



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)

Update Announcement #34 – Filing of Motion to Reject the Leases relating to the Queen Mary Long Beach Property

1. INTRODUCTION

1.1 DBS Trustee Limited, in its capacity as trustee (the “**REIT Trustee**”) of Eagle Hospitality Real Estate Investment Trust (“**EH-REIT**”) wishes to provide an update to stapled securityholders (the “**Stapled Securityholders**”) of Eagle Hospitality Trust (“**EHT**”) on the motion filed by the Chapter 11 Entities¹ to reject the lease and operational agreements relating to the Queen Mary Long Beach property (collectively, the “**QM Agreements**”), including the long-term ground lease agreements between the City of Long Beach, California and Urban Commons Queensway, LLC (“**UCQ**”, being a subsidiary of EH-REIT and one (1) of the Chapter 11 Entities).

1.2 References are also made to (a) “Update Announcement #25” dated 9 March 2021 (“**Announcement #25**”), (b) “Update Announcement #29” dated 24 May 2021 (“**Announcement #29**”), and (c) “Update Announcement #30” dated 27 May 2021 (“**Announcement #30**”, together with Announcement #25 and Announcement #29, the “**Earlier Announcements**”). Unless otherwise defined, all capitalised terms used and not defined herein shall have the same meanings as given in the Earlier Announcements (as the context requires).

2. Filing of Motion to Reject the QM Agreements

2.1 On 4 June 2021 (United States time), the Chapter 11 Entities filed a motion (the “**QM Motion**”) with the United States Bankruptcy Court to, *inter alia*, seek the United States Bankruptcy Court’s approval for the rejection of the QM Agreements². That same day, UCQ also surrendered the Queen Mary Long Beach property to the lessor, i.e., the City of Long Beach, California. The hearing on the QM Motion is currently expected to take place on 7 July 2021. Should the United States Bankruptcy Court grant the QM Motion at such hearing, the Queen Mary Long Beach property will be deemed rejected as of the date the property was surrendered to the City of Long Beach, being 4 June 2021 (subject to the United States Bankruptcy Court’s

¹ The Chapter 11 Entities are (a) 5151 Wiley Post Way, Salt Lake City, LLC, (b) ASAP Cayman Atlanta Hotel LLC, (c) ASAP Cayman Denver Tech LLC, (d) ASAP Cayman Salt Lake City Hotel LLC, (e) ASAP Salt Lake City Hotel, LLC, (f) Atlanta Hotel Holdings, LLC, (g) CI Hospitality Investment, LLC, (h) Eagle Hospitality Real Estate Investment Trust, (i) EHT Cayman Corp Ltd., (j) Eagle Hospitality Trust S1 Pte. Ltd., (k) Eagle Hospitality Trust S2 Pte. Ltd., (l) EHT US1, Inc., (m) Sky Harbor Atlanta Northeast, LLC, (n) Sky Harbor Denver Holdco, LLC, (o) Sky Harbor Denver Tech Center LLC, (p) UCCONT1, LLC, (q) UCF 1, LLC, (r) UCHIDH, LLC, (s) UCRDH, LLC, (t) Urban Commons 4th Street A, LLC, (u) Urban Commons Anaheim HI, LLC, (v) Urban Commons Bayshore A, LLC, (w) Urban Commons Cordova A, LLC, (x) Urban Commons Danbury A, LLC, (y) Urban Commons Highway 111 A, LLC, (z) Urban Commons Queensway, LLC, (aa) Urban Commons Riverside Blvd., A, LLC, and (bb) USHIL Holdco Member, LLC.

² The QM Motion also seeks to authorise UCQ to abandon any personal property remaining at the Queen Mary Long Beach property on the basis that the costs associated with removing, storing, and liquidating any such personal property will likely approach or exceed their residue value.

approval). Consequently, upon approval of the QM Motion, UCQ would no longer hold the leasehold interest in the Queen Mary Long Beach property.

Rationale for Filing of QM Motion

2.2 In arriving at the decision to file the QM Motion, the Chapter 11 Entities considered the following factors:

(a) No Viable Prospects of a Sale of the Interests in the Queen Mary Long Beach at the Auction

As mentioned in Announcement #25, Moelis had contacted more than 180 qualified parties to solicit their interest in submitting such proposals for the restructuring and recapitalisation of EHT and/or the purchase of one (1) or more of the Chapter 11 Properties (including the Queen Mary Long Beach property) (the “**Process**”). 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 primarily in the United States and Asia and those that had previously participated in the Request for Proposal process conducted in 2020 and the DIP financing process.

After entering into the Stalking Horse Agreement, the Chapter 11 Entities and Moelis had worked closely with the Stalking Horse Bidder to finalise the Stalking Horse Bidder's due diligence process on the Queen Mary Long Beach property. In addition, and in accordance with the bidding procedures for the Second Bid Round, the Chapter 11 Entities and Moelis continued to market the Queen Mary Long Beach property (either individually or as part of a group of assets) to other qualified parties, including 58 parties that Moelis contacted specifically regarding the Queen Mary Long Beach property. As mentioned in Announcement #29, the Stalking Horse Bidder ultimately determined, prior to the auction of the Chapter 11 Properties that was held on 20 May 2021 (the “**Auction**”), that it would not purchase the Queen Mary Long Beach property. With respect to the several interested parties that had expressed preliminary interest in acquiring the Queen Mary Long Beach property, the REIT Trustee and its professional advisers continued to engage these interested parties to work through the due diligence required for the Queen Mary Long Beach property prior to the Auction. However, no qualified bids were eventually received in respect of such property and accordingly, no auction in respect of the Queen Mary Long Beach property took place.

After the Auction, while non-binding bids (collectively, the “**Constellation QM Bids**”) from Constellation Hospitality Group, LLC (“**Constellation**”), on behalf of itself and a group of investors, including Howard Wu and Taylor Woods (being the individuals who own the Sponsor of EHT) were received in respect of the Queen Mary Long Beach property, numerous shortfalls were identified including, without limitation, the following.

- (i) the Constellation QM Bids had no timeline to close, and the proposed purchase price was significantly less than the administrative costs that the Chapter 11 Entities would incur during the interim period until closing (the timing of which is uncertain);
- (ii) none of the Constellation QM Bids was accompanied by a draft sale and purchase agreement that laid out the terms and conditions for any proposed purchase of the Queen Mary Long Beach property, including the terms of the deposit; and
- (iii) the Constellation QM Bids included, in effect, releases of certain UCQ claims against Howard Wu and Taylor Woods.

The Chapter 11 Entities and their professional advisers informed Constellation of the shortfalls but such shortfalls have not been resolved with Constellation as at the date of this Announcement. The Chapter 11 Entities determined that in view of such

shortfalls and balancing the other considerations (as further elaborated below) facing the Queen Mary Long Beach property, the Constellation QM Bids did not constitute qualified bids and were not otherwise viable bids for the Queen Mary Long Beach property.

(b) UCQ's Obligation to Pay Cure Costs Post-Chapter 11 Filing

A significant part of the challenge in finding a buyer for the Queen Mary Long Beach property is the substantial cure costs which a buyer would have to pay, and the substantial capital improvements required by the Queen Mary Long Beach property. The Queen Mary Long Beach property is currently closed and incurring substantial ongoing expenses, including in particular, expenses related to the ownership of the leasehold interest in the Queen Mary Long Beach property and maintenance of a closed hotel. Such expenses include, without limitation approximately (i) US\$45,000 per month in rent to the City of Long Beach, California, (ii) US\$300,000 per month in caretaker costs, (iii) approximately US\$1.3 million for the hull and property insurance premium due in July 2021, and (iv) US\$150,000 of audit expenses due in July 2021. There is also no viable prospect of re-opening in the foreseeable future as it would require significant costs and expenses to do so.

UCQ also remain subject to certain liabilities due to historical defaults related to the Queen Mary Long Beach property arising from the failure of EHT QMLB, LLC (being a subsidiary of the Sponsor and as the former master lessee of the Queen Mary Long Beach property) to fulfil its obligations under the relevant master lease agreement (prior to its termination)³. These include, for example, claims for delinquent taxes as well as certain mechanics' liens which were previously filed against the title of the Queen Mary Long Beach property by third-party service providers. In addition, UCQ may be liable for litigation costs and any judgements, incurred in connection with a number of pending lawsuits relating to the maintenance and repair costs of the Queen Mary Long Beach property which, if such judgements were ruled adversely against UCQ, may potentially result in an increase of additional liability to UCQ.

Such cure costs (including the abovementioned costs and expenses and the potential litigation costs and adverse claims) are part of post-petition costs and expenses for which UCQ remains liable for so long as it continues to hold the leasehold interest in the Queen Mary Long Beach property. By rejecting the QM Agreements, UCQ would no longer be obligated to pay the abovementioned expenses in connection with the Queen Mary Long Beach property as at the surrender date of the QM Agreements, being 4 June 2021 (subject to the United States Bankruptcy Court's approval).

(c) Impact on other Chapter 11 Entities

If UCQ were to continue to hold the leasehold interest in the Queen Mary Long Beach property, the only source of cash to fund such costs and expenses mentioned in subparagraph (b) above (other than having the other Chapter 11 Entities directly fund UCQ's costs and expenses) would be the proceeds of the DIP Financing Facility, for which all the Chapter 11 Entities would be jointly and severally liable.

This would mean that the other Chapter 11 Entities would be funding the substantial expenses of maintaining a loss-making hotel that is closed and has no viable prospect of being sold at this time, when the proceeds of the DIP Financing Facility could be put to more meaningful uses such as the preservation of the value of the remaining properties in the EHT's portfolio.

2.3 Additional information regarding the QM Motion is available on www.donlinrecano.com/eagle.

³ As previously disclosed in "Update Announcement #14" dated 23 September 2020, the Master Lease Agreements entered into between the Master Lessors (being subsidiaries of EH-REIT) and the Master Lessees (being subsidiaries of the Sponsor) in relation to the 18 properties in EHT's portfolio have since been terminated by the Master Lessors.

- 2.4 The REIT Trustee wishes to reiterate to Stapled Securityholders that it had, with the assistance of its professional advisers, given due and careful consideration to the Constellation QM Bids, and taking into consideration the overall circumstances surrounding the Queen Mary Long Beach property, the decision to reject the QM Agreements was made in the best interest of all stakeholders. The REIT Trustee will update Stapled Securityholders of any material developments in respect of the abovementioned matter as and when appropriate.

Stapled Securityholders are advised to read this Announcement issued by the REIT Trustee and any further announcements by the REIT Trustee carefully. Stapled Securityholders should note that there is no certainty or assurance that there will be a restructuring and/or reorganisation under Chapter 11 or that Stapled Securityholders will receive any value in the event of a disposal of EHT's properties whether pursuant to the Chapter 11 cases and/or the Section 363 sale process, a foreclosure sale or otherwise. Stapled Securityholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

Issued by:

DBS Trustee Limited

(Company Registration No.: 197502043G)

as trustee of Eagle Hospitality Real Estate Investment Trust

Date: 8 June 2021

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