

RESPONSES TO FREQUENTLY ASKED QUESTIONS IN RESPECT OF EAGLE HOSPITALITY TRUST (EHT)

Unless otherwise defined, all capitalised terms used and not defined herein shall have the same meanings as given in EHT's earlier announcements. The responses contained herein are based on information available to the REIT Trustee as at 11 July 2021. Stapled Securityholders are advised to read any further announcements released on SGXNET for further updates on the status of Eagle Hospitality Trust.

2020 Extraordinary General Meeting

1. At the EGM in 2020, Stapled Security holders voted against the winding up and delisting of EHT. Why have you gone ahead to do the exact thing that Stapled Security holders voted against?

In the circular issued in connection with the EGM on 30 December 2020 ("**EGM**"), it was stated that if any of the requisite resolutions relating to the appointment of SCCPRE Hospitality REIT Management Pte Ltd ("**SC Capital**") was not passed and/or carried at the EGM, the REIT Trustee would likely be compelled to seek insolvency protection under Chapter 11 of the United States Bankruptcy Code ("**Chapter 11**").

In the weeks leading up to the EGM, the REIT Trustee and its professional advisers had actively engaged with Stapled Securityholders and held several discussions with large Stapled Securityholders to share the merits of the proposed rehabilitation-plan put forward by SC Capital.

Unfortunately, even though the majority in number of the voting Stapled Securityholders voted for the resolutions relating to the rehabilitation plan at the EGM, it carried insufficient votes to pass all of the necessary resolutions.

Without the implementation of the proposed recapitalisation proposal, there was no reasonable prospect for EHT to continue to operate its properties on a going concern basis.

As there were no viable alternative options and with the resolutions relating to the most credible proposal for EHT having been voted down during the EGM, EH-REIT and certain of its subsidiaries filed for Chapter 11 protection ("**Chapter 11 Entities**"), after consultation with its professional advisers. Given the circumstances, the Chapter 11 filing was considered to be in the best interests of EH-REIT and its stakeholders as it would give the relevant entities and their assets protection against the risk of foreclosure from their creditors and allow the

Chapter 11 Entities to obtain DIP financing to pay for critical expenses and to give EH-REIT the runway to execute any potential value-maximising strategies or propositions.

As part of the Chapter 11 process, a rigorous sale process was conducted to obtain the highest or otherwise best bids for the Chapter 11 Properties. The REIT Trustee has, at all times, remained open to collaborating with all qualified parties to identify and explore all available options for EH-REIT and its stakeholders, including recapitalisation proposals.

Chapter 11 Cases and Next Steps

- 2. EHT filed for Chapter 11 early this year, which is a process Singapore-based Stapled Securityholders are less familiar with. What are the constraints and challenges involved in the filing of Chapter 11? Since EHT is listed in Singapore, why did the acting parties not file for bankruptcy in Singapore instead?**

While EHT is a stapled trust listed on the SGX comprising a REIT and a business trust established in Singapore, EH-REIT's corporate structure comprises mainly US-incorporated entities and the entire asset portfolio is located in the US. Accordingly, it was a natural choice for EH-REIT and the other Chapter 11 Entities to file for Chapter 11 instead of under Singapore's insolvency regime, given all of EH-REIT's financing and most of its contractual arrangements are governed by US law. Also, their major creditors are based in the US. Moreover, the Chapter 11 process provides a global automatic stay protecting against near-term foreclosure risk and other creditor actions, which are mainly based in the US.

- 3. Why did you go into Chapter 11 instead of waiting out for a recapitalisation or reorganisation plan? Why wasn't a rights issue considered for proposal to shareholders, since there is cashflow needed for a period to recovery of the hospitality industry? Why are you in such a hurry to sell off the assets? You should have waited out longer.**

During the course of 2020, the REIT Trustee together with its team had taken steps in exploring all options available to EHT. This included conducting a strategic review and carrying out an RFP process. The first attempt could not proceed as the owners of the Sponsor took the position that they had legally committed to enter into exclusive discussions with a potential third party investor and any change in control of the managers of EHT would require their consent. The third party investor eventually decided not to proceed with the transaction.

The REIT Trustee subsequently instructed and directed Moelis to commence an exhaustive RFP process to seek proposals for EHT on an expedited basis from interested parties. After a full RFP process, only a few comprehensive proposals were received and SC Capital was selected as the party which had put forward the most credible proposal for a replacement manager of EH-REIT and a recapitalisation of EHT. SC Capital's plan was also the only proposal acceptable to the lenders of EHT and thus capable of being implemented. However, the necessary resolutions for SC Capital's plan were subsequently not carried at the EGM.

After the EGM, the REIT Trustee, with the assistance of Moelis, continued to explore 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 did not lead to any viable proposals.

Without additional new capital, there is no reasonable prospect for EHT to continue to operate its properties on a going concern basis which thus led EHT to file for Chapter 11.

The Chapter 11 filing allowed the Chapter 11 Entities to obtain the urgently needed DIP financing to pay for critical expenses to protect the value of EH-REIT's assets and to give EH-REIT the runway to continue to explore and execute any potential value-maximising strategies or propositions. Accordingly, DIP financing was arranged so as to allow the Chapter 11 Entities to fund monthly administrative expenses and property-level maintenance costs, in order to protect and preserve the assets of EHT under the supervision of the United States Bankruptcy Court.

During the course of the Chapter 11 process, the REIT Trustee, with the assistance of its professional advisers, endeavoured to take as thorough an approach as possible in relation to the restructuring and recapitalisation of EH-REIT and/or sale of the Chapter 11 Properties.

The sale of certain properties in EHT's portfolio in the Chapter 11 process was not a rushed job – it was a coordinated sale process conducted by a qualified investment bank that has involved both widespread marketing to potential investors and robust bidding at an auction. During this process, Moelis contacted more than 300 qualified parties in totality to solicit their interest in submitting proposals for restructuring and recapitalisation and/or the purchase of one or more of the Chapter 11 Properties prior to the entry into the Stalking Horse Agreement.

The qualified parties 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 located primarily in the US and Asia and those that had previously participated in the RFP process conducted in 2020 and the DIP Financing process.

Four (4) qualified bids were received at the end of the process and there was no qualified restructuring and/or recapitalisation proposal received.

As such, with the supervision and approval of the US Bankruptcy Court and consent from the creditors' committee, 14 of EHT's properties were sold with the combination of a Stalking Horse Agreement and an auction to maximise recovery value.

The possibility of a rights issue was considered to recapitalise EHT but undertaking a rights issue would not have solved the requirement to appoint a new manager of EH-REIT. Support from significant Stapled Securityholders for underwriting what would have been a dilutive rights issue, was also lackluster.

4. Why did the REIT Trustee object to the EHT ISC to represent the Stapled Security holders in the US Chapter 11 cases?

The REIT Trustee had little choice in the circumstances. It was advised that the proposed appointment of the ISC as an official committee of equity holders was likely to be rejected by the United States Trustee as not being beneficial, and supporting this would in fact prejudice the EHT Group's position (and ultimately, the unit holders) in the Chapter 11 cases.

This is because firstly, appointment of an official committee of equity holders is an extraordinary relief in Chapter 11 cases and is rare. In this case, the REIT Trustee was advised that the high threshold for the formation of such a committee was not met.

Secondly, the Official Committee of Unsecured Creditors opposed the proposed appointment of the official committee of equity holders, in circumstances where their support would have been critical.

Thirdly, the appointment of an official committee of equity holders would have served to increase costs rather than improving the position of Stapled Securityholders as the fees of professionals retained by such committee would have to be paid for by EHT.

Cash Balance & Expenses

5. **In April 2020, there was still around 89 US million in cash but by the time of EGM, there is nearly none. Could you provide further explanation on how the cash was utilised?**

Between April 2020 and December 2020, trust expenses were incurred to assist EHT to manage a myriad of issues relating to the properties in EHT's portfolio due in many instances to the delinquencies of the Master Lessees. These issues include, but are not limited to, the following:

- (a) various payments under the Master Lease Agreements which were not paid by the Master Lessees such as (i) real estate taxes and transient occupancy taxes, as well as penalties and interest, (ii) premiums for mandatory insurance, (iii) capital expenditure requirements due to the poor maintenance and care of the hotels and (iv) the need to defend against litigation brought against EHT in the US for various defaults and actions of the Master Lessees;
- (b) implementation of "caretaker arrangements" with relevant hotel operators to avoid abandonment and costly damage to EHT's properties;
- (c) funding of certain expenses related to the franchisors' unpaid fees and expenses dating back to as early as 2019;
- (d) various judgement and/or mechanic liens filed against EHT's properties; and
- (e) inability to meet principal and/or interest repayment obligations under loan agreements requiring continued engagement with EHT's lenders in negotiating forbearance agreements or defending against foreclosure (including requirements under various forbearance agreements to pay the ongoing legal and financial advisor costs of the lender).

In addition, in order to preserve the value and protect the interests of all stakeholders of EHT, trust expenses were also incurred in respect of the following:

- (i) defending various judgement and/or mechanical liens filed against EHT's properties in the US and working with legal counsels to negotiate with EHT's lenders to obtain forbearance agreements to prevent foreclosure with a view to restructuring the relevant loan facilities of EHT;
- (ii) reviewing and assessing all restructuring proposals submitted by interested parties and liaising with the regulators;
- (iii) putting forward the proposal to appoint a new REIT manager during the EGM on 30 December 2020 following an extensive RFP Process (where the necessary resolutions

were subsequently not carried as the requisite threshold for Stapled Securityholder approval was not met);

- (iv) expenses related to the Chapter 11 filing (including the securing of the DIP Financing), which provided immediate legal protection by staying claims against the Chapter 11 Entities and provided EH-REIT with the runway to undertake value-maximising strategy or proposition for the benefit of all stakeholders, under the supervision of the United States Bankruptcy Court; and
- (v) property-level maintenance costs and expenses associated with maintaining and operating the properties in the absence of the previous Master Lessees.

During such period, it was imperative to fund necessary and critical expenses of EHT and its underlying portfolio to protect and safeguard the asset value of EHT's portfolio, including from waste, damage and/or deterioration and reduce losses experienced at the property level during the COVID-19 pandemic.

The limited resources of EHT were utilised on an as-needed basis only, and there was a proper process implemented including the review by the REIT Trustee after obtaining the recommendation by the then existing managers of EHT and the professional advisers, as well as obtaining the approvals from certain of EHT's lenders.

6. How are minority investors going to be compensated?

Even though results of the sale process for the sale of 14 of EHT's properties yielded US\$478.6 million in net proceeds, it is unlikely based on the debt profile of the Chapter 11 Entities, and subject to the claims resolution process, that claims of all unsecured creditors of the Chapter 11 Entities will be satisfied in full from the sale proceeds, after accounting for various secured claims. The sale proceeds are therefore not expected to result in a recovery for Stapled Securityholders.

Role of REIT Trustee and IPO / Due Diligence

7. What responsibility does the REIT Trustee have to Stapled Securityholders?

The REIT Trustee acts as trustee of EH-REIT and, in such capacity, holds the assets of EH-REIT on trust for the benefit of the Stapled Securityholders, safeguards the rights and interests of the Stapled Securityholders and exercises all the powers of a trustee and the powers accompanying ownership of the properties in EH-REIT.

The day to day management of EH-REIT was the responsibility of the REIT Manager, and not the REIT Trustee. Nevertheless, given the challenging circumstances facing EHT in 2020 and in the interests of Stapled Securityholders, the REIT Trustee stepped up to support the Special Committee of the Board of Directors of the then REIT Manager, in overseeing the daily operations and decision-making of EH-REIT. That Special Committee was formed with a key focus on safeguarding value for, and protecting the interests of, the Stapled Securityholders.

Amongst others, the REIT Trustee and the Special Committee had mandated Moelis (as the financial adviser of EHT) to conduct a strategic review and carry out a Request for Proposal (“RFP”) process. However, such process was not able to proceed and a contemplated transaction for the acquisition of a controlling stake in the REIT Manager fell through.

The REIT Trustee subsequently instructed and directed Moelis to commence an exhaustive RFP process to seek proposals for EHT on an expedited basis which eventually led to an unsuccessful EGM.

After the EGM, the then REIT Manager was removed by the REIT Trustee in accordance with the direction of the Monetary Authority of Singapore. This created an unprecedented situation which required the REIT Trustee to step in to help steer EH-REIT with the assistance of its professional advisers, in the absence of a manager.

During this entire process, the REIT Trustee has gone over and above its responsibilities as a trustee of EH-REIT and has at all times sought to protect the interests of all stakeholders of EH-REIT, including EHT’s Stapled Securityholders.

8. Are you not also a creditor to EHT? Therefore, is your role as REIT Trustee a conflict of interest and not beneficial to minority shareholders?

Aside from any accrued but unpaid trustee fees, the REIT Trustee is not a creditor of EHT. The REIT Trustee has consistently exercised its duties with due care and diligence, and without conflict, and continues to do so.

DBS Bank Ltd (“**DBS Bank**”) is a lender in the US\$341 million syndicated loan granted to EH-REIT, but that does not concern the REIT Trustee. The REIT Trustee is a separate legal entity and acts separately from DBS Bank. There are established Chinese Walls and Conflicts Risk Management policies and standards that apply to all DBS group entities, so as to manage any

potential conflicts and flow of information. The policies and standards require DBS entities to act separately and maintain confidentiality of the information within their units.

9. **What level of due diligence (market reputation, financial resources) was done by DBS and SGX on the sponsor at the time of the IPO? Even prior to Covid-19 effect on the US hospitality market, it would appear that the sponsor has insufficient financial resources to support the master lease rental payments, which is the key supporting point for the asset valuations injected into the REIT at IPO. Many feel that insufficient due diligence was conducted. Could the situation have been avoided?**

The structure of EHT's master leases is similar to the master lease arrangements for hotels owned by other hospitality trusts listed on the SGX-ST. EHT received from the previous Master Lessee rental payments which were directly correlated to the projected underlying operating business of the hotel in terms of revenue (e.g. room revenue, F&B revenue and other income) and profitability of the hotel.

It is clear that that the post-IPO issues facing EHT are the result of, amongst other things, multiple delinquencies on the part of the previous Master Lessees with regard to the Master Lease Agreements for all 18 properties in EHT's portfolio.

Whether these delinquencies could have been avoided by pre-IPO processes is not something that the REIT Trustee is in a position speculate on. In particular, the REIT Trustee was not directly involved in the due diligence process for the IPO.

Having said that, the REIT Trustee understands that the listing application process was assessed by the regulators, the Sponsor, the underwriters, and their respective legal advisers, at the time of the IPO, and potential risks factors involved were disclosed in EHT's IPO prospectus.

The REIT Trustee further understands that the listing application process and due diligence were guided and supported with advice provided by an experienced team of external professional parties, including reporting accountants, independent valuers, an independent market research consultant, and legal advisers.

- 10. Stapled Securityholders invested in this stock because they believed in DBS as the financial adviser. They believed that even when the problems arose, they expected DBS Trustee to do the right thing and act in the interest of the Securityholders.**

The REIT Trustee would like to assure all Stapled Securityholders that as trustee of EH-REIT, the REIT Trustee has at all times carried out its fiduciary duty to the best of its abilities and in the interest of Stapled Securityholders, to oversee the daily operations and corporate activities of EH-REIT subsequent to the removal of the previous manager of EH-REIT and to explore all options available to EHT. The REIT Trustee has at all times also sought to protect the interests of all stakeholders of EH-REIT, including EHT's Stapled Securityholders.

Next Steps

- 11. Are there plans to delist EH-REIT following conclusion of the asset sale? If so, why aren't other proposals considered to retain the listing status so that there is a chance of recovery for Stapled Securityholders?**

Following the conclusion of the sale (and/or foreclosure) of all of EHT's properties and eventual distribution of the sale proceeds to EHT's creditors in accordance with the Chapter 11 plan and procedures, EHT will no longer have any material assets remaining (other than potential claims against third parties).

As EH-REIT still does not have a manager in place and no further viable proposal has been received for EHT to date, the REIT Trustee and its professional advisers will most likely need to engage the regulators (including the SGX) to facilitate the proposed delisting and winding-up of EHT from the Official List of the SGX.

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