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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 #12 – Receipt of Notice of Breaches from Master Lessees of EHT’s Properties and Issuance of Response Letter by Master Lessors

1. Introduction

- 1.1. 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**”) refer to the media reports¹ relating to media statements made by Urban Commons, LLC, the Sponsor of EHT as well as a notice issued by the Master Lessees (being Urban Commons’ entities) against the Master Lessors (being subsidiaries of EH-REIT) alleging breaches by the Master Lessors.
- 1.2. The Managers hereby provide an update to stapled securityholders (“**Stapled Securityholders**”) on (a) the allegations made by the Sponsor and the Master Lessees; and (b) EHT and the Master Lessors’ position and responses to date.

DBS Bank Ltd. was the sole financial adviser and issue manager for the initial public offering of Eagle Hospitality Trust.

¹ Please refer to the article published in The Business Times on 13 August 2020 titled “Sponsor issues notice of breaches to Eagle Hospitality Trust” as set out in the following link: <https://www.businesstimes.com.sg/companies-markets/sponsor-issues-notice-of-breaches-to-eagle-hospitality-trust>.

- 1.3. In this Announcement, references are also made to the Managers' earlier announcements including in particular, (a) the announcement "Update Announcement #8" dated 21 June 2020 (the "**21 June 2020 Announcement**"); (b) the announcement "Update Announcement #9" dated 29 June 2020; and (c) the announcement "Update Announcement #11" dated 14 August 2020 (collectively, the "**Earlier Announcements**"). Unless otherwise defined, all capitalised terms used and not defined herein shall have the same meanings as given to them in the Earlier Announcements (as the context requires).

2. Summary of the Sponsor and Master Lessees' claims and allegations

- 2.1 As referenced in recent media reports, the Master Lessees had issued a notice of alleged breaches and opportunity to cure dated 12 August 2020 (the "**Master Lessees Notice of Breaches**") to the Master Lessors.

- 2.2 Under the Master Lessees Notice of Breaches, the Master Lessees have **alleged** that the Master Lessors are **purportedly** in breach of the Master Lease Agreements ("**MLAs**") and the omnibus assignment and assumption of contracts and obligations and assets agreements (the "**Assignment Agreements**"), entered into between each Master Lessor and Master Lessee in respect of EHT's properties in connection with the IPO of EHT:

- (a) Allegation #1 – Failure to pay amounts due prior to 24 May 2019: The Master Lessees have alleged that the Master Lessors have failed and refused to pay a sum of US\$15,332,109 that the Master Lessors were allegedly responsible for in respect of certain contracts, obligations and assets concerning EHT's properties prior to 24 May 2019. The Master Lessees have purported to provide the Master Lessors with 10 days' opportunity to cure such breach by paying the Master Lessees US\$15,332,109.
- (b) Allegation #2 – Failure to maintain hotels: The Master Lessees have alleged that the Master Lessors are responsible for capital improvements amounting to an aggregate sum of S\$2,149,600 in respect of:
- (i) costs of US\$1,596,000 for repairs carried out on the Holiday Inn Resort Orlando Suites – Waterpark ("**HIRO**") by the Master Lessee of HIRO (the "**HIRO Master Lessee**"), following upon the damage and destruction to HIRO caused by Hurricane Dorian in September 2019, which the HIRO Master Lessee contends ought to have been credited towards the fixed rent for February 2020; and
- (ii) elevator modification and repair costs in the amount of US\$553,600 expended by the relevant Master Lessees of the Hilton Atlanta Northeast and the Sheraton Pasadena in 2019 and 2020.
- (c) Allegation #3 – Failure to refund rents paid for HIRO: As a result of the damage to HIRO caused by Hurricane Dorian, the HIRO Master Lessee was allegedly not required to pay fixed rent that was due from September 2019 to the present. However, the HIRO Master Lessee continued to do so during this period, including fixed rent payments between September 2019 through January 2020 of US\$3,125,000 and the Master Lessees claim that the amount should have, but was not, credited towards the fixed rent paid in February 2020.
- (d) Allegation #4 – Wrongful use of security deposits: The Master Lessee(s) alleged that the Master Lessor(s) have wrongly applied the security deposits provided by the Master Lessees under the terms of the MLAs in circumstances where there was no valid event of default under the MLA(s) entitling the application of the security deposits, by reason in particular of being excused from the obligation to pay rent as a consequence of the COVID-19 pandemic.

The Master Lessees have further stated that if the Master Lessors do not cure the abovementioned alleged breaches, the breaches will ripen into events of default and the Master

Lessees may exercise one or more remedies available at law or in equity, in addition to seeking damages for all moneys owing to the Master Lessees, plus interest and attorneys' fees.

- 2.3 Additionally, according to the media reports, the Sponsor had also released a media statement claiming, amongst various allegations, that:
- (a) the Sponsor has a plan to provide financial support to EHT but has been unable to implement this plan because of a lack of co-operation from the REIT Trustee, the Special Committee and EHT's advisers and consultants; and
 - (b) the Sponsor has complained about EHT spending money on professional consultants and conducting a forensic investigation instead of focusing on executing plans to ensure that the EHT portfolio survives through the COVID-19 pandemic.

3. EHT and the Master Lessors' position

- 3.1. The Managers and the REIT Trustee consider, upon the advice of professional advisers, the Master Lessees Notice of Breaches to be misguided, and the above allegations of breach in the Master Lessees Notice of Breaches to be baseless.
- 3.2. It is noted that despite the Sponsor's complaints about EHT's professional fees, the Master Lessees have sought to raise these frivolous allegations as against EHT in circumstances where the Managers and the REIT Trustee are working hard with limited resources on meeting the very serious and pressing challenges faced by EHT in the interests of Stapled Securityholders, and despite a significant part of such challenges being attributable to the defaults of the Master Lessees.
- 3.3. The Managers and the REIT Trustee consider that it is in the greater interests of Stapled Securityholders to focus EHT's resources on meeting its business and economic challenges rather than on addressing baseless allegations. Accordingly, the Managers and the REIT Trustee do not presently consider it necessary, meaningful, or appropriate to substantively or continually respond to allegations of such nature publicly. However, should the need arise, the Managers and the REIT Trustee will respond and take actions in the appropriate forum and reserve their rights and position in this regard.
- 3.4. At this juncture, it suffices for the Managers and the REIT Trustee to state that the Master Lessors have issued a response letter dated 25 August 2020 (the "**Master Lessors Response Letter**") refuting and/or rejecting all the various allegations made by the Master Lessees in the Master Lessees Notice of Breaches, and to briefly highlight the following key observations in respect of the Master Lessees Notice of Breaches:
- (a) where the Master Lessees have alleged breaches on the part of the Master Lessors to make payment of monies to the Master Lessees (i.e. under Allegations #1, #2 and #3 above) are concerned, the Master Lessees have wrongly presupposed that the Master Lessors owed an obligation to them to make such payment to begin with. Indeed, the Master Lessees have failed to identify any valid basis upon which it is contended that the Master Lessors owed them an obligation to pay the relevant sums referred to above;
 - (b) where the Master Lessees alleged that the Master Lessors have improperly applied the security deposits furnished under the MLAs, the Master Lessees have wrongly presupposed that they had not defaulted. The Master Lessors are entitled to so apply the security deposits as the Master Lessors are expressly permitted under the MLAs to apply the security deposits to the payment of any unpaid rent or to any damages incurred by the Master Lessors by reason of such defaults;
 - (c) to this end, the Master Lessees have ignored the fact that the multitude of serious challenges faced by EHT are attributable largely to their defaults dating back to as early as mid-2019 and well before the outbreak of the COVID-19 pandemic in the United

States, in failing to discharge and amassing liabilities to third parties in respect of the portfolio of EHT's properties to the tune of over US\$50.7 million (based on the estimates provided by FTI as disclosed in the 21 June 2020 Announcement). In this regard, reference is made to the Earlier Announcements and the multitude of Master Lessee defaults stated therein;

- (d) similarly, the Master Lessees have ignored the fact that they had failed to meet their rent payment obligations as early as in January 2020, i.e. prior to the outbreak of the COVID-19 pandemic in the United States; and
- (e) despite repeated requests and demands by the Master Lessors to do so, the Master Lessees have failed to remedy and rectify their multiple and documented defaults.

3.5. All rights of the Master Lessors against the Master Lessees under the MLAs, the Extension Agreement (as applicable) and the Assignment Agreements are expressly reserved and the Master Lessees remain obliged to fulfil their obligations under such agreements. The Managers will update Stapled Securityholders of any material developments in respect of this matter as and when appropriate.

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 there will be any satisfactory resolution with the Master Lessees. 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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Eagle Hospitality Business Trust Management Pte. Ltd.
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as trustee-manager of Eagle Hospitality Business Trust

Date: 27 August 2020

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