FAQ

Key points for consideration

1. **Why were the potential force majeure implications only raised by UC's statement and not highlighted by EHT previously? Is it in best interest of EHT's unitholders for them to be left thinking there is only one possible interpretation of the force majeure clauses?**

2. **The risk factors in the Prospectus include force majeure events - specifically referring to "widespread communicable disease" outbreak such as bird flu or SARS. Why are alleged MLA rent defaults mentioned repeatedly targeting UC, but there is no explanation that the Prospectus itself highlighted this risk that rent may not be paid in this situation?**

3. **What are the implications for unitholders if the stance taken by EHT's counsel and Trustee's counsel is wrong? What happens to investors if EHT goes into foreclosure or chapter 11 restructuring based on incorrect interpretation of MLAs?**

4. **The Trustee is also purportedly entitled to protection from unitholders' claims under a force majeure provision in the EHT Trust Deed. If the Trustee is asked to pay for claims, will the Trustee take the position that it has its liability limited under that force majeure clause?**

5. **Given the interpretation of the force majeure event, when a force majeure event kicks in, do the master lessees have to pay any fixed rent to the REIT?**

- The Lessee's view is that the Casualty Clause is applicable and that the fixed rent is not payable by the Lessees.
- We have raised this issue repeatedly with EHT and its consultants and advisers.
- We would urge the unitholders to consider, what if the interpretation of the Casualty Clause under the MLA by EHT is wrong and the Lessees' position is correct?

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

213.260.9111

www.urban-commons.com

General

1. **What did Urban Commons do with the monies raised during the IPO of US$565 million?**

- Proceeds from the IPO were used in line with EHT's Prospectus. DBS purchased assets on behalf of EHT from the entities that held the US real-estate properties. The Sponsor did not cash out proceeds from the IPO and is yet to financially benefit from the REIT's operations.

2. **Why are the master lessees unable to support and provide the necessary funding for the operations of the hotels with the onset of COVID-19?**

- Under the Lessee/Lessor structure in normal circumstances, the Lessor's role is to maintain the hotel while the Lessee operates the business and passes through more than ~98% of net revenues to the REIT. However, it is not designed to sustain force majeure events, such as Hurricane Dorian or COVID-19, which will affect all hospitality assets alike, with a level of income that will likely remain significantly below pre-COVID levels for a sustained period

- In fact one of the risk factors highlighted in the Prospectus was the risk that EHT's ability to generate revenues and the value of its Properties could decline materially because of widespread communicable diseases, such as the human avian flu and SARS and other events beyond the control of EHT. (See Annex 1)

- This is a period for all stakeholders to unite to tide across COVID-19 in order to keep all our losses to a minimum. However, it is unfortunate that instead of uniting at the onset of COVID-19, defaults were filed based one one-sided legal interpretations, overlooking the Force Majeure clauses. Operating accounts were subsequently locked by BAML, creating panic with creditors and the events that unfolded thereafter.

3. **There have been queries regarding the Master Lessee's payment of rent even before COVID-19 hit, as the master lessees only made full payment till Dec 19. Can the Group clarify on the payment of rent in the first 3 months of the year?**

- The Sponsor and Lessees did not guarantee continued operation of EHT's properties or payment of rental in the face of a Force Majeure event such as a Category 5 Hurricane or COVID-19. It is for this type of situation that Casualty Clauses exist in the Master Lease Agreements (**MLAs**).

- It is important to understand that there had previously been overpayment to EHT after the Orlando hurricane in 2019, when considering the period from January 2020 to March 2020.

- For January 2020, the rent was offset by the amount of rent that the master lessee had overpaid EHT. To explain, in 2019 a hurricane hit EHT's largest hotel in Orlando. Together with the current global pandemic, the Orlando Hotel Lessee was not required to pay Fixed Rent from September 2019 through to the present. However, the master lessee had continued to pay for the rent resulting in an overpayment of approximately US$3 million rent which should have been used to offset Fixed Rent in January 2020.

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

213.260.9111

www.urban-commons.com

- For February, the portfolio was compromised by the significant decrease in EBITDA due to the COVID-19 pandemic; March 2020 result was negative to the tune of $4 million and wiped out all income starting with the February 2020 income.

- From March, COVID-19 was affecting the income of the hotels.

4. Why did UC structure the NDA that cause EHT to assume potential liabilities (be the guarantor) on defaults of UC? How was that done in good faith and in the interest of EHT unitholders? Who were the lawyers that reviewed this?

- The Lessees did not request / design the NDAs to obtain a profit for the Lessees.

- NDAs are customary in the USA, particularly in a lessee/lessor structure and are outlined in the MLA normal course of business. These NDAs were also described at the time of IPO in the EHT Prospectus.

- Third-party management companies often require NDAs, designed by hotel managers to protect and maintain operations, including payroll of the hotel's staff and honest workers.

- All of the hotel's operational costs incurred by the hotel manager and its employees were utilized to generate income which is turned over to the REIT. The MLAs have always clearly stated that customary non-disturbance agreements may be entered when required by a hotel manager.

- The manner that these NDAs have been announced by the REIT is another example of information being used to portray the Sponsor in a negative light.

5. Why didn't UC provide the City of Long Beach access to its financial records and caused defaults under the ground lease by not complying with covenants and duties. Why are there still outstanding unpaid taxes?

- All taxes and late fees were paid to the City of Long Beach in May 2020. Two months of rent were missed in 2019 due to an administrative error - this balance was also cleared.

- Urban Commons does not administer payables at a property level, however, once we were notified about outstanding taxes, we ensured the balance was promptly resolved. Despite the Lessees having cleared these items, EHT did not disclose this information publicly, only that the payments were initially missed.

- UC has worked with the Long Beach City Auditor's Office to provide all of the necessary audited financials, however, due to one-off complexities resulting from EHT's IPO taking place in 2019, some documentation remains outstanding; the City of Long Beach has provided UC an extension to provide these audited financials and UC is on track to deliver them in line with this extension.

6. **Why wasn't the full security deposit being provided <u>in the first place?</u>**

- Per the original agreement, the Lessee was to fund US $23MM in cash as a Security Deposit (SD), with the remaining $20MM as a Letter of Credit (LOC) to be provided within the grace period.
- The bank originally set to provide the LOC needed more time due to uncertainties surrounding two of the largest portfolio assets, caused by negative media stories regarding repair costs at the Queen Mary, as well as Hurricane creating a Force Majeure event at the Holiday Inn in Orlando.
- During this period, an approved term sheet was obtained from a reputable bank, however due to market conditions and the onset of COVID-19, the bank was not able to fulfil its promise of an LOC. UC then injected an additional US$5MM in cash and EHT granted an extension to provide the LOC which was approved by EHT's board, DBS Trustee and BAML

7. **On 29 June, EHT announced the commencement of forensic accounting investigation of Sponsor and Master Lessees. Can you comment on that?**

- The announcement has led to misconceptions by the media and the public on UC. The Trustee, SC and FTI are already in possession of the information they are contractually entitled to (including audited statements setting out EBDITA of the US properties) and have no legal authority to go into the records or systems of the Sponsor and Master Lessees.

- As such, in reality there is no "forensic accounting investigation" of Urban Commons.

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

213.260.9111

www.urban-commons.com

Allegations of claims

8. **In announcements made by the managers and REIT trustee of EHT, they mentioned that they discovered several failures by the Master Lessees to pay liabilities to third parties. The liabilities include expenses that are necessary and critical to preserve and maintain the underlying value of the properties in EHT's such as taxes, utilities, and payables to essential goods and service providers- amounting to US$44.6m. There is also outstanding rent till May of US$19.3m. As a result, the managers and REIT trustee had to use the distribution meant for shareholders to pay for these expenses, in order to preserve the value of the properties.**

a) Why weren't these liabilities settled?

- Any hotel will always have an amount of accounts payable as well as accounts receivable. In a typical Lessor/Lessee structure in the US, the Lessee is responsible to operate properties and deliver the revenue to the Lessor (in our case, owned by EHT).

- Prior to February 2020, the default notices listed in EHT's recent announcement had not been issued, in part due to the Sponsor's infusion of cash into hotel operations. For example, the Sponsor had paid in rent to EHT in 2019 in excess of the total income generated by the portfolio.

- However, during a Force Majeure event the ability to generate hotel income has been severely affected. This is consistent with the risk factors identified in EHT's Prospectus which identifies such events including "**widespread communicable diseases (such as the human avian flu and severe acute respiratory syndrome ("SARS") and other events beyond the control of EHT**". (See Annex 1)

- In this situation, there are casualty (i.e. Force Majeure) provisions (the "**Casualty Clauses**") in the Master Lease Agreements ("**MLAs**"). Under the Casualty Clauses, the Lessees are not obliged to pay rent during this time. We have raised this issue repeatedly with EHT and its consultants and advisers.

- In addition, the Lessees have been operating up to February 2020 with approximately $20MM accounts payable ("**AP**") and were not issued defaults. Subsequently, after EHT employed third-party consultants, who have not cooperated with the Lessees, and the AP have risen from approx. **US$20MM to approx. US$45MM**.

b) Aren't the master lessees responsible for the maintenance of EHT's properties? If yes, why didn't the master lessees do so?

- In our opinion, the Lessees do not warranty pandemics, therefore the US $19.3MM rent is not owed due to COVID-19, a Force Majeure event which is consistent with the risk factors identified on page 74 of EHT's IPO Prospectus which identifies such events. (See Annex 1)

- During a pandemic situation, it is clear from the Force Majeure clause in the MLAs that, in addition to mitigated rent, maintenance of the hotels should also fall upon the Lessor until hotel operations are restarted and the liabilities fall upon the Lessee once more.

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

213.260.9111

www.urban-commons.com

c) **In a BT article, it was quoted by one of the unitholder who sent an open letter to EHT's managers questioning "Urban Commons has raised gross proceeds of US$566 million via the initial public offering of EHT - has there been any attempt to place the third-party payables onto Urban Commons, since they are the original responsible party? If not, is there any intention to place the liabilities onto Urban Commons soon?" What is UC's response to this suggestion?**

- The Sponsor and Lessees do not guarantee continued operation of EHT's properties or payment of rental in the face of a Force Majeure event such as COVID-19. Nonetheless, UC communicated a plan to provide critically needed financial support to EHT; however, we have been unable to date to obtain cooperation to implement this plan from EHT and its consultants.

9. **EHT has in earlier announcements mentioned that UC had not paid TOT and TBID assessments to the City of Pasadena from May 19-Feb 20. EHT was listed in May 19. On June 2020, EHT also received a notice of default from the City of Long Beach in relation to the lease agreement with Queen Mary because UC failed to pay monthly TOT amounts to the City of Long Beach for 2019 and 2020. What are UC's reasons for missing these payments?**

- It is worth noting that such notices of default did not exist prior to the onset of COVID-19.
- Urban Commons does not administer payables at a property level, however, once we are notified about outstanding taxes, we ensure the balances are promptly resolved.

10. **How about the taxes for the other hotels such as Holiday Inn Denver East- Stapleton and Renaissance Denver Stapleton, Holiday Inn Resort Orlando Suites- Waterpark that were announced on 14 Aug 20? Whose responsibility is it?**

    See answer for question 11

11. **In the 14 Aug 20 announcement, it was also stated that EHT has received notices of default and termination under the respective franchise agreements due to the amount outstanding from Master lessees to the franchisors.**

    a) Why did the master lessees default on these payments?

    b) How will that affect the working relationships with these franchisors in the future?

    c) How will that in turn affect UC's plan to save the REIT and run the hotels in the future given the past defaults with these franchisors?

- In February, a seasonally slow time of year when the impact of COVID-19, and the resulting economic crisis and devastation to the hotel, tour, travel and airline industries, started to become

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

213.260.9111

www.urban-commons.com

more clear and evident, Bank of America Mortgage Lending (BAML) locked the Lessee's bank accounts, making it impossible for the Sponsor to continue funding the hotels' operations.

- This interference from consultants during operations made it extremely difficult to navigate during COVID-19 and fund necessary capital to maintain operations.
- UC has communicated a plan to provide critically needed financial support to EHT; however, has been unable to date to obtain cooperation to implement this plan from EHT and its consultants.
- The Lessees have plans with all franchisors to pay off these outstanding balances in a fair and amicable manner, pending the Trustee's response to the Sponsor's plan.

12. Did the hurricane hit the Orlando property? Why was damage made by the hurricane not insurance claimable?

- The Orlando hotel was impacted and sustained damages as a result of Hurricane Dorian.
- After analyzing property damage versus the insurance policy's minimum deductible, it was decided that an insurance claim may not have been applicable.

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

213.260.9111

www.urban-commons.com

Paycheck Protection Program

13. Paycheck Protection Program – Overall Statement (see also point 9 below)

- A mistake was made, whereby a Paycheck Protection Program loan application was submitted in the wrong entity name, however, steps were proactively taken to address the issue. We understand that because The Queen Mary Master Lessor is foreign owned (EHT is considered to have non-US ownership), **the Queen Mary Master Lessor is not eligible for a loan** under the Paycheck Protection Program. This was only 1 application out of other loan applications that were made. No issue has been raised regarding our other applications.

- After we discovered this error, we proactively informed the lender and the US Small Business Administration (SMB), the Government the entity which issues the loans, and provided all documentation necessary to transfer the loan to the correct applicant, the Lessee.

- Despite taking all the necessary steps to rectify the situation, including informing EHT and its advisors, UC is being targeted with misconceived allegations, further damaging our reputation without cause. **This is another example of EHT using an SGX announcement to draw public attention and outrage, without putting the matter in its proper context.**

14. The US has introduced a $2.2 trillion economic stimulus bill. Has UC and/or EHT received any funds so far and how has that relief been used?

- Yes, UC has applied for loans under the Payroll Protection Program and used them for employees in accordance with the terms of the program.

- In the US there is a Paycheck Protection Program. The objective of the Paycheck Protection Program is similar to Singapore's Job Support Scheme, to keep workers employed.

Urban Common's plan to save the REIT

15. It was stated that UC has a plan to provide critically needed financial support to EHT. What does that plan entail, and will the plan include a more independent structure such as changing the REIT manager and/or the current master lessees?

- Our plan aims to minimize burn rate, prevent unnecessary dilution, and raise the capital necessary to survive COVID-19. Properties will generate minimal income during the pandemic - whether with UC or with a new partner - as such the utmost priority now is to implement a cost-saving plan to ensure the survival of the REIT.

- The sponsor is in a unique position to deliver the most efficient and cost saving plan, relative to a third party who could take a longer time to implement, while burning millions of dollars in terms of consultant fees during this period.

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

Annex 1: As extracted from EHT's prospectus pg 72-74

RISK FACTORS

Prospective investors should consider carefully, together with all other information contained in this Prospectus, the factors described below before deciding to invest in the Stapled Securities. The risks described below are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the REIT Manager and/or the Trustee-Manager or which may not be material now but could turn out to be material in the future. Additional risks, whether known or unknown, may in the future have a material adverse effect on EHT or impair the business operations of EHT. The market price of the Stapled Securities could decline due to any of these risks and Stapled Securityholders may lose all or part of their investment. In addition, this Prospectus does not constitute advice to you relating to investing in the Stapled Securities and investors should make their own judgment or consult their own investment advisers before making any investment in the Stapled Securities.

This Prospectus also contains forward-looking statements (including profit forecasts and profit projections) that involve risks, uncertainties and assumptions. The actual results of EHT, EH-REIT and/or EH-BT could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by EHT as described below and elsewhere in this Prospectus.

EHT comprises EH-REIT and EH-BT, and risk factors for EHT include considerations relevant to the Stapled Securities, collective investment schemes and business trusts.

As an investment in the Stapled Securities is meant to produce returns over the long-term, investors should not expect to obtain short-term gains.

Investors should be aware that the price of the Stapled Securities, and the income from them, might fall or rise. Investors should note that they might not get back their original investment.

Before deciding to invest in the Stapled Securities, prospective investors should seek professional advice from their own investment or other advisers about their particular circumstances.

RISKS RELATING TO THE HOSPITALITY INDUSTRY

The financial performance of EHT is dependent on the condition and outlook of the hospitality industry and hospitality-related businesses, which are in turn susceptible to cyclicality and other factors outside the control of EHT and the Managers.

Both the hospitality industry and hospitality-related businesses are cyclical and sensitive to external and economic changes. There are a number of factors which are common to the US and global hospitality industry and hospitality-related businesses and beyond the control of EHT and the Managers.

These factors could affect the financial performance of EHT, including the following but not limited to:

- the condition of, and changes in, the domestic, regional and global economies, including, but not limited to, factors such as the political landscape, environmental conditions and epidemics that result from the spread of infectious diseases that may result in reduced occupancy rates, room rates, visitors and demand for the hospitality or hospitality-related assets of EHT;

- increase in new supply of hotels in the markets in which EHT operates, which could adversely impact the occupancy levels and revenue of the Properties or future hospitality or hospitality-related assets of EHT;

- increased competition in hospitality and hospitality-related businesses in the markets in which EHT's assets are located or the loss of regular customers to newer or alternative hotels for convenience, better services or lower room rates;

- changes in EHT's relationships with, and the performance and reputation of the master lessees, hotel managers, hotel franchisors, service providers and other companies with whom EHT may contract;

- changes in government laws and regulations, fiscal policies and zoning ordinances, government executive orders restricting travel, labour laws and the related costs of compliance with laws and regulations, fiscal policies, ordinances and executive orders affecting EHT;

- slowdown in tourism, business and conferences in the markets in which the investments of EHT are located;

- seasonality patterns in tourism arrival numbers throughout the year;

- frequency of events or conferences in the surrounding vicinity of each Property or future hospitality or hospitality-related assets of EHT;

- the nature and length of a typical hotel guest's stay as hotel guests typically stay on a short-term basis and there is no assurance of long-term occupancy for hotel rooms;

- unexpected increases in transportation or fuel costs, strikes among workers in the transportation industry and adverse weather conditions that could affect travel demand;

- labour strikes by employees at the Properties which may disrupt business operations;

- increases in operating costs due to inflation, labour costs (including the impact of unionisation), workers' compensation and healthcare-related costs, maintenance costs, utility costs, insurance and unanticipated costs such as those resulting from acts of nature;

- changes in interest rates and in the availability, cost and terms of debt financing and other changes that may adversely affect EHT's ability to source capital to fund capital expenditures, acquisitions and other general corporate purposes or to comply with debt financing covenants;

- the financial condition and liquidity of EHT;

- relations between EHT and its lenders;

- difficulties in identifying hospitality and hospitality-related assets to acquire and difficulties in completing and integrating acquisitions;

- the time that it may take to construct, develop or complete the refurbishments of properties and receive registrable title to such properties;

- any restrictions in the ability to renovate the Properties and future assets of EHT in order to preserve or expand demand for the Properties and such assets;

- unfavourable publicity in relation to the Properties; and

- other matters not yet known to the Managers or not currently considered material by the Managers.

These factors could lead to deterioration in the amount of the rental payments from the Master Lessees and the ability of the Hotel Managers to generate income. This may have adverse effects on the business, financial condition, results of operations and prospects of EHT and reduce its ability to make distributions to the Stapled Securityholders.

Property operation costs and expenses of the Properties may not decrease even if occupancy rate declines.

Operating a hotel involves a significant amount of fixed costs which may not vary significantly with high or low occupancy rates over a week, month or season. Significant fixed costs may limit the ability of the operators of the Properties to respond to adverse market conditions by minimising costs. Such limitations may have an impact on profitability when the hospitality industry is weak. This may adversely affect the ability of the Master Lessees to make rental payments to EH-REIT and consequently, the ability of EHT to make distributions to the Stapled Securityholders.

Acts of God, wars, terrorist attacks, riots, civil commotions, widespread communicable diseases (such as the human avian flu and severe acute respiratory syndrome ("SARS")) and other events beyond the control of EHT may adversely affect the business, financial condition, results of operations and prospects of EHT.

The hospitality industry and hospitality-related businesses and EHT may be adversely affected by acts of God, wars, terrorist attacks, riots, civil commotions, widespread communicable diseases (such as the human avian flu and SARS) and other events beyond the control of EHT. The Managers cannot predict the occurrence of these events and the extent to which they will, directly or indirectly, impact distributions to the Stapled Securityholders, the hospitality and hospitality-related industries or the business, financial condition, results of operations and prospects of EHT in the future.

The outbreak of an infectious disease such as Influenza A (H1N1-2009) or Swine Flu in the US and elsewhere, together with any resulting restrictions on travel and/or imposition of quarantines, could have a negative impact on the economy and business activities in the US and elsewhere and could thereby adversely impact the revenues and results of EHT. There can be no assurance that any precautionary measures taken against infectious diseases would be effective. Upon the outbreak of an infectious disease, the World Health Organisation and certain governments may issue travel advisories against nonessential travel to affected regions, or even impose travel restrictions. Travel advisories or restrictions on the United States are likely to have a material adverse effect on the number of international visitor arrivals to the states which EHT has assets and therefore the corresponding demand for hotel rooms under EHT's portfolio of assets. Accordingly, the spread of any contagious or virulent disease, and any consequential travel advisories or restrictions may adversely affect the business, financial condition, results of operations and prospects of EHT. An increased threat of terrorism, terrorist events, airline strikes, hostilities between countries or natural disasters may affect travel patterns and reduce the number of business and commercial travellers and tourists in the states which the hospitality and hospitality-related assets of EHT are located and/or may be located in the future.

EHT may have investments in markets that have been or may be in the future the targets of actual or threatened terrorist attacks. The possibility or occurrence of future attacks, terrorism alerts or outbreaks of hostilities may raise safety concerns and give rise to an increased negative effect on business and leisure travel patterns. This could result in an overall decrease in the demand for hotel rooms in these markets generally or in the Properties. Future terrorist attacks in these markets could directly or indirectly damage the Properties, both physically and financially, or cause losses that materially exceed insurance coverage. As a result of the foregoing, EHT's ability to generate revenues and the value of its Properties could decline materially.