



UPDATE TO STAPLED SECURITYHOLDERS

July 2021

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1. RECAP OF YEAR 2020

1

2020 IN RECAP

Late
2019 –
2020

- Depletion of EHT financial resources due to various delinquencies by Master Lessees (e.g. failure to pay rental deposits under MLAs) that resulted in significant unpaid hotel liabilities and non-payment of rental/operating income, and the COVID-19 pandemic (14 hotels out of 18 hotels were closed); notices of default/acceleration received from creditors

Mar 2020

- Voluntary trading suspension on 24 March 2020; EHT continues to provide frequent market updates

Apr 2020

- Special Committee established by the REIT Manager and professional advisers engaged to safeguard value and conduct strategic review
- Caretaker arrangements implemented

Mid 2020

- Initial RFP Process commenced to solicit proposals but was aborted as the owners of the Sponsor entered into exclusive discussions with Far East Consortium in relation to a proposed acquisition of a controlling stake in the Managers
- **Far East Consortium subsequently did not proceed with the contemplated transaction**

Late
2020

- Subsequently, the EH-REIT Trustee was able to commence an RFP Process to explore all available options to EHT and received several expressions of interests and comprehensive proposals from various parties
- Strategic review resulted in **MLA termination**
- As a result of the RFP Process, SCCPRE (part of the SC Group) was selected as the party to have put forth the most credible proposal and the only actionable proposal acceptable to the lenders (“SCCPRE Proposal”)
- REIT Manager was removed under MAS direction on 30 December 2020
- **Extensive outreach to garner Stapled Securityholder support, but not all of the requisite resolutions for the SCCPRE Proposal were carried at the extraordinary general meeting held on 30 December 2020 (“EGM”)**

Early
2021

- **In view of the absence of a replacement manager and inability to continue as a going concern because of the depletion of funds, the REIT Trustee had no other option but to seek insolvency protection under Chapter 11 of the United States Bankruptcy Code (“Chapter 11”) for 15 of the 18 properties**

1 EXTENSIVELY COMMUNICATION REGARDING CONSEQUENCES OF EGM RESOLUTIONS NOT BEING CARRIED

- The REIT Trustee and its advisors organized a series of focus group sessions, including a information session organized together with SIAS to ensure Stapled Securityholders fully understand the rationale for the proposed REIT manager appointment
- Had the requisite resolutions been passed and carried at the EGM, the recapitalization of EHT would have been effected and the Banks would have provided up to US\$125m of additional capital

COMPREHENSIVE
CIRCULAR
DISCLOSURES

CONDUCTED
SIAS INVESTOR AND
FOCUS GROUP
SESSIONS

FREQUENT UPDATES ON
EHT WEBSITE AND IN
MEDIA

DIRECT
CONVERSATIONS WITH
THE LARGER STAPLED
SECURITYHOLDERS

Circular Extract

“Stapled Securityholders should note that in the event that (a) any of Resolution 1, Resolution 2, Resolution 3 and Resolution 4 is not passed and/or carried at the EGM, and (b) Resolution 5 in relation to the Termination Proposal is not passed at the EGM, the sponsorship of EHT will continue under the existing sponsor, Urban Commons, LLC. Pursuant to the EH-REIT Manager Removal Direction, the EH-REIT Manager will nonetheless be removed as the manager of EH-REIT within one (1) month from 30 November 2020 (or any longer period as the MAS may approve in writing) and in such a scenario, EHT will not have sufficient resources or time in light of the current challenging issues facing it..., bearing in mind that most of the Hotels remain closed, to identify and present another potential new manager with an actionable plan for Stapled Securityholders’ consideration. Stapled Securityholders should also note that if Resolution 5 in relation to the Termination Proposal is not passed at the EGM, the EH-REIT Trustee will not, for the same reasons mentioned above and based on the current financial position of EHT, be able to convene a separate meeting of Stapled Securityholders to determine an appropriate course of action pursuant to Section 295(3) of the SFA. Consequently, 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. “



2. CHAPTER 11 PROCESS

2

NECESSITY TO COMMENCE CHAPTER 11 PROCESS FOR 15 OF 18 PROPERTIES

Requisite Resolutions for the SCCPRE Proposal to Recapitalize EHT Not Carried at the 30 December 2020 EGM

1

Insufficient Funds for EHT to Continue as an Ongoing Concern

2

Insufficient Funds for Ongoing Critical Monthly Maintenance Costs to Preserve Value

3

Seek Protection from Risks of Foreclosure from Creditors

4

Manager Vacuum

Seek Insolvency Protection under Chapter 11 on 15 Hotel Properties (“Chapter 11 Properties”) ¹

1. Tried and tested method in the U.S. to seek best possible value for properties by giving buyers certainty of clear title through the U.S. Bankruptcy Court’s “free and clear” sale order
 2. Receive Debtor-in-Possession (“DIP”) financing to maintain properties
 3. Retain optionality to explore asset disposal and / or recapitalization alternatives
 4. Provide immediate legal protection to prevent foreclosure attempts from creditors
 5. Certainty of deal completion through an agreement with a “Stalking Horse”²

3 hotels (Delta Woodbridge, Hilton Houston Galleria Area and Crowne Plaza Dallas Near Galleria-Addison) were not included as, among other things, a Chapter 11 filing would trigger recourse guarantee obligations under the respective guarantee of EHT US 1, Inc. (being a subsidiary of EH-REIT) as well as EH-REIT (in the case of Hilton Houston Galleria Area)

Notes:

1. “Chapter 11 Properties” includes Holiday Inn Resort Orlando Suites – Waterpark, Holiday Inn Denver East – Stapleton, Renaissance Denver Stapleton, Holiday Inn Hotel & Suites Anaheim, Holiday Inn Hotel & Suites San Mateo, Sheraton Pasadena, Crowne Plaza Danbury, Embassy Suites by Hilton Palm Desert, Westin Sacramento, Sheraton Denver Tech Center, Four Points by Sheraton San Jose Airport, Embassy Suites by Hilton Anaheim North, Double Tree by Hilton Salt Lake City Airport, Hilton Atlanta Northeast, and Queen Mary Long Beach
2. Common practice in the United States for an entity seeking to sell assets in a Chapter 11 process to identify and enter into a stalking horse agreement for the sale of its asset(s), and to subsequently solicit higher or otherwise better offers. The stalking horse’s bid helps to set a “floor price” for the assets to be sold at an auction under the supervision of the United States Bankruptcy Court, and provides certainty that the sale process can be completed with an eventual bidder. There remains an opportunity for other potential bidders to top the stalking horse’s bid during the bid and auction process

2

DIP FINANCING FACILITY CONDITIONS

- EH-REIT solicited proposals from 8 parties (including BofA) to obtain the urgently needed DIP financing
- EH-REIT secured a 12-month US\$100m senior secured superiority DIP term loan facility with Monarch Alternative Capital LP (“Monarch”) to the Chapter 11 Entities¹
- The DIP Financing Facility offered EH-REIT the only option to access liquidity when EH-REIT was facing the critical issue of remaining as a going concern as funds had run out by the end of 2020 when the resolutions at the EGM were not carried

Key Conditions

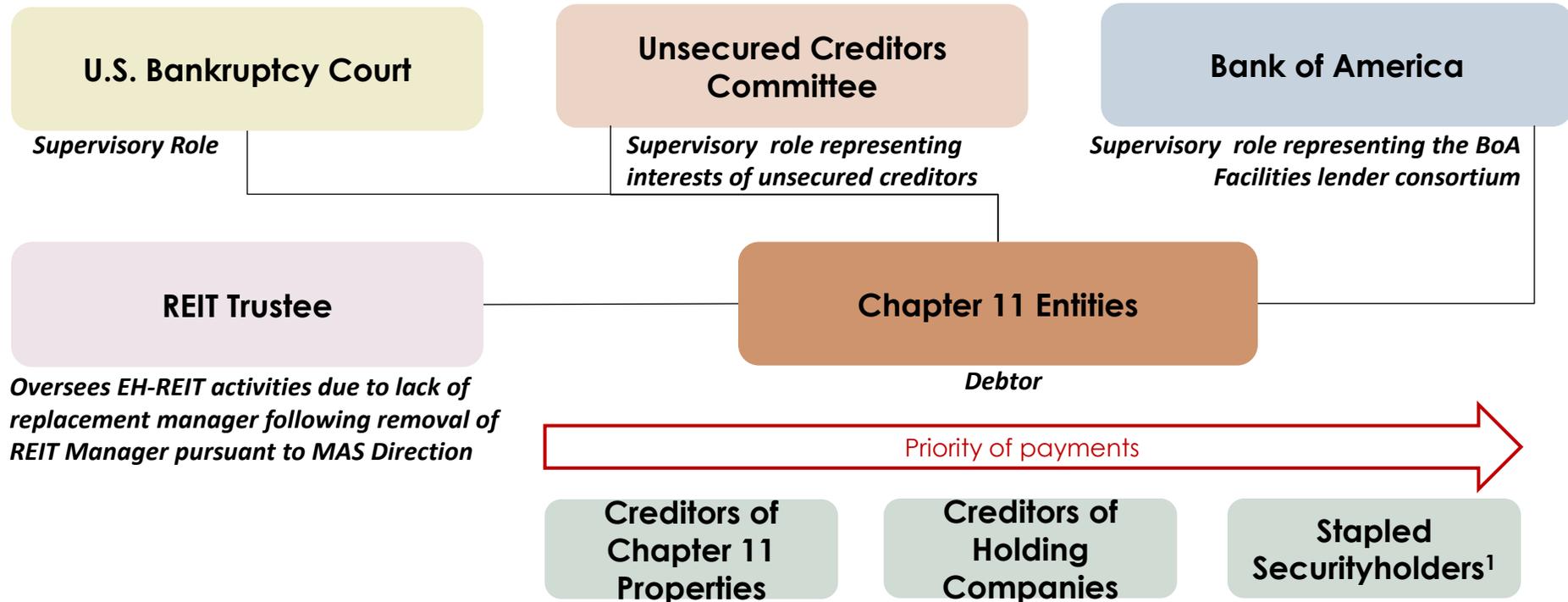
- **Collateral:** Secured primarily by liens on the 15 previously unencumbered hotels (in the case of the Queen Mary Long Beach hotel, a lien on the proceeds of the Queen Mary Long Beach hotel lease)
- **Use of Proceeds:** Utilised on an as-needed basis and as approved by DIP lenders under budget
 - For working capital needs, and general corporate and other purposes, including funding the costs of the Chapter 11 cases
- **Milestones:**
 - On or before the date that is 90 days after the Petition Date (i.e. by 19 Apr 2021), the Bankruptcy Court shall have entered the Bidding Procedures Order (i.e. to commence sale of properties)
 - On or before the date that is 270 days after the Petition Date (i.e. by Oct 16 2021), the Bankruptcy Court shall have entered the Sale Order (i.e. to authorise sale of properties)

Notes:

1. The Chapter 11 Entities include the subsidiaries of EH-REIT that own the Chapter 11 Properties, as indicated in Update Announcement #22 dated 20 January 2021

2

MAIN PARTICIPANTS IN EH-REIT'S CHAPTER 11 PROCESS



The REIT Trustee has acted in the best interest of all stakeholders (including creditors)

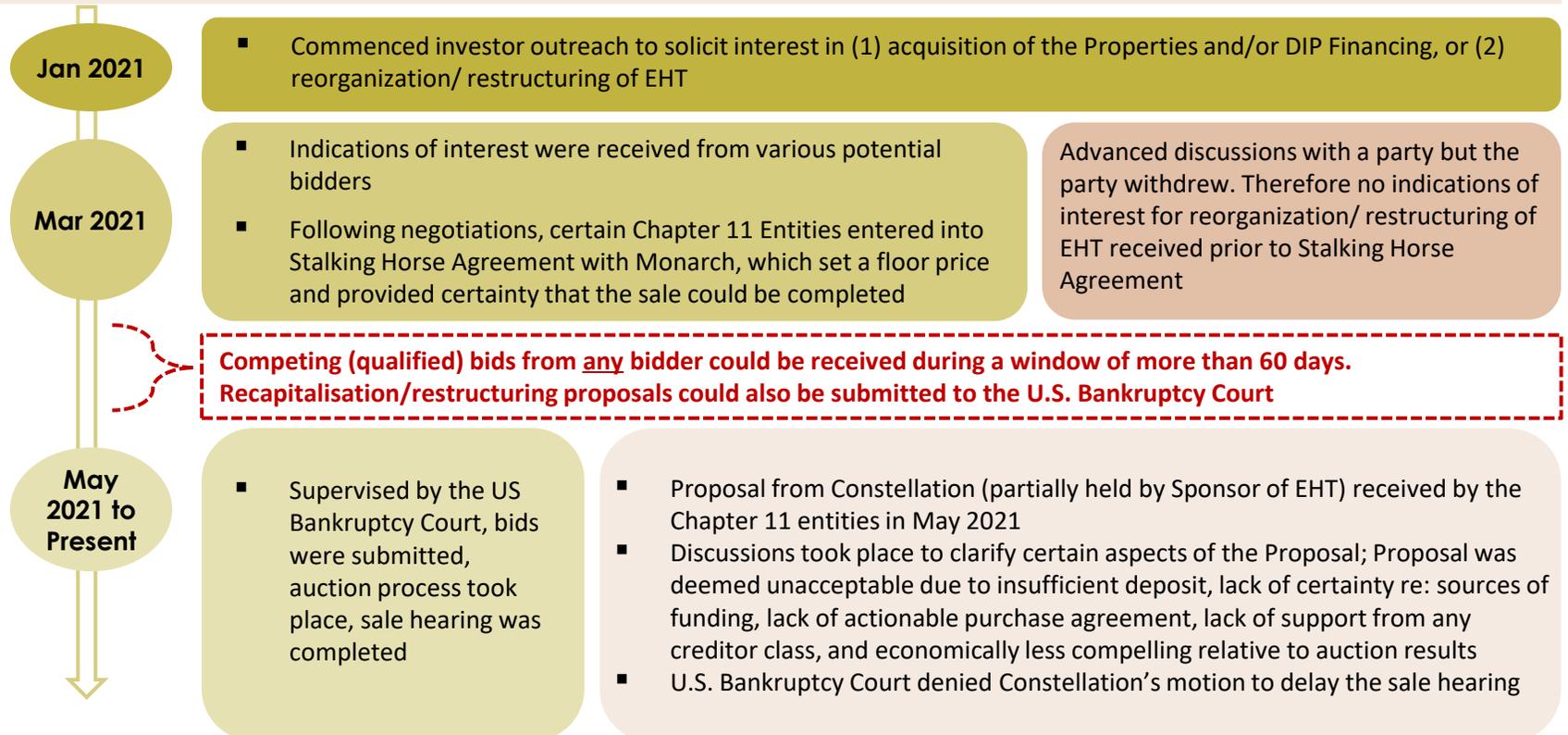
Notes:

1. Stapled Security Holders are also unsecured creditors by virtue of a distribution that was declared by the managers of EHT on 17 February 2020, but not paid

2

A RIGOROUS ASSET SALE PROCESS¹ TO MAXIMISE VALUE WHILE CONTINUING ENGAGEMENT WITH PARTIES INTERESTED TO REORGANISE/RESTRUCTURE EHT

- A several-month sale process was conducted in a rigorous manner to obtain the highest or otherwise best bids for the Chapter 11 Properties
- The REIT Trustee and Moelis have at all times remained open to collaborating with all qualified parties to identify and explore all available options for EHT that would be for the benefit of all stakeholders of EHT and acceptable to secured and unsecured creditors and the U.S. Bankruptcy Court



Notes:

1. In addition to the RFP conducted in 2020, as per discussed in Section 1

2

WIDE BUYER OUTREACH TO OVER 300 PARTIES IN A MARKET DISCOVERY FOR VALUE



- Contacted more than 300 qualified parties in totality to solicit their interest in submitting proposals for restructuring and recapitalization and/or purchase one or more of Chapter 11 Properties
- Primarily focused on US and Asian (including Singapore) parties¹
- To be considered as a Qualified Bid, potential bidders need to demonstrate
 - Certainty of the sources of funding
 - Ability to comply with the bid deposit requirement
 - Ability to stay in compliance with all applicable regulatory requirements
 - Ability to meet the timeline of the process, as required by the U.S. Bankruptcy Court
 - For plan bids, track record, including ability to execute proposed plan

Notes:

1. Parties contacted includes real estate focused asset managers, global multi-strategy asset managers, publicly-traded REITs, high net-worth investors, sovereign wealth funds, and private equity investors

2

RESULTS OF THE SALE PROCESS YIELDED US\$481.9M IN GROSS PROCEEDS

- With a fair and reasonable sale process, various factors, including the likely recovery of the US hospitality industry, would have likely been included in the bidders' consideration
- The combination of a Stalking Horse Agreement and an auction ensures deal certainty and maximize the value of the properties in question, resulting in a US\$26.9m increase in the aggregate purchase price (or US\$24.8m after taking into account the break-up fee due to the Stalking Horse (pursuant to the terms of the Stalking Horse Agreement) for 14 of the Chapter 11 Properties¹²

Properties	Stalking Horse Bid (US\$m)	Auction Bid (US\$m)	Final Bid (US\$m)	Buyer
Holiday Inn Resort Orlando Suites – Waterpark Holiday Inn Denver East – Stapleton Renaissance Denver Stapleton Holiday Inn Hotel & Suites Anaheim Holiday Inn Hotel & Suites San Mateo Sheraton Pasadena Crowne Plaza Danbury Embassy Suites by Hilton Palm Desert Westin Sacramento	326.5	N/A	326.5	Monarch
Sheraton Denver Tech Center	8.5	9.2	9.2	Solid Rock Ventures
Four Points by Sheraton San Jose Airport	33.5	41.1	41.1	BPEHT
Embassy Suites by Hilton Anaheim North	26.0	33.1	33.1	Monarch
Double Tree by Hilton Salt Lake City Airport	27.5	33.8	33.8	BPEHT
Hilton Atlanta Northeast	33.0	38.2	38.2	FullG Capital
Total (14 Properties)¹	455.0	155.4	481.9	

Notes:

- No bid, including from the Stalking Horse, was received for Queen Mary Long Beach. On 4 June 2021, Urban Commons Queensway, LLC has surrendered the Queen Mary Long Beach to the City of Long Beach
- Upon completion of the sale and rejection of the Queen Mary Long Beach leases, the three (3) properties remaining in EHT's portfolio are Delta Woodbridge, Hilton Houston Galleria Area and Crowne Plaza Dallas Near Galleria-Addison. The REIT Trustee, with the assistance of its professional advisers, will continue to explore all available options to EHT in respect of these properties. However, Stapled Securityholders should not expect any net proceeds from the sale of these properties to flow to Stapled Securityholders

2

FAIR AND REASONABLE PROCESS AS OBSERVED BY THE US BANKRUPTCY COURT AND CREDITORS

United States Bankruptcy Court

- The consideration to be provided by each of the successful bidders and the Stalking Horse Bidder (as the case may be) is **fair and reasonable**, and **constitutes the highest and best bid**, for the respective Chapter 11 Properties to be sold
- The sale of the 14 Chapter 11 Properties (being the Auctioned Properties and the Non Auctioned Properties), including the underlying transaction documents, are authorised and approved in their entirety, and the Chapter 11 Entities are authorised and empowered to transfer such assets in accordance with the respective terms of the transaction documents
- Constellation submitted a late bid after the noticed deadlines, which was inconsistent with the requirement set forth in the bankruptcy bid procedures, and inferior to the contemplated sale transactions, and such bid was rejected

Unsecured Creditors Committee

- The Unsecured Creditors' Committee believes that the Chapter 11 Entities **appropriately marketed the hospitality assets** and **canvassed the landscape of potential buyers** to identify all potential qualified bidders
- The **bidders (including potential bidders) were afforded opportunities to submit their bids** and provide information reasonably requested by the Chapter 11 Entities (in consultation with the Unsecured Creditors' Committee) to assess the bids
- The process **was fair and conducted in a manner to obtain the highest or otherwise best bids** from the qualified bidders

2

NO VIABLE REORGANISATION PROPOSALS WERE RECEIVED

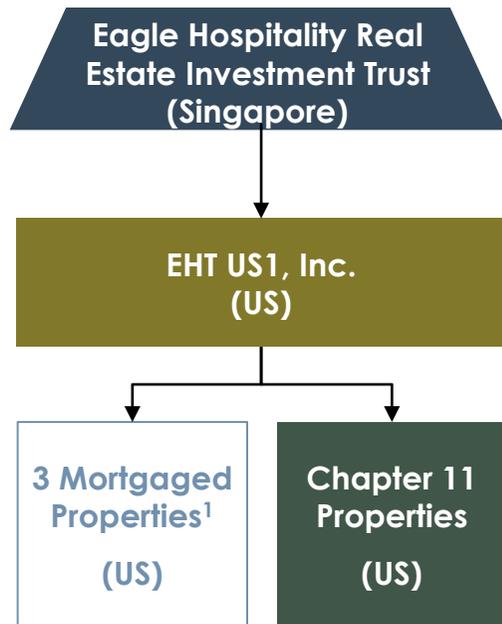
- While there were indications of interest from certain parties to provide some short term funding or reorganisation proposals, including the Constellation Proposal, (i) one or more of the key requirements were not met, and (ii) there were no prospects of fully addressing the issues that EHT faced in the longer term
- Therefore these discussions did not lead to any viable proposals for the restructuring and recapitalisation of EHT (other than the proposal that was not approved at the EGM)
- **If a proposal with certain deficiencies had been selected, all stakeholders of EHT would have been exposed to the risk that the proposal might not ultimately materialise**
- This would result in:
 - loss of critical time
 - further depletion of scarce resources available to EHT
 - risk of losing successful auction bids

<u>KEY REQUIREMENTS</u>	<u>CONSTELLATION</u>
Track record, including ability to execute proposed plan	?
Certainty of sources of funding (and sufficiency of funding for plan)	×
Ability to comply with the bid deposit requirement	×
Support from key creditors (and other stakeholders, where applicable)	×
Ability to meet the timeline of the process, as required by the U.S. Bankruptcy Court	×
Actionable purchase or investment agreement	×

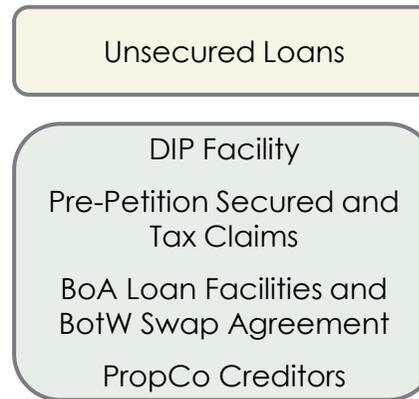
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SALE PROCEEDS ARE UNLIKELY TO SATISFY UNSECURED CREDITORS IN FULL

Simplified Corporate Structure



Associated Liabilities



Illustrative Summary of Proceeds and Claims²

Illustrative Proceeds	US\$m
Gross Sale Proceeds for the 14 Hotels ³	482
Total Proceeds	482

Illustrative Claims	
DIP Facility Repayment	[41]
Pre-Petition Secured and Tax Claims	[9]
Fees and Transaction Costs ⁴	[11]
BoA Facilities and BotW Swap Agreement	[387]
PropCo Creditors	[15]
Unsecured Creditors and Others	[129]
Total Claims	[c. 592]

Based on the proceeds to be generated by the court-approved sale transactions and the debt profile of the Chapter 11 Entities, and subject to the claims resolution process, **it is unlikely that claims of all creditors of the Chapter 11 Entities will be satisfied in full from the sale proceeds, and accordingly, the sale proceeds are not expected to result in a recovery for Staped Securityholders**

Notes:

1. Includes Crowne Plaza Dallas near Galleria-Addison, Delta Woodbridge, and Hilton Houston Galleria; not included in the Illustrative Summary of Proceeds and Claims
2. The above is presented solely as an illustrative example; more information will be provided at a later date when final accounts are reconciled
3. Include the Chapter 11 Properties except for Queen Mary Long Beach
4. Including break-up fee to Stalking Horse



3. THE REMAINING HOTELS

3

QUEEN MARY LONG BEACH

- No qualified bids received for the Queen Mary Long Beach and, accordingly, no auction took place in respect of such property
- Surrendered property back to City of Long Beach:
 - There is no viable prospects of a sale of interest in the Queen Mary Long Beach at the auction
 - UCQ’s obligation to pay cure costs (which the City asserted exceeds US\$20m) and substantial capital improvements required by the Queen May Long Beach property, and
 - the negative impact of Queen Mary Long Beach’s cash requirements on the rest of the properties
- The Chapter 11 Entities have filed a motion (the “QM Motion”) to reject the Queen Mary Long Beach Leases. The hearing on the QM Motion concluded in July 2021. Should the United States Bankruptcy Court grant the QM Motion, the Queen Mary Long Beach lease will be deemed rejected as of 4 June 2021

3

PLANS FOR THE 3 REMAINING HOTELS

- Any net proceeds from the sale of the remaining hotels (if available after payment of creditors of the 3 remaining hotels) will ultimately be subjected to distributions to creditors of CI Hospitality Investment, LLC, which is a debtor in the Chapter 11 case
- Stapled Securityholders should not expect any net proceeds from the sale of these properties will flow to Stapled Securityholders

CROWNE PLAZA DALLAS NEAR GALLERIA-ADDISON

- Termination of proposed sale announced in April 2021 due to buyer's inability to provide deposit
- No forbearance agreement with CPDG lenders
- CPDG projected sale/disposition in Q3 2021, marketed by CBRE

DELTA WOODBRIDGE

- Receiver appointed by DW lenders
- The Receiver has appointed a broker, Eastdil, to sell the Property. No distributions are expected as the sale price is unlikely to exceed the balance of the existing mortgage.

HILTON HOUSTON GALLERIA

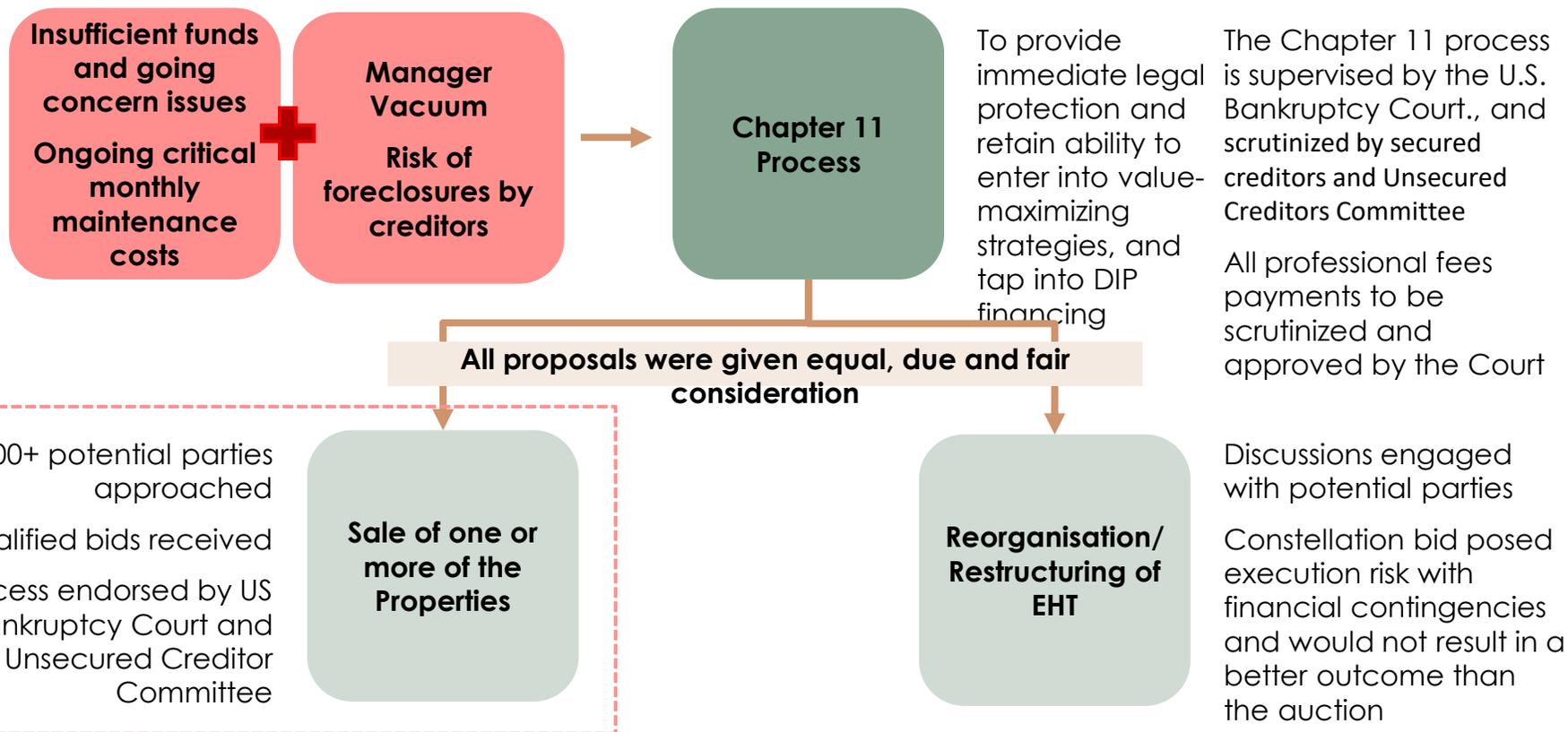
- Receiver appointed by HHG lenders
- The Receiver has embarked on a mold remediation project to prepare the property for sale; no distributions are expected as the sales price is unlikely to exceed the balance of the existing mortgage



4. CONCLUSION

4

ALL EFFORTS MADE TO PROTECT VALUE FOR ALL STAKEHOLDERS



The sale process was conducted in a rigorous manner with the view to optimize sale proceeds. Despite best efforts, based on the proceeds to be generated by the court-approved sale transactions and the debt profile of the Chapter 11 Entities, and subject to the claims resolution process, **it is unlikely that claims of all creditors of the Chapter 11 Entities will be satisfied in full from the sale proceeds, and accordingly, the sale proceeds are not expected to result in a recovery for Stapled Securityholders**

4

NEXT STEPS

■ Chapter 11 Properties

– **14 Hotel Properties**

- The sale of the 14 Hotel Properties, which have yielded US\$481.9m in gross proceeds, have completed as at [24 June 2021]
- Following the filing of proofs of claims from creditors by 15 July 2021 (i.e., deadline for creditors to assert claims against the Chapter 11 entities), Chapter 11 Plan (which will set forth the treatment of the various creditors and other stakeholders of the Chapter 11 entities) and related Disclosures Statements (which, once approved by the Bankruptcy Court, will be distributed to creditors to solicit their vote to accept or reject the Chapter 11 Plan) will be prepared, filed and approved
- The Confirmation of the Chapter 11 Plan is expected to occur late 2021 / early 2022

– **Queen Mary Long Beach**

- Hearing to surrender property was concluded in July 2021

■ Remaining Properties

– **Delta Woodbridge**

- The Receiver is currently marketing the property for sale through a broker; sales proceeds are unlikely to exceed the mortgage balance, and thus no distribution is expected

– **Hilton Houston Galleria**

- The Receiver is currently remediating mold and preparing the Property for sale; sales proceeds are unlikely to exceed the mortgage balance, and thus no distribution is expected

– **Crowne Plaza Dallas near Galleria-Addison**

- Projected sale/disposition in Q3 2021, marketed by CBRE

■ Legal Process

– **Ongoing investigation and discovery into prepetition transactions may lead to additional developments**

- E.g. Assertion of claims related to unauthorised PPP loan, unpaid rent and unpaid deposit



Q&A

July 2021



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**More information on the US bankruptcy process can be found on the website of
EHT's bankruptcy noticing agent at
<https://www.donlinrecano.com/Clients/eagle/Index>**

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