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**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)

managed by

**Eagle Hospitality REIT Management Pte. Ltd.**

**EAGLE HOSPITALITY BUSINESS TRUST**

(a business trust constituted on 11 April 2019 under the laws of the Republic of Singapore)

managed by

**Eagle Hospitality Business Trust Management Pte. Ltd.**

**RESPONSE TO THE SGX-ST’S QUERIES ON THE QUEEN MARY**

Eagle Hospitality REIT Management Pte. Ltd., as manager of Eagle Hospitality Real Estate Investment Trust (“**EH-REIT**”, and the manager of EH-REIT, the “**REIT Manager**”), and Eagle Hospitality Business Trust Management Pte. Ltd., as trustee-manager of Eagle Hospitality Business Trust (“**EH-BT**”, and the trustee-manager of EH-BT, the “**Trustee-Manager**”, and collectively with the REIT Manager, the “**Managers**”), wish to announce the following in response to queries raised by Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 25 October 2019 with respect to matters relating to The Queen Mary:

**Query 1:**

On 24 October 2019, the REIT Manager made an announcement to make clarifications regarding The Queen Mary asset.

Please disclose:

- a. The timeline to complete improvement and repair works that was stipulated in the Queen Mary ground lease agreement;
- b. Implications to Eagle Hospitality Trust in the event that the Urban Commons, LLC (“**UC**”) the sponsor of Eagle Hospitality Trust fails to meet its obligations under the Queen Mary ground lease; and
- c. Quantify the financial impact to Eagle Hospitality Trust in the event that UC fails to meet its obligations under the Queen Mary ground lease.

DBS Bank Ltd. was the Sole Financial Adviser and Issue Manager for the initial public offering of Eagle Hospitality Trust (“**EHT**”).

## REIT Manager's Response to Query 1:

### a. Timeline

#### Answer

Currently, the Queen Mary is structurally sound and in good operating condition. There is no default under the ground lease and the Queen Mary is in compliance with the requirements of the City of Long Beach. The City only requires five items of work to be addressed. UC estimates that the work required will be done within the next two years at an estimated cost of up to US\$7 million.

#### Discussion

As an initial matter, based on correspondence received from the City, Urban Commons Queensway, LLC, the subsidiary of EH-REIT that is the tenant under the Queen Mary ground lease (the "**Eagle Queen Mary Subsidiary**") has not received a notice of default under the Queen Mary ground lease.

In a letter dated 1 October 2019, John Keisler, the Director of Economic Development of the City of Long Beach, requested that UC provide information within 30 days regarding its plan to address the following items:

- Exterior paint on the hull, funnels and top of house areas
- Repair of expansion joints, including missing plate
- Bilge repair and rust remediation
- Side shell and lifeboats
- General maintenance

On 22 October 2019, UC provided the City with the requested plan to address these items as well as a cost estimate for completing the specified work of up to an estimated US\$7 million. This cost estimate was based in part on a bid of US\$4.8 million received from Roberts Construction, Inc. to complete the side shell repair and lifeboat removal. UC also provided the City with an independent structural engineer's report produced for the Queen Mary before the initial public offering of stapled securities in Eagle Hospitality Trust ("**IPO**") addressing the structural integrity of the Queen Mary by John A. Martin & Associates Inc. dated 8 February 2018 (the "**JAMA Report**"), and formally reviewed by R. Maddison CEng. MPhil, a third party naval architect. The JAMA Report is available for inspection at the REIT Manager's office.

UC has additionally provided the REIT Manager with the following timetable for addressing each of the items set forth in the City's 1 October 2019 letter:

Item	Estimated Timetable
Exterior paint on the hull, funnels and top of house areas	Work has commenced and is expected to be completed before Q2 of 2020
Repair of expansion joints, including missing plate	Final work expected to begin in November 2019
Bilge repair and rust remediation	Supplemental Maintenance Plan expected to be in place before 2020.  Work has commenced and is expected to be completed before Q2 of 2020.
Side shell and lifeboats	Scope of work and related

Item	Estimated Timetable
	proposal to be provided to City by 1 January 2020
General maintenance	Developing a program with the City's engineer to revise a base management plan by 1 January 2020

Upon receipt of UC's response, the City responded with two separate letters to UC dated 25 October 2019 by the same John Keisler.

The first letter clarified that the City's 1 October 2019 letter was merely a "formal request for information by the City" as part of the "normal practice of good lease management" and was "not a notification of default."

The second letter acknowledged UC's responses to the City's 1 October 2019 letter. In this letter, the City confirmed to UC that they had received the JAMA Report and bid Roberts Construction Inc., which "establish a plan to address these concerns." The City informed UC that it is meeting with a third-party expert marine engineering firm to review the submissions made by UC, that the "City is confident that Urban Commons has a plan in place to resolve the remaining structural issues identified in the Marine Survey" and that the City "values the continued progress Urban Commons has made to improve the structural integrity of the historic Queen Mary on behalf of the residents and visitors to Long Beach." Attached hereto as Exhibits 1 and 2 are the letters dated 25 October 2019 from the City of Long Beach.

The Marine Survey of the Queen Mary, dated 25 January 2017 by Simpson Gumpertz & Heger (the "**Marine Survey**") did not form the basis for the agreement between the City and UC regarding the cost of expected repairs to the Queen Mary. The Marine Survey is now more than two and a half years old and, as set forth in the response to Query 2, grossly overstated the nature, scope and cost of the repairs required at the Queen Mary.

Relying on the information set forth herein and the fact that no default has been identified under the ground lease with the City, the REIT Manager continues to believe that UC's productive relationship with the City will result in a successful plan for completing these repairs in a timely manner and consistent with the obligations under the Queen Mary ground lease.

**b. Implications to EH-REIT if UC Does Not Perform**

**Answer**

UC is not in default in performing its repair and maintenance obligations under the ground lease. If UC defaults, EH-REIT has a contractual right to perform these obligations. Even if a default should occur, EH-REIT's estimated liability is approximately US\$7 million and there are reserve mechanisms in the leases established to fund that expense.

**Discussion**

Under the master lease between the Eagle Queen Mary Subsidiary and an affiliate of UC (referred to collectively with UC as UC), UC is responsible for making the estimated up to US\$7 million of repairs referenced in the City of Long Beach 1 October 2019 letter. The REIT Manager also notes that the Queen Mary benefits from multiple capital reserve mechanisms to support continued investment in the ship.

In the event that UC failed to complete repairs to the Queen Mary as agreed with the City of Long Beach, the Eagle Queen Mary Subsidiary has the unequivocal right under its master lease to make the repairs and maintain the ship itself; however, UC would remain liable for this expense. Further, if UC fails to satisfy its repair and

maintenance obligations under its sublease, the Eagle Queen Mary Subsidiary has the unequivocal right to terminate the Queen Mary master lease and enter into a new master lease with another party.

In the event of a default under the Queen Mary ground lease (where both UC and the Eagle Queen Mary Subsidiary fail to perform their obligations under the ground lease), the City has the right to terminate the ground lease only after a 60 day cure period, or longer, if more time is reasonably necessary and the Eagle Queen Mary Subsidiary is working diligently to cure. Given this cure right and the existing capital reserve mechanisms that are available to support continued investment in the ship under the leases, the REIT Manager believes EH-REIT is well positioned to cure an event of default related to the repairs referenced by the City.

**c. Financial Impact to Eagle Hospitality Trust**

**Answer**

The REIT Manager does not expect there to be any material financial impact to EH-REIT. EH-REIT's exposure is estimated to be up to US\$7 million with respect to the repair items noted by the City.

**Discussion**

If UC does not fulfill the obligations under the ground lease, the Eagle Queen Mary Subsidiary's obligations would be to perform the estimated up to US\$7 million of repairs. There are capital reserve mechanisms established for this kind of work under the leases and, in any event, an estimated up to US\$7 million cost could be financed by EH-REIT. Accordingly, the REIT Manager does not believe it is likely that the Queen Mary ground lease would be terminated as a result of the need to address the repair items at the ship. Accordingly, the REIT Manager does not expect to incur any material adverse financial impact from EH-REIT's Queen Mary investment attributable to these existing repair and maintenance obligations.

**Query 2:**

We refer to the article dated 23 October 2019 entitled "Eagle Hospitality Trust could get wings clipped as key asset The Queen Mary sinks into disrepair" by The Edge Singapore. It was stated in the article that "Three years ago, Urban Commons is reported to have taken on the lease despite a marine survey that unveiled that the ship's deteriorating condition was "approaching the point of no return". According to that report, the total cost of ship repairs could range from US\$235 million (\$320 million) to US\$289 million. In addition, it estimated that the work would take approximately five years to complete, with some 75% of repairs deemed "urgent"."

Please quantify the total cost of ship repairs, provide further details on how this will affect the operations of the Trust, the implication on the impact of the valuation of The Queen Mary and how the Trust intends to finance such costs of repairs.

**REIT Manager's Response to Query 2:**

**Answer**

The REIT Manager believes that the Marine Survey's estimate of scope of work and costs was grossly inaccurate and does not reflect UC's actual obligations at the property. UC has been working with the City since 2016 to address any needed repairs. Presently, the City only requires repairs with respect to the noted items, which have a total estimated cost of up to US\$7 million, such items will be paid for by UC utilizing the multiple capital reserve mechanisms built into the leases. UC is working together with the City to address the noted items of work that the City expects to be done. UC expects these noted repair items to be completed within the next two years.

## Discussion

As stated in the response to Query 1, JAMA has confirmed that the “Queen Mary remains in excellent structural condition,” and the City has acknowledged receipt of UC’s 22 October 2019 response to their request and confirmed that it has not given a notice of default to the Eagle Queen Mary Subsidiary. The City and UC are presently working cooperatively together to address the estimated up to US\$7 million of repairs set forth in UC’s 22 October 2019 letter to the City. UC has multiple capital reserve mechanisms built into the leases to address the relatively minor list of repairs that are the current focus of the City and UC. The REIT Manager believes that UC should be able to utilize these capital reserve mechanisms to discharge its obligations to maintain the ship. Further, the current repair work is not expected to have any material adverse impact on the operations of the Queen Mary, and the ship remains operational and open to guests. Accordingly, the REIT Manager does not believe that these repair costs have any negative impact on its valuation of the Queen Mary.

In light of the JAMA Report, the naval architect’s letter regarding the JAMA Report, recent correspondence with the City, and UC’s own experience completing certain of the repairs noted in the Marine Survey at fractions of the costs estimated therein, the REIT Manager believes that the Marine Survey significantly misrepresents the nature, scope and amount of repairs required at the Queen Mary. For example, the Marine Survey estimated the total cost for “urgent hull repairs” to be between US\$175,354,000 and US\$212,678,000. UC was in fact able to address substantially all of such urgent hull repairs at a cost of less than US\$1.1 million. The cost differential was attributable to a completely different scope of work and a more thorough and scientific analysis than the estimate for work purported to be required by the Marine Survey. The work required by the Marine Survey was determined not to be necessary and the repairs that were ultimately undertaken by UC were substantiated as appropriate from a structural and safety standpoint by JAMA and confirmed by R. Maddison CEng. MPhil, the naval architect. Regarding the JAMA Report prepared for UC before the IPO and which has been provided to the City, Shane Fitzgerald, SE, DBIA, partner at JAMA, informed UC as follows: “JAMA used a 3D finite element model (FEM) to accurately evaluate critical structural components of the ship which led to a nominal amount of steel plate reinforcements in the hull and tank tops, but overall and as a result of these structural upgrades, The Queen Mary remains in excellent structural condition.” The Marine Survey additionally included enormous amounts devoted to the soft costs of repairs: US\$88,019,000 to US\$119,069,000 of the total US\$235-289 million was attributable to soft costs, and an estimated contractor “dislocation” premium of up US\$21,315,000 to US\$24,715,000 was included in the Marine Survey’s estimate of hard construction costs. Based on the repairs done to date and the bids for future work that have been received there is no evidence that these extraordinary costs cited in the Marine Survey are required or representative.

For and on behalf of the Board

Salvatore G. Takoushian  
Chief Executive Officer

**Eagle Hospitality REIT Management Pte. Ltd.**  
(Company Registration No.: 201829789W)  
**as manager of Eagle Hospitality Real Estate Investment Trust**

**Eagle Hospitality Business Trust Management Pte. Ltd.**  
(Company Registration No.: 201829816K)  
**as trustee-manager of Eagle Hospitality Business Trust**

28 October 2019

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This announcement is not to be distributed or circulated outside of Singapore. Any failure to comply with this restriction may constitute a violation of the Securities Act or the applicable laws of other jurisdictions.

**Exhibit 1**

**Attached.**

— Via USPS and Email —

October 25, 2019

Taylor Woods  
Urban Commons Queensway, LLC  
10250 Constellation Blvd., Suite 1750  
Los Angeles, CA 90067

**Re: Request for Clarification**

Dear Mr. Woods,

The purpose of this letter is to provide a written response to your request for clarification regarding the status of the Amended and Restated Lease and Operations Agreement of Queen Mary, Adjacent Lands and Improvements, Dome and Queen's Marketplace (Lease No. 22697).

In its letter dated October 1<sup>st</sup>, the City requested Urban Commons to respond in writing within 30 days with a plan to address specific deficiencies described therein; and, that if the tenant failed to respond in writing within 30 days, it *may* be found in default per Section 14 of the Lease. To clarify, the letter dated October 1<sup>st</sup> is considered a formal request for information by the City and is not a notification of default. Formal documentation of issues between landlord and tenant is a normal practice of good lease management but does not establish default.

Additionally, I am happy to report that the City has received Urban Commons' written response to its October 1<sup>st</sup> letter and is currently reviewing the proposed plans to cure issues of concern. City staff will reach out shortly to schedule an in-person meeting to discuss next steps.

Thank you for your ongoing cooperation in this matter. The City values its partnership with Urban Commons to activate, maintain, and preserve the historic Queen Mary on behalf of the residents of Long Beach. Please do not hesitate to call me if you have any questions or need additional information or clarification.

Sincerely,



John Keisler  
Director of Economic Development  
City of Long Beach  
JK:JMV:LCC

cc: Thomas B. Modica, Acting City Manager  
Richard F. Anthony, Deputy City Attorney



**Exhibit 2**

**Attached.**

— Via USPS and Email —

October 25, 2019

Taylor Woods  
Urban Commons Queensway, LLC  
10250 Constellation Blvd., Suite 1750  
Los Angeles, CA 90067

**Re: Resolution of Critical Issues**

Dear Mr. Woods,

In its letter dated October 1<sup>st</sup>, the City of Long Beach requested Urban Commons to respond in writing within 30 days with a plan to address specific concerns related to the structural safety of the historic Queen Mary. The purpose of this letter is to confirm receipt of the following reports from Urban Commons, which establish a plan to address these concerns:

- Engineering report from John A. Martin & Associates establishing the structural integrity of the hull and tank top; and
- Roberts Construction Inc. bid of \$4.8 million for side shell repair and life boat removal.

City staff are now meeting with a third-party expert marine engineering firm to: (a) independently confirm the condition of side shell, (b) review the scope of work and timing proposed by Roberts Construction Inc., and (c) verify the \$4.8 million cost estimate to conduct its work. The City is confident that Urban Commons now has a plan in place to resolve the remaining structural issues identified in the Marine Survey and will schedule a meeting with Urban Commons staff once its analysis is complete.

The City values the continued progress Urban Commons has made to improve the structural integrity of the historic Queen Mary on behalf of the residents and visitors to Long Beach. Please do not hesitate to call me at my office (562) 570-5282 if you have any questions or need additional information.

Sincerely,



John Keisler  
Director of Economic Development  
City of Long Beach

cc: Thomas B. Modica, Acting City Manager  
Richard F. Anthony, Deputy City Attorney

