 1010 of the Listing Manual and will not be conditional upon the approval of stapled securityholders of EHT. As such, no voting at an EGM by stapled securityholders will be required for the sale.
- The sale of the Chapter 11 Properties is being conducted by the Chapter 11 Entities under the supervision and jurisdiction of the United States Bankruptcy Court. Therefore, the sale of the Chapter 11 Properties will not be subject to (a) the approval of the shareholder of the Chapter 11 Entities nor its ultimate shareholders, and (b) consents otherwise required by third party contracts. Accordingly, no extraordinary general meeting of stapled securityholders will be convened, and the sale of the Chapter 11 Properties will not be subject to the vote of stapled securityholders.

8. Is the REIT Trustee still exploring other options for EHT?

- The REIT Trustee, with the assistance of Moelis, will continue to explore other viable restructuring alternatives presented, including the recapitalisation of EH-REIT.