

ARA US HOSPITALITY TRUST

A stapled group comprising:

ARA US HOSPITALITY PROPERTY TRUST
(a real estate investment trust constituted on
24 September 2018 under the laws of the Republic of
Singapore) managed by
ARA Trust Management (USH) Pte. Ltd.

ARA US HOSPITALITY MANAGEMENT TRUST
(a business trust constituted on 29 October 2018 under
the laws of the Republic of Singapore) managed by
ARA Business Trust Management (USH) Pte. Ltd.

MINUTES OF ANNUAL GENERAL MEETING (“AGM” or the “Meeting”)

PLACE	:	By way of electronic means	
DATE	:	Wednesday, 27 April 2022	
TIME	:	10.00 a.m.	
IN ATTENDANCE	:	Mr. Stephen Ray Finch* Ms. Stefanie Yuen Thio Mr. Randy Allan Daniels* Mr. Wong Choong Mann Ms. Cheryl Seow Mr. Moses K. Song Mr. Lin Daqi* Stapled Securityholders as per attendance records maintained by the Managers	Independent Non-Executive Director and Chairman of the Board Independent Non-Executive Director and Chairperson of the Audit Committee Independent Non-Executive Director Independent Non-Executive Director Non-Independent Non-Executive Director Non-Independent Non-Executive Director Non-Independent Non-Executive Director
PRESENT	:	Mr. Lee Jin Yong* Ms. Maureen Low* Representatives of DBS Trustee Limited* Representatives of KPMG LLP* Representatives of Allen & Gledhill LLP* Managers' staff as per attendance records maintained by the Managers	CEO of the Managers Company Secretary As Trustee of ARA US Hospitality Property Trust Independent Auditors Legal Advisors
CHAIRPERSON	:	Ms. Stefanie Yuen Thio	

*Remote attendance

SPECIAL NOTE ON CONDUCT OF MEETING

Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, ARA Trust Management (USH) Pte. Ltd., as manager of ARA US Hospitality Property Trust (“**ARA H-REIT**”) (the “**ARA H-REIT Manager**”) and ARA Business Trust Management (USH) Pte. Ltd., as trustee-manager of ARA US Hospitality Management Trust (“**ARA H-BT**”) (the “**ARA H-BT Trustee-Manager**”) (collectively known as the “**Managers**”) have arranged for the AGM to be convened and held by electronic means.

WELCOME AND INTRODUCTION

Ms. Marilyn Tan (“**Ms. Tan**”), the emcee of the AGM, welcomed the attendees to the third AGM of ARA US Hospitality Trust (“**ARA H-TRUST**”) (a stapled group comprising ARA H-REIT and ARA H-BT). She informed that the AGM is held by electronic means to minimise physical interactions in view of the current COVID-19 situation, with real-time remote electronic communication and voting to facilitate Stapled Securityholders’ engagement. Ms. Tan then proceeded to introduce the following attendees who joined the AGM either by electronic means or physical presence:

- Board of Directors of the Managers;
- Chief Executive Officer (“**CEO**”) of the Managers;
- Company Secretary of the Managers;
- Representative of DBS Trustee Limited;
- Representatives from KPMG LLP, the Independent Auditors;
- Representatives from Allen & Gledhill LLP, the Legal Advisors to the Managers; and
- Management staff of the Managers.

In accordance with the trust deeds constituting ARA H-REIT and ARA H-BT, Ms. Stefanie Yuen Thio was nominated to preside as Chairperson of the AGM (the “**Chairperson**”), as Mr. Stephen Ray Finch was attending the AGM from an overseas location via video conference.

Stapled Securityholders were informed of the “live” question and answer session via the online chat box function, that voting for all resolutions would be conducted “live”, and that Stapled Securityholders can vote at the AGM using the real-time remote electronic voting system.

A video presentation introducing the real-time remote voting system and the online chat box function was presented to Stapled Securityholders.

Ms. Tan subsequently informed Stapled Securityholders of the activation in the online chat box, and invited Stapled Securityholders to post questions relevant to the AGM. She also informed of the activation in “live” voting where Stapled Securityholders can cast their votes anytime during the course of the AGM until all proposed resolutions tabled at the AGM for approval had been properly moved. The results would be announced and displayed thereafter.

Ms. Tan then invited the CEO of the Managers, Mr. Lee Jin Yong (“**Mr. Lee**”, the “**CEO**”), to give his presentation.

PRESENTATION BY CEO

Mr. Lee delivered a presentation giving an overview of ARA H-TRUST, its performance for the financial year ended 31 December 2021 (“**FY2021**”) and how ARA H-TRUST was charting its path to recovery. A copy of the CEO’s presentation slides would be uploaded onto ARA H-TRUST’s website and SGXNet after the conclusion of the AGM.

Ms. Tan thanked the CEO for his presentation and handed over the conduct of the proceedings to the Chairperson of the Meeting. The Chairperson of the Meeting commended the Management team for their hard work and excellent performance.

QUORUM

The Chairperson acknowledged the presence of the Stapled Securityholders who had attended the AGM via webcast and informed that their status had been verified by the Stapled Security Registrar.

The Chairperson called the Meeting to order with the presence of a quorum.

NOTICE OF MEETING AND RESOLUTIONS

The Notice of the AGM dated 12 April 2022 had been circulated earlier and the resolutions stated therein, released to all Stapled Securityholders via SGXNET and made available on ARA H-TRUST's website, was taken as read.

LIVE QUESTIONS AND ANSWERS

Ms. Tan informed that Mr. Lee, the CEO, would address some of the substantial and relevant questions pertaining to the resolutions of the Meeting. The CEO would endeavor to respond as many questions received via the online chat box as possible. However, due to time constraint, similar questions would be consolidated and not all questions would be individually addressed during the Meeting.

The CEO was invited to address the following substantial and relevant questions raised by Stapled Securityholders prior to the AGM.

Question (1)

"Prices in the US climbed at the highest rates since 1981, rising 8.5% over the year to the end of March, as the war in Ukraine drove up energy costs for Americans as announced by Labour Department on Tuesday. Is the income growth able to cover and exceed the growth and inflation rate? How is the company managing the inflation costs, such as rise in price of electricity, utilities food, etc.? Is it able to reprice its room rates to cope and adjust with the rampant inflation?"

CEO's reply

The CEO informed that the high inflation rate was contributed by the Ukraine war as well as the global COVID-19 pandemic situation, impacting movement and borders restrictions, etc. He further informed that the hotel business in contrast to other classes of real estate had the advantage of daily room leasing which allowed dynamic pricing versus periodic increases. The pricing of hotel rooms is not contractually locked-in on a long-term basis and, therefore, can be adjusted based on supply and demand conditions. He added that the dynamic pricing model allowed the hotels to react and reprice rapidly as market conditions change and maintain profit margins for the portfolio. Historically, U.S. hotel rates outpaced inflation in the long term, mitigating cost increases.

Question (2)

“The interest cover ratio of area U.S. hospitality trust is only two times, and hence the maximum permissible gearing limit is 45%, which only allows a small buffer given the current gearing of 44.3%. Are there plans by ARA H-TRUST to reduce its gearing level? With the impending rise in interest rates, how does the company plan to adapt and manage the rising interest rate environment?”

CEO's reply

The CEO stated that the interest cover ratio being 2 times as at 31 December 2021 was a substantial improvement from the prior quarter. As the performance of the portfolio continues to recover this year so would the interest coverage ratio. He stated that once the 2.5 times threshold for the ratio is met, the gearing limit would increase to 50%.

In addition, with the proposed disposition of the Hyatt Place Chicago Itasca hotel by 2Q2022, the CEO informed that the Managers planned to pay down debt with the net proceeds from the sale, lowering the ARA H-TRUST's aggregate gearing ratio. He said that ARA H-TRUST also had a healthy cash balance of approximately US\$19 million as at 31 December 2021, which could also be utilised to reduce the gearing ratio as necessary. Management was able to manage the interest costs by striking a balance between fixed and floating interest rate borrowings. As at 31 December 2021, the hedged proportion of borrowings was 79%. While the general consensus was that interest rate was on an upward trend, ARA H-TRUST had currently benefitted from the hedging strategies. CEO further stated that the rate of increase in interest rate was uncertain given the geo-political tensions and assessment that some of the inflationary increases were transitory stemming from COVID-related supply chain disruptions. The Managers would continue to actively monitor the interest rate environment going forward.

Question (3)

“Given the current outlook of the hospitality industry, which geographical regions are the ARA H-TRUST most optimistic and pessimistic about?”

CEO's reply

The CEO responded that significant emphasis was placed on the assessment of market fundamentals in submarkets where the hotels were located. Notwithstanding the COVID-19 pandemic having been a major disruptor to the US hotel industry, he stated that the Management was optimistic about coastal and sunbelt markets where long term demographic trends supported their views. On the other hand, Management would monitor closely certain Midwest locations where population and industry had been on a declining trend, coupled with challenging economic conditions exacerbated by the pandemic. Hotels in these locations might likely be part of the portfolio optimisation strategy, to redeploy capital towards raising the debt headroom for the Trust to make acquisitions into hotels with stronger earnings profiles.

The CEO then addressed questions received via the online chat box during the AGM.

Question (4)

“What is the growth pipeline of ARA H-TRUST?”.

CEO's reply

CEO replied that the U.S.-based investment team is actively sourcing and evaluating potential assets to purchase and add to the portfolio. As he had previously mentioned, the transaction volume in the U.S. had been robust in the past 15 months, reflecting investors' confidence and optimism in the prospects for the U.S. hospitality industry. He also added that the market is highly liquid. Management was currently tracking numerous hotel opportunities, but at the same time, mindful of the current stapled security price and gearing ratio.

Question (5)

“The Sponsor, ARA Real Estate Investor 23 Pte. Ltd., wholly owned by ARA Asset Management Limited, is now part of the ESR group, which is predominantly focused on the “New Economy” such as logistics and industrial assets. Are there plans by ESR to divest stakes in REITs focused on the hospitality sector, such as ARA H-TRUST? Are there talks or negotiations by the Sponsor or ESR in relation to a change in REIT Sponsor and/or a divestment of assets? Please elaborate if the acquisition by ESR will lead to any strategic and/or operational changes.”

CEO's reply

The CEO responded that the quick answer is no. He shared that the ESR Group is Asia-Pacific largest real asset manager and the third largest listed real estate investment manager globally. It is also the largest sponsor and manager of REITs in APAC, with 14 listed REITs and a total AUM of US\$45 billion managed by the Group and its associates. CEO added that ESR Group remains supportive of all ESR-managed REITs, including ARA H-TRUST. As part of the ESR Group, ARA H-TRUST would be able to harness the strength of the enlarged group by leveraging on the enlarged group's network, strategic alliances and capital partners.

Question (6)

“What are the risks and challenges faced ARA H-TRUST at present and moving forward?”

CEO's reply

In response to this question, CEO stated that volatility was still expected in view of the macroeconomic and geopolitical landscape. Risks and challenges would include supply chain disruptions from COVID-19 related lockdowns, global economic risk due to the war in Ukraine, very tight labour market conditions and wage pressures that are hitting businesses in the U.S., high inflation, and rising interest rates. All these factors would pose a downside risk that could weigh on growth prospects. He reiterated that ARA H-TRUST was able reprice hotel rents daily to stay ahead of inflation, thereby mitigating these cost increases and maintaining profit margins. CEO added that ARA H-TRUST was still on the road to recovery and would continue to focus on its strategies to deliver returns to our stapled securityholders.

Question (7)

“Are the hotel employees unionised and how are the wage pressures?”

CEO's reply

The CEO stated that all 41 hotels are not unionised which provided for labour flexibility, and added that the Managers continue in its endeavour to benchmark wages to market to remain competitive. He also shared that wage pressure had been relatively robust in the U.S. and the low unemployment rate of about 3.6% was near the pre-pandemic level at about 3.5%. Despite this, ARA H-TRUST is less exposed to the risk of labour shortages and wage pressures than full-service hotels as select-service hotels feature a slimmer operating model with less labour exposure.

Question (8)

“How will the Managers use the proceeds from the sale of the hotel and whether this will reduce the gearing, which is higher than most REITS in Singapore?”

CEO's reply

The CEO replied that the net proceeds from the sale of Hyatt Place Chicago Itasca (the “Sale”) would be used to pay down existing loans. Thus, subsequent to the Sale, the gearing ratio should improve incrementally and together with the increase in interest cover ratio as the overall fundamentals and profitability for the portfolio increase, would lead to an increase in the debt headroom.

After addressing the questions, Mr. Lee handed the proceedings of the AGM back to the Chairperson.

CHAIRPERSON'S ADDRESS AND DEMAND FOR POLL

Stapled Securityholders were informed that pursuant to Rule 730A(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), all resolutions at the Meeting would be voted upon by poll.

The Chairperson also informed Stapled Securityholders that, in her capacity as Chairperson of the AGM, she had been appointed as a proxy by a number of Stapled Securityholders and she would vote in accordance with the specific instructions of those Stapled Securityholders.

The Chairperson further informed Stapled Securityholders that RHT Governance, Risk & Compliance (Singapore) Pte. Ltd. was appointed as Scrutineer (the "**Scrutineer**") and Boardroom Corporate & Advisory Services Pte. Ltd. was appointed as polling agent (the "**Polling Agent**") for the AGM. The validity of the proxies submitted by the Stapled Securityholders before the submission deadline on 25 April 2022 had been reviewed and the votes of all such valid proxies had been counted and verified. Stapled Securityholders were also informed that the votes of Stapled Securityholders who participated in the live voting would also be taken into account and the tabulated poll results would be declared after the passing of all the motions.

ORDINARY BUSINESS:

ORDINARY RESOLUTION 1 - REPORT OF THE TRUSTEE, THE REPORT OF THE ARA H-REIT MANAGER, THE REPORT OF THE ARA H-BT TRUSTEE-MANAGER, THE STATEMENT BY THE CEO OF THE ARA H-BT TRUSTEE-MANAGER AND THE AUDITED FINANCIAL STATEMENTS OF ARA H-TRUST, ARA H-REIT AND ARA H-BT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 TOGETHER WITH THE AUDITORS' REPORTS

The Chairperson proposed Ordinary Resolution 1 as follows and put the motion to a vote:

"That the Report of the Trustee, the Report of the ARA H-REIT Manager, the Report of the ARA H-BT Trustee-Manager, the Statement by the CEO of the ARA H-BT Trustee-Manager and the Audited Financial Statements of ARA H-TRUST, ARA H-REIT and ARA H-BT for the financial year ended 31 December 2021 together with the Auditors' Reports, be received and adopted."

The electronic poll voting was then conducted, and the Chairperson casted her votes in accordance with the voting instructions received.

ORDINARY RESOLUTION 2 - RE-APPOINTMENT OF AUDITORS

The Chairperson informed the Stapled Securityholders that KPMG LLP, the retiring auditors had expressed their willingness to continue in office, and proposed Ordinary Resolution 2 as follows and put the motion to a vote:

"That KPMG LLP be re-appointed as auditors of ARA H-TRUST, ARA H-REIT and ARA H-BT and to hold office until the conclusion of the next annual general meeting of ARA H-TRUST and the Managers be authorised to determine their remuneration."

The electronic poll voting was then conducted, and the Chairperson casted her votes in accordance with the voting instructions received.

SPECIAL BUSINESS:

ORDINARY RESOLUTION 3 – GENERAL MANDATE FOR THE ISSUE OF NEW STAPLED SECURITIES AND/OR CONVERTIBLE SECURITIES

The Chairperson informed the Stapled Securityholders that Resolution 3 was to authorise the Managers to issue new stapled securities in ARA H-TRUST and to make or grant convertible instruments pursuant to the provisions of the Listing Manual of the SGX-ST, as set out under Item 3 in the Notice of the AGM.

The Chairperson proposed Ordinary Resolution 3 and put the motion to a vote.

The electronic poll voting was then conducted, and the Chairperson casted her votes in accordance with the voting instructions received.

ANY OTHER BUSINESS

The Stapled Securityholders were informed that no notice of any other business had been received by the Secretary.

POLL VOTING

The Chairperson reminded Stapled Securityholders to cast their votes within the next one minute before the closure of voting. Voting closed after the one-minute period.

The poll results were as follows:

Ordinary Resolution 1

	Votes	Percentage (%)
No. of Stapled Securities for:	276,745,856	99.57
No. of Stapled Securities against:	1,191,100	0.43
Total	277,936,956	100.00

Ordinary Resolution 2

	Votes	Percentage (%)
No. of Stapled Securities for:	276,730,956	99.57
No. of Stapled Securities against:	1,206,100	0.43
Total	277,937,056	100.00

Ordinary Resolution 3

	Votes	Percentage (%)
No. of Stapled Securities for:	225,875,056	81.28
No. of Stapled Securities against:	52,031,000	18.72
Total	277,906,056	100.00

Based on the poll results, the Chairperson declared that all of the above resolutions were duly carried.

CONCLUSION

The Chairperson declared the AGM of ARA H-TRUST closed at 11.00 a.m. and thanked everyone for their attendance and the questions received. The minutes of the AGM are to be posted on SGXNet and the corporate website thereafter.

Confirmed as True Record of Proceedings Held

Stefanie Yuen Thio
Chairperson of the Meeting