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SUPERIOR COURT OF THE STATE OF CALIFORNIA
 FOR THE COUNTY OF LOS ANGELES – CENTRAL DISTRICT

Paul Hwee, an individual,

Plaintiff,

v.

URBAN COMMONS LLC, a Delaware Limited Liability Company; TAYLOR WOODS, an individual; HOWARD WU, an individual; and DOES 1 to 100, inclusive,

Defendants.

CASE NO.: 21STCV13598

Assigned For All Purposes:

Judge:

Department:

COMPLAINT FOR COMPENSATORY DAMAGES FOR:

- (1) BREACH OF WRITTEN CONTRACT – LLC AGREEMENTS;
- (2) BREACH OF FIDUCIARY DUTY – LLC AGREEMENTS; AND
- (3) CONVERSION

DEMAND FOR JURY TRIAL

1 **PARTIES**

2 1. Plaintiff PAUL HWEE (“PLAINTIFF”) is an individual who resides at 1395
3 Shenandoah Road, San Marino, California and resided at such address during all relevant times
4 described herein.

5
6 2. Defendant Urban Commons, LLC (“UBC”) is a Delaware limited liability
7 company authorized to do business and doing business in California with an office at 10250
8 Constellation Blvd, Suite 1750, Los Angeles, California.

9
10 3. Upon information and belief, Defendant TAYLOR WOODS (“WOODS”) is an
11 individual who resides at 826 Emerald Bay, Laguna Beach, California and resided at such address
12 during all relevant times described herein.

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14 4. Upon information and belief, Defendant HOWARD WU (“WU”) is an individual
15 who resides at 14635 Whitfield Avenue, Pacific Palisades, California and resided at such address
16 during all relevant times described herein.

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18 5. Defendant Does 1 through 100 are sued pursuant to the provisions of California
19 Code of Civil Procedure section 474. PLAINTIFF is unaware of the true names and identities of these
20 Defendants, and therefore, sues them by such fictitious names. PLAINTIFF is informed and believes,
21 and based thereon alleges, that each such fictitious Defendant is in some manner responsible for, or
22 participated in, or contributed to, the matters and things of which PLAINTIFF complains herein, and
23 has legal responsibilities therefore. Any reference herein to “Defendant” or “Defendants” includes
24 Does 1 through 100 and each of them. When the exact nature and identities of each such fictitious
25 Defendants are ascertained by PLAINTIFF, PLAINTIFF will amend this Complaint.

1 8. The LLCs owned various assets that were comprised mainly of hotels. The
2 assets held by each of the LLCs included:

- 3 1. Cordova – a 311 room hotel known as Sheraton;
- 4 2. Bayshore – a 110 room hotel known as Holiday Inn and a 110-room hotel
5 known as Comfort Inn;
- 6 3. HIDH – a 300-room hotel known as Holiday Inn;
- 7 4. RDH – a 400-room hotel known as Renaissance Hotel;
- 8 5. UCQ – a leasehold interest in the Queen Mary in Long Beach, California
9 including the 365-room hotel within the Queen Mary and the income
10 generated from such leasehold interest; a leasehold interest in the
11 Carnival cruise line terminal in Long Beach, California and the income
12 generated from such leasehold interest; and a leasehold interest in the
13 Spruce Goose Dome and related surface and structural parking and the
14 income generated from such leasehold interest.

15
16 9. The managing member of each of the LLCs is UBC.

17
18 10. PLAINTIFF is informed and believes that the managing members of UBC are
19 Defendants Wu and Woods. At all relevant times, Wu and Woods represented to PLAINTIFF that they
20 represented and controlled the LLCs as well as seven other hotels.

21
22 11. In order to induce PLAINTIFF to invest in the LLCs, UBC, Wu, and Woods
23 promised PLAINTIFF that they would structure each of the hotel and lease deals in a way that would
24 return PLAINTIFF's initial investment through a process of renovating and refinancing the assets and,
25 thereafter, generating cash through net rental income.

26
27 12. UBC, Wu, and Woods completed the hotel and lease deals and decided to sell all
28 the holdings as part of a package deal.

1 13. Between June 2017 and April 2018, UBC sent PLAINTIFF general information
2 about how they determined that the economy was negatively impacting the hospitality market and the
3 various hotel assets. During this time period, UBC had packaged PLAINTIFF’s LLCs with the assets
4 of 8 other entities also controlled by UBC, Wu, and Woods. All of the assets were part of a package
5 deal that was then sold to Eagle Hospitality Trust (“Eagle”).
6

7 14. UBC agreed to sell the assets of the LLCs to Eagle for a sales price of
8 \$315,625,000. To get approval for the sale, UBC sent Consent Solicitation Statements (“Consent
9 Solicitation”) to the members of the LLCs on or about April 9, 2018. The Consent Solicitation had an
10 expiration date of April 16, 2018 and sought the approval of the sale based on the following Sale
11 Prices:

- 12 1. \$72,125,000.00 in Urban Commons Cordova, LLC (“Cordova”);
 - 13 2. \$48,475,000.00 in Urban Commons Bayshore, LLC (“Bayshore”);
 - 14 3. \$35,600,000.00 in Urban Commons HIDH, LLC (“HIDH”);
 - 15 4. \$69,150,000.00 in Urban Commons RDH, LLC; (“RDH”) and
 - 16 5. \$90,275,000.00 in UCQ Holding, LLC (“UCQ”).
- 17

18 15. On or about April 12, 2018, PLAINTIFF sent an email to UBC, Wu, and Woods
19 seeking clarification of several statements in the Consent Solicitation. More specifically, PLAINTIFF
20 asked UBC, Wu, and Woods: (a) how they arrived at the selling price of the assets in the LLCs; (b) the
21 total of all transaction costs and who was responsible for payment of those costs; and (c) how the
22 proposed deferred payments to members of the LLCs would be calculated as well as the amount of the
23 payments. In addition, PLAINTIFF raised questions about the terms of a pledge agreement and what
24 were to happen if Eagle could not meet its payment obligations.

25
26 16. In an email sent on or about April 15, 2018, PLAINTIFF raised a concern that
27 the proposed sale prices of the LLCs were undervalued. Because UBC, Wu and Woods refused to
28 provide any appraisals upon which the sales prices were valued, it was apparent to PLAINTIFF that no

1 independent appraisals were obtained. PLAINTIFF further advised UBC, Wu, and Woods that the
2 deferred payment plan negotiated between UBC and Eagle was not beneficial to the members of the
3 LLCs. Aside from an artificially low sales price, the deferred payment plan created a significant
4 amount of risk for the members of the LLCs in the event Eagle could not make the deferred payments.
5 After receiving responses that were evasive and non-responsive, PLAINTIFF advised UBC, Wu, and
6 Woods that he would not sign the Consent Solicitation.

7
8 17. PLAINTIFF is informed and believes that a sufficient number of members in the
9 LLCs with voting rights signed the Consent Solicitation to allow UBC to move forward with the sale of
10 the assets in the LLCs to Eagle. However, it is unusual to note that 4 of the 5 LLCs closed escrow on
11 April 13, 2018 while PLAINTIFF was seeking information to confirm the validity of the sale prices and
12 terms with DEFENDANTS. The escrow closing document indicated that UCQ was closed on July 31,
13 2018.

14
15 18. Between April 13, 2018 through July 31, 2018, the sale of the assets in the LLCs
16 was reportedly completed based on the escrow closing documents.

17
18 **The Failure of DEFENDANTS To Pay PLAINTIFF What Was Owed**

19 19. The amount due PLAINTIFF from the sale of the assets in the LLCs was
20 \$1,913,921. Interest on that amount was also due as a result of the fact that payment of deferred
21 amounts was being made over time.

22
23 20. After the sale of the assets in the LLCs to Eagle closed in 2018, DEFENDANTS
24 distributed \$724,916 of principal to PLAINTIFF. This amount was less than half (38%) of the amount
25 due him. DEFENDANTS promised that Eagle would be remitting the balance shortly, but were never
26 transparent in terms of timing or amounts of further payments. This so concerned PLAINTIFF that he
27 repeatedly asked the DEFENDANTS for updates.

1 21. During 2019, DEFENDANTS continued to promise that additional payments
2 would be made to PLAINTIFF. In fact, DEFENDANTS distributed an additional \$787,061 of principal
3 to him after PLAINTIFF demanded to inspect UBC’s books and records on November 22, 2019.
4

5 22. During 2020, DEFENDANTS distributed an additional \$262,067 to PLAINTIFF.
6 However, DEFENDANTS were never clear on whether such payments were being applied to the
7 unpaid principal or the unpaid accrued interest due PLAINTIFF. Assuming the latter payment was
8 applied to principal, as of the end of 2020, DEFENDANTS had repaid \$1,774,044 of PLAINTIFF’s
9 \$1,913,921 investment leaving a principal balance of \$139,877 plus unpaid interest of \$19,273 through
10 December 31, 2020.
11

12 23. On October 6, 2020, DEFENDANTS informed PLAINTIFF that the buyer group
13 proposed paying off 50% of PLAINTIFF’s deferred proceeds that were still outstanding. Under the
14 terms of the proposed payout, 25% of such amount was to be in cash and the remaining 25% in stock.
15 No other details concerning the proposal were provided.
16

17 24. Subsequent to being told about the proposed payoff, PLAINTIFF requested that
18 DEFENDANTS provide an accounting of the balance due. Thereafter, on or about December 28, 2020,
19 Howard Caplan, Head of UBC Accounting Department, confirmed the request and provided the
20 accounting on the balance due amount.
21

22 25. PLAINTIFF pursued collection of the amount that he was owed. In response to
23 PLAINTIFF’s collection effort, DEFENDANTS disregarded the balance due PLAINTIFF and instead
24 began to claim that PLAINTIFF was “overpaid” under a purported covert “global settlement
25 arrangement”. PLAINTIFF was never provided with any details about, and never agreed to, any
26 “global settlement arrangement.”
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28

1 32. DEFENDANTS also substantially undervalued the assets in the LLCs that were
2 sold to Eagle. While PLAINTIFF requested the information to justify the asset valuations of the
3 properties in the LLCs being sold to Eagle, DEFENDANTS ignored his repeated requests. Instead,
4 they sent PLAINTIFF gloomy projections painting a very negative outlook for the hospitality market in
5 2018.

6
7 33. In recently reviewing public information made available by Eagle, including a
8 product highlights sheet and a prospectus, PLAINTIFF now knows that there was a massive
9 discrepancy between the sales price of the various assets in the LLC's and the valuation placed on those
10 very same assets by Eagle. The information published in Singapore by Eagle revealed valuations on
11 the assets of the PLAINTIFF's five LLCs in 2018 that were between 18% to 98% higher than the
12 reported sales price paid by Eagle to the LLCs in 2018.

13
14 34. By way of example, the reported sales price of assets of UCQ Holding, LLC –
15 one of the LLCs in which PLAINTIFF was a member – was \$90,775,000 as of July 31, 2018. Eagle,
16 however, valued the same asset at \$179,700,000 as of December 31, 2018 in its prospectus to
17 investors.¹ The approximately \$89,000,000 difference in valuation is inexplicable as the two valuations
18 are less than five months apart.

19
20 35. In addition, PLAINTIFF is informed and believes that the sales information
21 provided to him through the escrow closing statements were higher than the sales prices
22 DEFENDANTS reported to the IRS. For example, the UCQ Holding LLC transaction that reported a
23 sales price of \$90,775,000 in escrow closing statements, was reported as \$65,927,984 to the IRS. In all
24 five instances, the DEFENDANTS reported to the IRS sales amounts for the LLCs that were less than
25 reported in the escrow closing statements by between 5.5% to 27.4%. DEFENDANTS UBC, Woods,
26 and Woo have provided no explanation to PLAINTIFF of the discrepancies.

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¹ Valuation by Colliers International

- 1 (c) Failing to obtain fair market value of the assets in the LLCs that were sold to
2 Eagle resulting in an artificially low sales price;
3 (d) Failing to distribute the funds received from the sale of the assets in the LLCs
4 to the members in the LLCs, including PLAINTIFF.
5

6 47. By reason of the foregoing breaches of fiduciary duties, Woods, Wu, and Does
7 1-100 have caused PLAINTIFF to suffer damages according to proof at the time of trial in an amount in
8 excess of \$2.9 million.
9

10 48. The conduct of UBC, Woods, Wu, and Does 1-100 was fraudulent, malicious,
11 and oppressive, and therefore entitles PLAINTIFF to an award of punitive damages.
12

13 **THIRD CAUSE OF ACTION**

14 **(Conversion Against All DEFENDANTS.)**

15 49. PLAINTIFF repeats, realleges, and incorporates herein by reference each and
16 every allegation set forth in paragraphs 1- 49 above.
17

18 50. In 2018, UBC, Woods, Wu, and Does 1-100 caused the sale of the assets in the
19 LLCs to Eagle.
20

21 51. The sale proceeds were provided to the LLCs by Eagle and distribution of the
22 sales proceeds was then controlled by UBC, Woods, Wu, and Does 1-100.
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24 52. UBC, Woods, Wu, and Does 1-100 caused a portion of the sale proceeds to be
25 distributed but failed to distribute the full amount owed to PLAINTIFF.
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On the Third Cause of Action

1. For an award of compensatory damages according proof at the time of trial plus interest on all such amounts; and
2. For an award of punitive damages.

On All Causes of Action

1. For prejudgment interest as permitted by law;
2. For costs of suit; and
3. For such other and further relief as the Court may deem just and proper.

Dated: April 9, 2021

BURKHALTER KESSLER CLEMENT & GEORGE LLP

/s/ Keith E. Butler
Alton G. Burkhalter, Esq.
Keith E. Butler, Esq.
Attorneys for Plaintiff Paul Hwee

EXHIBIT “1”