



## 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)

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### Update Announcement #25 – Entry into Stalking Horse Agreement under Chapter 11 Process

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#### 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 entry into a Stalking Horse Agreement by certain of the Chapter 11 Entities<sup>1</sup> in connection with the Chapter 11 process.
- 1.2 References are made to (a) the announcement “Update Announcement #22” dated 20 January 2021 (“**Announcement #22**”), (b) the announcement “Update Announcement #23” dated 28 January 2021 (“**Announcement #23**”) and (c) the announcement “Update Announcement #24” dated 2 March 2021 (“**Announcement #24**”, collectively with the aforesaid announcements, 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. ENTRY INTO STALKING HORSE AGREEMENT

- 2.1 As noted in Update Announcement #24, Moelis (as the financial adviser to the Chapter 11 Entities) was instructed to commence a process for (a) the sale of 15 out of 18 of the properties in EHT’s portfolio that are owned by certain Chapter 11 Entities (the “**Chapter 11 Property**”

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

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<sup>1</sup> 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.

**Entities**<sup>2</sup> and such properties, the **“Chapter 11 Properties”**<sup>3</sup>) under Section 363 of the United States Bankruptcy Code and (b) the submission of proposals by interested parties in relation to the restructuring and recapitalisation of EH-REIT (collectively, the **“Process”**).

#### Background of Process

- 2.2 In connection with the Process, Moelis contacted more than 180 qualified parties to solicit their interest in submitting proposals for the restructuring and recapitalisation of EHT and/or the purchase of one (1) or more of the Chapter 11 Properties. 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. To date, 29 proposals have been received, nearly all of which related to the purchase of all or a subset of the Chapter 11 Properties.
- 2.3 Prior to the Chapter 11 Filing and as part of the Process (including the period following the EGM (as defined below)), the REIT Trustee had, with the assistance of Moelis, explored 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 have not led to any viable proposals for the restructuring and recapitalisation of EH-REIT (other than the proposal that was not approved by the Stapled Securityholders at the EGM). The REIT Trustee, with the assistance of Moelis, will continue to explore other restructuring alternatives, including the recapitalisation of EH-REIT. The Process will continue to focus on the best interest of, and with a view to maximising value for, all stakeholders.

#### Entry into Stalking Horse Agreement

- 2.4 Following the receipt of proposals under the Process, the Chapter 11 Property Entities and their professional advisers determined that Madison Phoenix LLC (the **“Stalking Horse Bidder”**), an affiliate of Monarch Alternative Capital LP<sup>4</sup>, was the best positioned bidder at this time. The Stalking Horse Bidder ultimately submitted a bid with a purchase consideration for the Chapter 11 Properties superior to all the other proposals received to date.
- 2.5 Based on the advice and recommendation of their professional advisers, the Chapter 11 Property Entities determined that, at this time, the entry into a Stalking Horse Agreement with the Stalking Horse Bidder for the sale of the Chapter 11 Properties is in the best interest of all stakeholders. Accordingly, the Chapter 11 Property Entities have entered into a Stalking Horse Agreement with the Stalking Horse Bidder on 8 March 2021 (Singapore time) (the **“Stalking Horse Agreement”**), pursuant to which the Stalking Horse Bidder has agreed to purchase the Chapter 11 Properties from the Chapter 11 Property Entities for an aggregate consideration of US\$470 million, subject to the terms and conditions in the Stalking Horse Agreement. It is 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 with the stalking horse’s bid as the floor price.

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<sup>2</sup> The Chapter 11 Property Entities are (a) 5151 Wiley Post Way, Salt Lake City, LLC, (b) Sky Harbor Atlanta Northeast, LLC, (c) Sky Harbor Denver Tech Center, LLC, (d) UCCONT1, LLC, (e) UCF 1, LLC, (f) UCHIDH, LLC, (g) UCRDH, LLC, (h) Urban Commons 4th Street A, LLC, (i) Urban Commons Anaheim HI, LLC, (j) Urban Commons Bayshore A, LLC, (k) Urban Commons Cordova A, LLC, (l) Urban Commons Danbury A, LLC, (m) Urban Commons Highway 111 A, LLC, (n) Urban Commons Queensway, LLC and (o) Urban Commons Riverside Blvd., A, LLC.

<sup>3</sup> The Chapter 11 Properties are the (a) Doubletree by Hilton Salt Lake City Airport, (b) Hilton Atlanta Northeast, (c) Sheraton Denver Tech Center, (d) Holiday Inn Resort Orland Suites - Waterpark, (e) Embassy Suites by Hilton Anaheim North, (f) Holiday Inn Denver East - Stapleton, (g) Renaissance Denver Stapleton, (h) Four Points by Sheraton San Jose Airport, (i) Holiday Inn Hotel & Suites Anaheim, (j) Holiday Inn Hotel & Suites San Mateo, (k) Sheraton Pasadena, (l) Crowne Plaza Danbury, (m) Embassy Suites by Hilton Palm Desert, (n) Queen Mary Long Beach and (o) Westin Sacramento.

<sup>4</sup> Affiliates of Monarch Alternative Capital LP are also the lenders under the US\$100 million senior secured superpriority DIP term loan facility (the **“DIP Financing Facility”**).

2.6 The Stalking Horse Agreement will be filed with the United States Bankruptcy Court on 9 March 2021 (Singapore time), but this will not preclude the Chapter 11 Entities' from soliciting higher or otherwise better offers by other interested parties pursuant to bidding procedures ("**Second Bid Round**") and auction(s) tentatively scheduled to be held on 20 May 2021 ("**Auction**"). The winning bid at the Auction (if any) will be subject to approval by the United States Bankruptcy Court. As part of the Second Bid Round, EH-REIT and the other Chapter 11 Entities, with the assistance of their professional advisers, will continue to consider any reorganisation and recapitalisation proposals for EH-REIT under the Process.

2.7 **Accordingly, the Stalking Horse Agreement effectively sets the "floor price" of US\$470 million subject to higher or better competing bids, which may include offers to purchase all or substantially all of the Chapter 11 Properties or to reorganise and/or recapitalise the Chapter 11 Entities (including EH-REIT).**

### 3. SALIENT TERMS OF THE STALKING HORSE AGREEMENT

3.1 The salient terms<sup>5</sup> of the Stalking Horse Agreement are as follows:

- (a) should the Stalking Horse Bidder's bid be the highest or best offer following the conclusion of the Second Bid Round:
  - (i) the Stalking Horse Bidder will purchase the Chapter 11 Properties on an "as is" and "where is" basis, free and clear of all claims, liens, encumbrances, and interests; and
  - (ii) the completion of the sale of the Chapter 11 Properties under the Stalking Horse Agreement is subject to certain limited conditions, including approval of the United States Bankruptcy Court in relation to, *inter alia*, (A) the bidding procedures and timetable for the Second Bid Round, and (B) the Stalking Horse Agreement and the consummation of the transactions contemplated thereunder; and
- (b) should the Chapter 11 Entities obtain higher or otherwise better bids in the Second Bid Round and consummate such transaction(s), the Chapter 11 Entities would have to pay to the Stalking Horse Bidder, subject to terms of the Stalking Horse Agreement:
  - (i) a "break-up" fee of an amount equal to 2% of the Stalking Horse Bidder's bid for the Chapter 11 Properties to compensate the Stalking Horse Bidder for serving as the "stalking horse" for the sale process; and
  - (ii) the amount of the reasonable and documented expenses incurred by the Stalking Horse Bidder in connection with the contemplated transactions up to an aggregate amount of US\$3.0 million.

3.2 Importantly, the Stalking Horse Agreement gives the Chapter 11 Entities the flexibility to solicit bids not only for all Chapter 11 Properties, but also certain subsets of such properties,<sup>6</sup> subject to the terms and conditions set out in the Stalking Horse Agreement.

### 4. RATIONALE FOR ENTRY INTO STALKING HORSE AGREEMENT

#### 4.1 Limited Options Available

EHT has been operating in a challenging environment since the previous Master Lessees' failed to pay rent in January and February 2020, which precipitated BoA's Notice of Default and Acceleration in respect of the Facilities Agreement in March 2020. The difficulties faced by EHT include, amongst others, (a) the various delinquencies on the part of the previous Master Lessees, including the non-fulfilment of rental obligations under the previous Master Lease

<sup>5</sup> A copy of the Stalking Horse Agreement is available on [www.donlinrecano.com/eagle](http://www.donlinrecano.com/eagle).

<sup>6</sup> In the event a competing bid with respect to such a subset of the Chapter 11 Properties is successful, the "break-up" fee would be limited to 2% of the allocated purchase price for such properties.

Agreements entered into with EH-REIT (through the subsidiaries of EH-REIT), (b) the numerous defaults and/or termination of the relevant Hotel Management Agreements and numerous defaults of the Franchise Agreements in respect of EHT's properties, due to the previous Master Lessees' failure to fulfil their obligations under the respective agreements, (c) claims by numerous vendors, municipalities and service providers for non-payment as a result of the previous Master Lessees' numerous defaults under the previous Master Lease Agreements, (d) depleted financial resources and limited cash, and (e) COVID-19 heavily impacting the United States hospitality industry and leading to weak market conditions.

In the lead up to the extraordinary general meeting of EHT held on 30 December 2020 (the "EGM"), the REIT Trustee, alongside its financial advisers and the proposed new manager of EH-REIT, had engaged both institutional and retail Stapled Securityholders, including through a dialogue session organised together with the Securities Investors Association (Singapore) to ensure that Stapled Securityholders fully understood the rationale of the resolutions proposed to be tabled at the EGM. It was reiterated in such engagements and disclosed in the circular to Stapled Securityholders dated 8 December 2020 that in the absence of a successful out-of-court corporate and financial restructuring and with finite cash resources, the REIT Trustee would likely be compelled to consider seeking protection under Chapter 11 of the United States Bankruptcy Code to facilitate a reorganisation of EH-REIT or an orderly winding up of EH-REIT.

At the EGM, the resolutions put forth to Stapled Securityholders, including to appoint a new manager of EH-REIT, were not carried by the necessary supermajority. Given the EGM outcome, EHT did not have sufficient resources as a going concern and its options were limited given the circumstance and challenges.

Accordingly, on 19 January 2021 and 28 January 2021 (Singapore time), the Initial Chapter 11 Entities and EH-REIT respectively filed for voluntary petitions for relief under Chapter 11. These Chapter 11 filings stay claims against the Chapter 11 Entities and provide the necessary protection to allow the undertaking of any value-maximising strategies or propositions for the benefit of all stakeholders, including the sale of the Chapter 11 Properties. In addition, the Chapter 11 filings allowed the Chapter 11 Entities to obtain the DIP Financing Facility of up to US\$100 million (which can be increased up to US\$125 million under certain circumstances) to pay for critical expenses to protect the value of the hotels and to give EH-REIT the runway to execute any potential value-maximising strategies or propositions. Without the DIP Financing Facility, EH-REIT would not have had the resources to operate nor have any further runway to execute any potential value-maximising strategies or propositions.

#### 4.2 Sale of Chapter 11 Properties in the Best Interest of EHT's Stakeholders

The Chapter 11 Property Entities and the independent director of EHT US1, Inc. (the indirect parent of the Chapter 11 Property Entities) who was appointed in connection with the Chapter 11 filings, acting in accordance with his fiduciary duties and based on the advice and recommendation of the professional advisers, believe that the entry into the Stalking Horse Agreement is in the best interest of all of the Chapter 11 Entities' stakeholders, including for the following reasons:

- (a) The Stalking Horse Bidder's bid of a consideration of US\$470 million represents the highest price achieved for the Chapter 11 Properties following an extensive solicitation process with bidders globally and sets the "floor price" for the Second Bid Round and the Auction, and prevents other potential bidders from underbidding the purchase price. The Stalking Horse Bidder's bid is also generally not subject to any material conditions (other than clear title of the Chapter 11 Properties) and requires minimal representations and warranties by the Chapter 11 Property Entities.
- (b) Given the ongoing COVID-19 pandemic, the United States hospitality industry remains volatile and any interruption to the current pace of market recovery (e.g. slower vaccine rollouts or potential resurgence of COVID-19) will result in market uncertainties. Of the 15 Chapter 11 Properties, 12 remain closed and continue to draw on the DIP Financing Facility to fund critical operating expenses. The entry into the Stalking Horse Agreement at this juncture provides downside protection in the event of adverse

changes in the macro environment which could create significant risk and uncertainty around any sale of the Chapter 11 Entities' properties. It also facilitates the soliciting of higher or otherwise better bids during the Second Bid Round, thereby having the potential to unlock greater value from EHT's portfolio of properties.

- (c) The Stalking Horse Agreement provides the flexibility for the Stalking Horse Bidder's bid to be outbid by higher or otherwise better bids, including offers to purchase all or substantially all of the Chapter 11 Properties and to reorganise and/or recapitalise the Chapter 11 Entities (including EH-REIT).
- (d) The DIP Financing Facility matures no later than January 2022 and failure to timely repay the obligations thereunder would entitle the lender of the DIP Financing Facility to exercise remedies under the DIP Financing Facility, including in respect of the Chapter 11 Properties.

## **5. PROCEEDS OF THE SALE OF THE CHAPTER 11 PROPERTIES**

In accordance with the rules of the United States Bankruptcy Code, all costs of administration of the Chapter 11 Filing (including professional fees and expenses and post-petition expenses of operating the business) and the DIP Financing Facility have priority over all other claims. At this time, the Chapter 11 Entities project that the obligations under the DIP Financing Facility will exceed US\$50 million at the anticipated time of closing of a sale or sales of the Chapter 11 Properties.

Thereafter, all prepetition creditors of the Chapter 11 Entities will be paid in the order of priority of their respective rights. Accordingly, the proceeds of the sale of the Chapter 11 Properties will next be used to repay pre-petition claims against the Chapter 11 Property Entities, including approximately US\$380 million under the pre-petition Facilities Agreement (including accrued interest) and related swap agreement as well as trade creditors against these entities (which claims cannot be quantified at this time). To the extent any value remains, other junior creditors (including claims asserted against EHT US1, Inc. under an unsecured loan (including accrued interest) in the amount of approximately US\$93 million) would be paid. The Chapter 11 Entities reserve all their rights with respect to any of the foregoing claims.

While the entry into the Stalking Horse Agreement will be followed by the Second Bid Round and Auction to solicit higher or otherwise better bids and allow for any restructuring and/or recapitalisation alternatives to be put forward, Stapled Securityholders should note that there is no certainty or assurance that any such other proposals will materialise. At this juncture, based on the debt profile of the Chapter 11 Entities, the "floor price" in the Stalking Horse Agreement is unlikely to generate any residual value to be distributed to Stapled Securityholders (including the relevant Stapled Securityholders' entitlement to the distribution of US3.478 cents per Stapled Security as declared on 17 February 2020).

## **6. SALE OF THE CHAPTER 11 PROPERTIES IS SUBJECT TO APPROVAL OF THE UNITED STATES BANKRUPTCY COURT**

Stapled Securityholders should note that the sale of the Chapter 11 Properties is being conducted by the Chapter 11 Entities under the supervision and jurisdiction of the United States Bankruptcy Court. Therefore, the sale of the Chapter 11 Properties will not be subject to (a) the approval of the shareholder of the Chapter 11 Entities nor its ultimate shareholders, and (b) consents otherwise required by third party contracts. Accordingly, no extraordinary general meeting of Stapled Securityholders will be convened, and the sale of the Chapter 11 Properties will not be subject to the vote of Stapled Securityholders.

## 7. TIMELINE OF SALE PROCESS

- 7.1 The envisaged timeline of the sale process (including the Second Bid Round and the Auction), which is subject to the United States Bankruptcy Court's approval, is set out below:

Key Event	Date
Deadline for submission of bids by other interested parties under the Second Bid Round	14 May 2021
Auction (to be held if the Chapter 11 Entities receive more than one (1) qualified bid under the Second Bid Round)	20 May 2021
Hearing before the United States Bankruptcy Court to approve the sale of the Chapter 11 Properties to the winning bidder	By the end of May 2021

Information regarding the bidding procedures and the process of submitting bids under the Second Bid Round will be made available on [www.donlinrecano.com/eagle](http://www.donlinrecano.com/eagle) as soon as the United States Bankruptcy Court has approved the bidding procedures.

- 7.2 Stapled Securityholders should note that the above timeline is indicative only and subject to change and the approval of the United States Bankruptcy Court. The REIT Trustee will update Stapled Securityholders should there be any material deviation in the timeline of the sale process as set out above and/or 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 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: 9 March 2021

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