IMMEDIATE RELEASE

Urban Commons Issues Notice of Breaches to Eagle Hospitality Trust

Eagle Hospitality Trust receives Notice of Breaches (Legal Notice)

- Urban Commons has directly contributed approximately US$10 million more to Eagle Hospitality Trust than hotel-level generated income to support the REIT
- In addition, Urban Commons' affiliate, as the parent company of the REIT Manager, has injected almost US$6 million into the REIT Manager to support operations
- Urban Commons clarifies the one-sided announcements stemming from Eagle Hospitality Trust
- Urban Commons' intention is to collaborate and save the REIT

SINGAPORE, August 12, 2020 – In a Breach Notice sent to Eagle Hospitality Trust (EHT or REIT), Urban Commons (UC or Sponsor or Master Lessee), the Los Angeles-based real estate investment and development firm and Sponsor of EHT, has intimated that the amount of funds it has injected into EHT over the past year are outstanding and due for repayment.

The Sponsor has a plan to provide critically needed financial support to EHT; however, it has been unable to obtain cooperation to implement this plan from the designated trustee, DBS Trustee Limited (Trustee), the Special Committee (SC) and EHT's third party advisors and consultants. Prior to March 2020, there was no default from operations and yet, since the onset of COVID-19, the Sponsor has been targeted with allegations. In contrast, the Sponsor wishes to highlight that its portfolio of non-REIT assets, thanks to careful and collaborative negotiations with creditors, has **not** defaulted. This demonstrates the Sponsor's ability to navigate through this difficult period of economic hardship due to COVID-19 and other unexpected calamities.

The Notice also points out that despite the millions of dollars in excess of the audited hotel income that the Sponsor has provided to EHT to subsidise rent and other reserves paid by the hotels under the Master Lease Agreements (MLAs), EHT and its advisors have levelled allegations against the Sponsor and Master Lessee. This has forced the Sponsor to issue the Legal Notice to ensure that the unitholders, regulatory authorities, and the general public are aware of both sides of the story.

Urban Commons
10250 Constellation Boulevard
Suite 1750
Los Angeles, CA 90067

213.260.9111

www.urban-commons.com

Since the crisis triggered by the COVID-19 pandemic struck, the Sponsor has tried to approach the Trustee with proposals, in the hope of stabilising the position of EHT. To date, however, these plans have not been met with constructive responses from the Trustee.

The Sponsor is saddened to discover that it appears substantial amounts of EHT's cash, potentially worth millions of dollars, is being spent each month as retainer fees for professional consultants who are refusing to work with the Sponsor to find a way out of the crisis. Instead of working with the Sponsor, announcements have been published without reflecting submissions from the Master Lessee and its US Counsel over the last few months. This has left the Sponsor with no choice but to serve the Legal Notice and also to highlight that EHT has legal obligations to the Master Lessee which are not being fulfilled.

The Sponsor believes it is time to put the record straight in relation to the REIT's description of alleged missed rent payments, financial discrepancies, and recent defaults. The Sponsor is using this opportunity to explain that it has not benefitted financially since the IPO and, on its part, has done everything it could to help the Lessees maintain the monthly Fixed Rent, worth millions of dollars above the total income produced by the hotel properties, and provided urgently needed property maintenance costs despite adverse conditions, keeping the interests of EHT and its unitholders in mind.

In relation to the above, Mr. Howard Wu and Mr. Taylor Woods, Co-Founders and Principals at Urban Commons, have issued the following statement:

"It saddens us to issue such a notice to EHT but we feel we have exhausted all other avenues to find an amicable solution to the differences between EHT, the Trustee and Urban Commons. Multiple plans aimed at resolving the issue, circulated by us since April this year, have not been met with constructive responses from EHT's advisors. Furthermore, their comments may have led EHT into taking unnecessary steps that appear to have not only consumed precious time during a global pandemic, but also millions of EHT unitholders' dollars.

"COVID-19 has resulted in unprecedented challenges for the hospitality industry worldwide, and as the Sponsor and one of the major unitholders of EHT, UC wants to apologise to all unitholders regarding how the current situation has escalated. At the onset of the pandemic, the Sponsor did not anticipate COVID-19's path of destruction, however, now is the time to unite and work together collaboratively to navigate out of this pandemic. As one of the largest unitholders, the merits of our plan is to minimise cost, refinance the defaulted Bank of America Merrill Lynch (BAML) debt, control unnecessary expenses, minimise dilution for all unitholders and raise enough funds to

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survive COVID-19. Since April, we have been sharing with EHT's advisors extensive strategies to navigate the storm and these plans have, to date, not been responded to by these advisors in a constructive or collaborative spirit. This meaningless conflict is a recipe for disaster, especially during an unprecedented pandemic situation."

Interpretation of Force Majeure

Regarding the two *Force Majeure* scenarios, both Mr. Wu and Mr. Taylor note:

(i) Category 5 Hurricane

A hurricane which hit EHT's largest hotel in Orlando, along with the current global pandemic - which set in motion a casualty clause in the MLA, "means the Orlando Hotel Lessee was not required to pay Fixed Rent from September 2019 through to the present". He adds: "This overpaying of approximately US$3 million rent was overlooked by EHT and yet was identified in the Sponsor's 2019's financial and reconciliation review. Our position is that the overpaid rent should have been used to offset Fixed Rent in January 2020."

(ii) Force Majeure attributable to COVID-19

Mr. Wu and Mr. Taylor add: "From February 2020 onward, Fixed Rent payments are required to be abated pursuant to the *Force Majeure* provisions of the MLA as a result of COVID-19.

"The Sponsor owns the Lessees that are in normal circumstances (except in *Force Majeure* situations) obliged to pay rent out of the hotel income generated to the Lessors under the MLAs. Since the IPO on May 24, 2019, the Sponsor has contributed millions of dollars in excess of the audited hotel income generated by the hotel properties from IPO until March 2020. Yet, at every turn, UC has been met with negative - often damaging - responses, which have been played out in the Singapore media.

"The SC formed on March 31, 2020, together with the Trustee, inducted a number of different third-party advisors and lawyers in the US and in Singapore who have not only taken control of EHT's assets in the US but also sought to intervene in the Sponsor's business. Their approach, which to us is non-commercial and adversarial, has damaged our reputation with creditors and the public alike."

Mr. Wu reiterates that the Sponsor has a plan, and "it is positioned to be able to execute the plan promptly, efficiently and effectively if there is cooperation from EHT and the Trustee. Just one year ago, the Sponsor raised close to US$660 million to form EHT. The Sponsor has a plan to refinance the current debt, raise additional capital and ultimately save EHT. The Sponsor believes it is time to unite, that its plan can work, but it needs all parties involved to cooperate and work in unison.

"The hotel industry is facing one of its biggest challenges to date, and we have asked for the same trust, flexibility and goodwill from EHT and DBS Trustee that the Sponsor has demonstrated, including paying above the hotel-generated income since time of IPO, providing multiple solutions consistent with commercial practices between lenders and other public companies experiencing the impact of COVID-19. However, it appears that EHT, on its advisors' recommendations, is continuing to permit activities which may rapidly consume EHT's cash resources, including soliciting a process to bring in a new partner that is likely to take several months before a successful tenderer and its plan may be approved for execution. It is the Sponsor's view that EHT would be better served by immediate steps to stabilise and recapitalise it. In our opinion, the longer EHT delays in implementing the Sponsor's proposal, the more likely it is that this process will consume a larger proportion of the EHT's cash resources. There is an inherent risk associated with the uncertainty, misalignment, additional time delays and other complications associated with introducing a new unknown party at this critical stage."

"EHT is not alone in confronting the prospect of a costly restructuring process, which may ultimately dilute unitholders' value if all parties do not cooperate and the process takes too long."

In order to survive the current pandemic, there is an urgent need to unite, compromise and rise above the mire of potential disputes and entrenched positions. "In the US, several publicly traded hospitality REIT landlords have entered into lease modifications with their tenants to navigate COVID-19. These uncertain times require collaboration and creative teamwork to find solutions to the unprecedented challenges being presented as a direct result of the current global pandemic," Mr. Wu notes.

Sponsor has the experience and capability to stabilise EHT

"The Sponsor's successful track record of raising capital in both the US and Asia demonstrates that it is in the best position to fix the REIT's issues; however, this requires communication and a deliberate union of the parties involved," Mr.Wu says.

He adds: "We need everyone to work together and stop burning EHT's cash on items that are clearly not survival related. We hope this Notice of Breaches prompts EHT and its advisors to

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hear our plans and understand that we are presenting the best solution to navigate this difficult time.

"As substantial unitholders in EHT, Mr. Taylor Woods and I have a significant interest in the well-being of EHT and to that end we have worked tirelessly to generate in excess of US$32 million in rent and reserves for EHT, paying more in Fixed Rent than the hotel's total income in 2019, according to fully audited financials.

"Outside of the REIT's portfolio, the same Sponsor has successfully negotiated with creditors to navigate the current global pandemic. EHT's one-sided announcements overlook all of the Sponsor's positive actions, not only making it less likely for the Sponsor to create holistic solutions with creditors of the 18-hotel portfolio; it is in-turn damaging EHT in the process.

"The Sponsor has provided EHT a plan to deal with creditors and is fully confident that it can effectively execute it if all parties work together amicably and each do their part. The Sponsor's plan will clear all defaults and provide creditors with the solutions necessary to work together once more."

In addition to the Notice of Breaches letter, both Mr. Wu and Mr. Taylor Woods have sent a letter to the advisory firm appointed by EHT to restructure its portfolio, dated August 5, 2020. The letter rebuffs the purported "forensic accounting investigation", stating:

"Given Urban Commons' voluntary efforts to support the hotels financially and the master lessees full compliance with their reporting obligations under the MLA, we believe that your demand for additional information and the threatened forensic accounting investigation are bad faith efforts to damage the reputation of Urban Commons by attempting to create some appearance of wrong-doing. Such bad faith efforts are contrary to the best interests of the hotels and the REIT shareholders."

In regard to the investigation, Mr. Wu adds: "As a substantial unitholder, I am concerned that the advisors are simply wasting time and money to check on the financial statements of the Master Lessee. Instead of focusing on executing plans to ensure that the EHT portfolio survives through this pandemic, the advisors announced that they are conducting a forensic accounting investigation on the Master Lessee and the Sponsor, intentionally giving the market the impression that there was wrongdoing by the Sponsor and the Master Lessee. This has not only caused anxiety and concern to unitholders; it has also generated mistrust among unitholders about us and caused huge damage to our reputation. When asked to clarify the statement, they have simply ignored us."

 # Ends #

About Urban Commons

Urban Commons is a Los Angeles-based real estate investment and development firm with a successful track record of developing, repositioning, and rebranding assets throughout the United States. The company focuses on improving under-managed and under-utilised assets by developing innovative solutions that promote optimal economic, social, and environmental returns.

Since its founding in 2008, Urban Commons has owned, operated and developed a variety of real estate properties including several dozen hotels, apartments, retail, office, and senior care, throughout the United States including the development of nearly one million square feet of commercial retail space.

For more information on Urban Commons, please visit: https://urban-commons.com/

Investor Relations/Media Contact
Emily Choo
Mobile: +65 9734 6565
Email: emily@gem-comm.com