



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 #38 - Disposal of Crowne Plaza Dallas Near Galleria-Addison

1. INTRODUCTION

1.1 Proposed Disposal of Crowne Plaza Dallas Near Galleria-Addison

DBS Trustee Limited, in its capacity as trustee (the “**REIT Trustee**”) of Eagle Hospitality Real Estate Investment Trust (“**EH-REIT**”) wishes to announce that EH-REIT’s wholly-owned indirect subsidiary, 14315 Midway Road Addison LLC (the “**Seller-Owner**”), has entered into a purchase and sale agreement and joint escrow instructions (the “**Purchase and Sale Agreement**”) with Lockwood Development Partners LLC (the “**Buyer**”) for the sale of the Crowne Plaza Dallas Near Galleria-Addison property located at 14315 Midway Road, Addison, Texas 75001 (“**CPDG**”), being one (1) of the three (3) remaining hotels in Eagle Hospitality Trust’s (“**EHT**”) portfolio, for a purchase price of US\$15.5 million (approximately S\$21.1 million)¹ (the “**Sale Consideration**”) and upon the terms and subject to the conditions of the Purchase and Sale Agreement (the “**CPDG Disposal**”).

References are made to (a) the announcement “Disposal of Crowne Plaza Dallas Near Galleria-Addison” dated 12 April 2021, and (b) the announcement “Termination of Purchase and Sale Agreement for the Disposal of Crowne Plaza Dallas Near Galleria-Addison” dated 7 May 2021 (“**7 May 2021 Announcement**”).

1.2 Background Information on CPDG

CPDG is a freehold property comprising a four (4) storey 428-room hotel located in close proximity to Downtown Dallas and Dallas Fort-Worth International Airport.

There is a mortgage loan in respect of CPDG (the “**CPDG Mortgage Loan**”), currently held by the holders of Benchmark 2018-B4 Mortgage Trust Commercial Mortgage Pass-Through Certificates, Series 2018-B4 (the “**CPDG Lender**”). As disclosed in the announcement “Update

¹ Unless otherwise stated, the S\$ equivalent of the US\$ figures in this Announcement have been arrived at based on the exchange rate of US\$1.00:S\$1.36 as of 28 July 2021 (Singapore time).

Announcement #17” dated 30 October 2020 (“**Announcement #17**”), Wilmington Trust, National Association, as trustee, for the benefit of the CPDG Lenders had issued a notice of acceleration dated 10 August 2020 (the “**CPDG Notice**”) in relation to the CPDG Mortgage Loan, which stated that the CPDG Mortgage Loan is in default for, among other things, the failure to pay all amounts when due thereunder. Please refer to Announcement #17 for further details on the CPDG Notice and the CPDG Lender’s election to accelerate the CPDG Mortgage Loan.

CPDG is one of the three (3) properties (being CPDG, Delta Woodbridge and Hilton Houston Galleria) in EHT’s portfolio that is not directly owned by a Chapter 11 Entity (as defined below) and, as such, is not subject to the bankruptcy protection under the United States Bankruptcy Code. As disclosed on 2 March 2021, the REIT Trustee had been advised that CPDG had retained sufficient value to warrant an effort to sell the hotel. As such, a sale process to actively market CPDG was undertaken by EH-REIT’s broker and professional advisers, and such process continued following the termination of the proposed disposal of CPDG as disclosed in the 7 May 2021 Announcement. In particular, CBRE, a global broker specialising in hotel sales, continued its marketing efforts for CPDG on both its internal database and parties active on Ten-X, an online real estate auction platform, resulting in CPDG being marketed to over 15,000 parties. Under the marketing process conducted following the termination of the proposed disposal of CPDG as announced in the 7 May 2021 Announcement to 24 June 2021, CBRE received four (4) bids.

2. RATIONALE FOR THE CPDG DISPOSAL

Based on the advice and recommendation of the professional advisers, the independent director of EHT US1, Inc. (being the indirect parent of the Seller-Owner) determined, in exercise of EHT US1, Inc.’s business judgment, that the entry into the Purchase and Sale Agreement by the Seller-Owner for the disposal of CPDG is in the best interest of all stakeholders, for the following reasons:

2.1 Most attractive offer for CPDG

Following the termination of the proposed disposal of CPDG as disclosed in the 7 May 2021 Announcement, the Seller-Owner resumed arms’ length negotiations with the Buyer on the sale of CPDG and the Buyer submitted a revised offer for CPDG with a sale consideration of US\$15.5 million, with deposits of US\$0.1 million and US\$0.9 million payable on 23 July 2021 and on 27 July 2021 respectively, with an expected closing date of 27 August 2021. After evaluating the four (4) bids received under CBRE’s marketing process and the Buyer’s revised offer for CPDG, the Chapter 11 Entities determined that the Buyer’s revised offer represented the best offer for CPDG. Most notably, the bids submitted for CPDG under CBRE’s marketing process were either less than the Sale Consideration or were not viable, and had a longer closing date.

In light of the above and taking into account, among others, the current state of the United States hospitality industry, the current state of CPDG and the extensive marketing process carried out by CBRE, the independent director of EHT US1, Inc. (being the indirect parent of the Seller-Owner) was of the view that (a) the Buyer’s bid represents the most attractive combination of price and timing for any proposed sale of CPDG, and (b) the fast execution of the sale is critical given the lack of an executed forbearance agreement with the CPDG Lender, monthly funding requirements and short-term capital needs.

2.2 Limited ability of Chapter 11 Entities to support CPDG

As detailed in the recent update announcements, in light of, among other things, the absence of a successful out-of-court financial and corporate restructuring of EHT as at the date of this Announcement, the removal of the former manager of EH-REIT and the difficult financial circumstances that EH-REIT currently operates in, EH-REIT and certain of its subsidiaries (the “**Chapter 11 Entities**”)² filed voluntary petitions for relief under Chapter 11 in the United States Bankruptcy Code (the “**Chapter 11 Filing**”).

Due to opposition from certain stakeholders in the United States, the Chapter 11 Entities’ ability to support CPDG, whether in respect of payment of the outstanding amount under the CPDG Mortgage Loan, the upkeep of CPDG or the operating costs of CPDG, has been and is limited. The CPDG Disposal will preserve the value of the Chapter 11 Entities’ estates by permitting EHT US1, Inc. to unburden itself of the costs of maintaining CPDG.

2.3 Risk of foreclosure without the CPDG Disposal

The outstanding amount due under the CPDG Mortgage Loan (including, without limitation, the principal balance, accrued interest, default interest, prepayment penalty and other amounts due net after application of loan reserves) is approximately US\$12.9 million as at the latest practicable date prior to this Announcement. This amount is less than the original loan balance of US\$27.6 million, as the CPDG Lender seized cash deposited in accounts pledged to the lender shortly after the default of the Seller-Owner, which was subsequently used to retire a portion of the CPDG Mortgage Loan, reimburse the CPDG Lender for certain costs, and fund reserves for real estate taxes.

In light of the CPDG Notice and the circumstances surrounding EHT as described above, the options available for CPDG were limited given that (a) CPDG has remained closed and not generated any income since April 2020, as a result of the former master lessee’s failure to fund necessary operating costs, (b) monthly maintenance costs and expenses of approximately US\$100,000 per month continue to accrue, and (c) CPDG incurred damage that will cost approximately US\$500,000 to repair due to storms.

Against that, neither the Seller-Owner nor EH-REIT had available financial resources to satisfy costs and expenses with respect to CPDG, including but not limited to the outstanding amounts accrued under the CPDG Mortgage Loan, maintenance costs and the above repair expenses.

Accordingly, with each passing day, the value of CPDG was deteriorating. There was also an ever increasing risk that the CPDG Lender would exercise its right to foreclose on CPDG as a result of the defaults under the CPDG Mortgage Loan (in which event, the Seller-Owner and EH-

² 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.

REIT would have no control over the sale of CPDG and there would likely be less value realised from a foreclosure sale undertaken by CPDG Lender as compared to a voluntary sale process).

In contrast, upon the Closing (as defined below) of the CPDG Disposal, the Seller-Owner would (i) not be at risk of the CPDG Lender foreclosing on CPDG (as the Seller-Owner will use the proceeds from the CPDG Disposal to satisfy outstanding amounts due under the CPDG Mortgage Loan), and (ii) achieve a purchase price of US\$15.5 million from the CPDG Disposal subject to and in accordance with the terms and conditions of the Purchase and Sale Agreement.

2.4 Obligation to preserve and maximise value

Additionally, given the precarious financial condition of the Seller-Owner and CPDG, and the fact that EH-REIT and the other Chapter 11 Entities are debtors in the Chapter 11 cases, EH-REIT and each of its subsidiaries are obliged under United States law to preserve and maximise value for the benefit of all stakeholders, in particular the creditors of the Seller-Owner and of the Chapter 11 Entities.

3. PRINCIPAL TERMS OF THE PURCHASE AND SALE AGREEMENT

3.1 Sale Consideration

The Sale Consideration of US\$15.5 million (approximately S\$21.1 million) shall be fully satisfied in cash by the Buyer in the following manner:

- (a) an initial deposit of US\$0.1 million (approximately S\$0.14 million) to be placed in an escrow account (the “**Escrow Account**”) by 23 July 2021 (the “**Initial Deposit**”);
- (b) an additional deposit of US\$0.9 million (approximately S\$1.2 million) to be placed in the Escrow Account by 27 July 2021 (the “**Additional Deposit**”); and
- (c) the balance of the Sale Consideration, being US\$14.5 million (approximately S\$19.7 million) will be placed in the Escrow Account one (1) business day immediately preceding the Closing Date (as defined below),

and it is intended under the terms of the Purchase and Sale Agreement that such sums, subject to certain adjustments and prorations as provided for in the Purchase and Sale Agreement, will be disbursed to the Seller-Owner on closing of the CPDG Disposal (the “**Closing**”)³. As at the date of this Announcement, the Initial Deposit and the Additional Deposit have been received. Under the Purchase and Sale Agreement, Closing will take place on 27 August 2021, unless otherwise agreed to in writing by both the Seller-Owner and the Buyer (the “**Closing Date**”).

The Sale Consideration was arrived at after negotiations on an arm’s length basis and on a willing-buyer and willing-seller basis, after taking into account, *inter alia*:

³ The Sale Consideration of US\$15.5 million is stated as a gross purchase price and would ultimately be paid over to the Seller-Owner net of prorations, commissions, closing costs, settlements (including any termination fees and credits for any condemnation and/or casualty proceeds) and US\$50,000 of credit for repair work related to damage incurred at CPDG during a winter storm.

- (i) the current state “as is”;
- (ii) the current state of the United States hospitality industry;
- (iii) limited conditions or contingencies imposed by the Buyer;
- (iv) opinions of value from various brokers;
- (v) informal “feedback” from CBRE throughout the marketing and sale process; and
- (vi) other circumstances described in this Announcement.

For the avoidance of doubt, the Sale Consideration is in addition to the non-refundable deposit of US\$1.45 million forfeited by the Buyer as part of its default on the initial purchase and sale agreement as disclosed in the 7 May 2021 Announcement.

3.2 Closing Conditions

The CPDG Disposal is conditional upon the satisfaction (or, where applicable, the waiver) of certain closing conditions, including but not limited to:

- (a) the Seller-Owner having received an order from the United States Bankruptcy Court authorising EHT US1, Inc. to cause the Seller-Owner to consummate the transaction contemplated in the Purchase and Sale Agreement;
- (b) at the Closing, the title insurance company being committed to issue to the Buyer an Owner’s Policy of Title Insurance in the amount of the Sale Consideration (as adjusted in accordance with the terms of the Purchase and Sale Agreement) insuring fee title is vested in the Buyer;
- (c) the delivery by the Buyer of the balance of the Sale Consideration as set out in paragraph 3.1(c) above in the Escrow Account, and the escrow agent being ready, willing and able to deliver to the Seller-Owner the Sale Consideration upon the Closing; and
- (d) no litigation, action, proceeding, order or injunction of any court or administrative agency of competent jurisdiction nor any statute, rule, regulation or executive order promulgated by any governmental authority of competent jurisdiction shall have been commenced or otherwise be in effect as of the Closing which would restrain or prohibit the transfer of CPDG or the consummation of any other transaction contemplated under the Purchase and Sale Agreement.

If any of the closing conditions is not satisfied or waived in accordance with the Purchase and Sale Agreement on or before the Closing Date (and subject to the Seller-Owner’s right to cure any alleged breach or default pursuant to the terms of the Purchase and Sale Agreement, as applicable), the Buyer or the Seller-Owner (as the case may be) may elect to terminate the Purchase and Sale Agreement, and the Seller-Owner and the Buyer will have no further rights or obligations under the Purchase and Sale Agreement except for certain surviving obligations under the Purchase and Sale Agreement.

3.3 Other Terms

In addition, the Purchase and Sale Agreement further provides for:

- (a) representation and warranties that neither the Buyer nor any of its affiliates is an affiliate of Urban Commons, LLC, EHT Asset Management, LLC, or any of their respective owners of direct or indirect ownership or other beneficial interests in either of the foregoing or any of their respective affiliates or subsidiaries (collectively, the “**Sponsor Entities**”) and that neither the Buyer nor its affiliates has entered into with respect to CPDG a joint venture, co-bidder or other contractual relationship with any of the Sponsor Entities;
- (b) the Buyer’s acknowledgement and agreement that the Buyer shall not at any time before, on or after the Closing Date (provided the Closing occurs), enter into an agreement to sell (or actually cause the sale of) CPDG (or any portion thereof or any ownership or other beneficial interest therein) to any of the Sponsor Entities; and
- (c) at any time during the 90-day period from and after the Closing Date (provided that Closing occurs), agree to or otherwise cause a sale of CPDG to occur to any person or entity, without 60 days prior written notice to, and written consent of, the Seller-Owner (which may be granted or withheld in its sole and absolute discretion).

3.4 Information on the Buyer

The Buyer⁴ is a New York based real estate investment and development company and is ultimately owned by Charles Everhardt. The Buyer has offices in New York, Chicago and Miami, and has a track record of acquiring various real estate asset classes, including hotels, in conjunction with institutional investors and operating partners.

4. PROCEEDS OF THE CPDG DISPOSAL

The proceeds of the CPDG Disposal will be used to repay, *inter alia*, (a) the disposal-related expenses (including professional fees), (b) the net outstanding amount under the CPDG Mortgage Loan (including, *inter alia*, the principal amount, accrued interest, default interest and prepayment fees), and (c) other unsecured claims against the Seller-Owner, including outstanding accounts payable.

If and to the extent there are net proceeds after making such repayments, such remaining net proceeds will be distributed upstream to the Chapter 11 Entities, as the holding company of the Seller-Owner is a Chapter 11 Entity, and will form part of the pool of assets which will be subject to the Chapter 11 process.

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While the Buyer, Lockwood Development Partners LLC is the named buyer, the Chapter 11 Entities understand that Frank Yuan, Jerome Yuan and others who are the principals of Lodging Lendco, LLC, have invested in the company that acquires CPDG. Frank Yuan and parties related to him previously indirectly owned CPDG and sold it to Urban Commons LLC’s affiliates, who ultimately sold it to EH-REIT.

5. SALE OF CPDG IS SUBJECT TO APPROVAL OF THE UNITED STATES BANKRUPTCY COURT

As stated in paragraph 3.2(a) above, the CPDG Disposal is conditional upon, *inter alia*, the Seller-Owner having received an order from the United States Bankruptcy Court authorising EHT US1, Inc. to cause the Seller-Owner to consummate the transaction contemplated in the Purchase and Sale Agreement. In this regard, the Chapter 11 Entities have filed a motion with the United States Bankruptcy Court on 30 July 2021 (Singapore time) to, among others, authorise EHT US1, Inc. to cause the Seller-Owner (being its indirect wholly-owned subsidiary) to sell CPDG pursuant to the terms of the Purchase and Sale Agreement (the “**CPDG Sale Motion**”).

A copy of the CPDG Sale Motion and the Purchase and Sale Agreement is available on www.donlinrecano.com/eagle and the CPDG Sale Motion and related documents have also been posted on EHT’s website at www.eagleht.com.

The REIT Trustee will update Stapled Securityholders of any material developments in respect of the above matters 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 from the disposal of EHT’s properties whether pursuant to the Chapter 11 cases, the Section 363 sale process and/or the CPDG Disposal, 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: 30 July 2021

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