MANULIFE US REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 27 March 2015 under the laws of the Republic of Singapore)

EXTRAORDINARY GENERAL MEETING ON 14 DECEMBER 2023

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS

Manulife US Real Estate Management Pte. Ltd., as manager of Manulife US Real Estate Investment Trust ("**Manulife US REIT**", and the manager of Manulife US REIT, the "**Manager**") refers to queries received from Unitholders as well as Securities Investors Association (Singapore) ("**SIAS**") in relation to the extraordinary general meeting of Manulife US REIT on 14 December 2023 (the "**EGM**") in connection with the restructuring of Manulife US REIT's existing facilities.

The Manager is providing its responses to these queries in the following Appendix. Unless otherwise defined herein, all capitalised terms used and not defined herein have the meanings ascribed to them in the Circular issued in connection with the EGM.

BY ORDER OF THE BOARD
William D. Gantt III
Chief Executive Officer

Manulife US Real Estate Management Pte. Ltd.
(Company Registration No. 201503253R)
As manager of Manulife US Real Estate Investment Trust

8 December 2023

Appendix

Q1. Prior to 29 November, the Manager did not provide unitholders with any details of how it will recapitalise the group. The proposed Sponsor-Lender Loan was announced on 29 November 2023, along with the 148-page circular. It seems to suggest that the Manager has in fact decided to take the sponsor loan from perhaps a month ago as all the nitty-gritty details of the sponsor loan was published right after the REIT announced the proposed Sponsor-Lender Loan. Did the Manager make an announcement as soon as possible to inform the market of this material development?

Response: The Sponsor-Lender Loan is part of the larger Recapitalisation Plan which involves various moving parts including the approval of the existing lenders, and this takes time. Until the terms were finalised, the Manager was not able to make any announcement on the details of the Recapitalisation Plan (including details of the Sponsor-Lender Loan). The Sponsor-Lender Loan agreement was entered into on 29 November 2023 and the announcement came out on 29 November 2023. It should be noted that as mentioned in the Circular and the announcement on 29 November 2023, the Manager has made the announcement of the Recapitalisation Plan notwithstanding that not all the 12 Lenders have obtained the necessary approvals in relation to the restructuring of the Existing Facilities as some Lenders are still in the process of obtaining their approvals, which evidences the Manager's intention to get the information out as soon as possible.

Q2. The Manager only disclosed the comprehensive details in a 148-page circular after the plan had been fully developed and finalised. By doing so, was there a significant risk of the proposed Recapitalisation Plan leaking, the potential establishment of a false market, and/or insider trading during this period? Did the Manager find the trading pattern to be unusual given that the unit traded as low as 4.9 cents in early November and as high as 10.5 cents before the plans were announced?

Response: During the period from October 2023 to early November 2023, Manulife US REIT's unit price was pressured amid rising U.S. Treasury yields and the absence of Lenders' negotiations update. On 2 November 2023, after the U.S. Federal Reserve announced that it would hold its benchmark overnight interest rate in the current 5.25%-5.50% range, all three Singapore-listed U.S. office REITs surged and continued to see their unit prices rally 68% to 110% over the next three weeks. Furthermore, on 3 November 2023, Manulife US REIT announced in its 3Q 2023 Operational Updates that it had assembled a Sponsor Package, the execution of which remained subject to approvals, following which on 6 November 2023, DBS also upgraded Manulife US REIT to "buy" with a target price of US$0.10. We believe these factors may have contributed to unit price volatility.

Q3. Mr Feliciano, you were recently redesignated as the non-executive, non-independent chairman of the Manager to replace Mr Stephen James Blewitt. Is there any link between the cessation and the proposed plan? More importantly, what roles did the directors, especially the independent directors, play in coming up with the proposal?

Response: Discussions with Lenders have been ongoing since the event of default was announced on 18 July 2023. Mr. Blewitt was Interim Chairman and was involved in the negotiations until 26 October 2023. Mr Blewitt ceased to be an employee of the Sponsor group as of 30 June 2023 but was asked by the Sponsor to stay on as the Non-Executive, Non-Independent Interim Chairman of the Manager for a transition period pending a replacement being identified.

Marc Feliciano, as the Sponsor's Global Head of Real Estate, was subsequently identified and then in normal course, upon receipt of approvals, took over from Mr. Blewitt the position as the Non-Executive, Non-Independent Chairman of the Manager. The directors, including the Independent Directors, were kept closely apprised of the development of the Recapitalisation Plan by the Manager throughout the relevant period, and in their weekly board meetings also provided their input and guidance to the restructuring. It should be noted that the board of directors (which includes the independent directors) held weekly meetings for over a year.

In addition, the Independent Directors have shown their support of the Recapitalisation Plan, evident from the fact that they have recommended that Unitholders vote in favour of Resolutions 1, 2 and 3. All the Independent Directors who hold Units will be voting at the EGM in favour of all three Resolutions.

Q4. Mr Gantt, apart from the divestment, the Sponsor is offering the REIT a six-year loan of US$137 million at an interest rate of 7.25% and an exit premium of up to 21.16%. For a loan of US$137 million, the REIT will pay the Sponsor as much as US$89.4 million. Why is the REIT paying the Sponsor an exit premium? An "exit premium" is unheard of in this part of the world.

Response: The Exit Premium is negotiated as a means of reducing the interest rate payable annually so as to help Manulife US REIT with its cashflows in the challenging near-term market conditions and in light of debt servicing obligations on the Existing Facilities. The exit premium is also graduated, i.e. it is lower if the loan is pre-paid earlier. To illustrate, the exit premium is 3.53% at the first-year anniversary versus 21.16% at the end of the six-year term. Manulife US REIT has the ability to prepay without penalty or yield maintenance, which is unusual with respect to fixed rate loans in the U.S.

As mentioned in paragraph 3.2(e) of the Letter to Unitholders in the Circular, the "Manager had reached out to external lenders, but new loans were not forthcoming. The Manager had also reached out to debt advisory firms to determine potential alternative sources of financing but was advised that credit was not available."

Paragraph 4(i)(a) of the Letter to Unitholders in the Circular also states that "Given the limited credit appetite for U.S. commercial real estate, the equivalent of a Sponsor-Lender Loan of US$137.0 million would have been very difficult to obtain in the open market from an arm's length third-party lender. Currently, there is limited debt funding available as origination volumes have declined year-on-year for the first half of 2023 by 67% and 81% for the commercial mortgage-backed securities lending market for all U.S. property types and the U.S. office sector, respectively."

As can be seen in paragraph 3.5.3 of the IFA Letter, based on an effective interest rate of 10% of the Sponsor-Lender Loan, it is on the low end of the range of interest rates of comparable debt instruments. It should be noted that the Sponsor-Lender Loan is provided by the Sponsor because there is a lack of funding from third-party lenders, especially to an entity which is currently in default of its loans. Accordingly, there is real Sponsor support embedded in both the Park Place acquisition and in the Sponsor's willingness to provide the Sponsor-Lender Loan on its terms.

Q5. **Given that the Manager is conflicted, how was the interest rate (and exit premium) negotiated? How did the Board ensure that the interests of unitholders are taken care of, and in fact, prioritised over those of the REIT Manager and the sponsor? Has the Manager prioritised the interests of unitholders over those of the REIT Manager and the sponsor?**

Response: See the response to Q4 relating to the Sponsor supporting the REIT with this loan as there are no third-party lenders and the effective interest rate is at the low end of the range of interest rates of comparable debt instruments as set out in paragraph 3.5.3 of the IFA Letter. Accordingly, there is real Sponsor support embedded in both the Park Place acquisition and in the Sponsor's willingness to provide the Sponsor-Lender Loan on its terms. The Manager has negotiated with the Sponsor on the terms of the Sponsor-Lender Loan including the interest rate, and the Manager (including the Board) has examined other comparable interest rates.

Given (i) the lack of availability of third-party lenders who are willing to lend to Manulife US REIT, (ii) the effective interest rate of 10% of the Sponsor-Lender Loan being on the low end of the range of interest rates of comparable debt instruments as set out in paragraph 3.5.3 of the IFA Letter, and (iii) the Sponsor's commitment to both acquire Park Place and provide the Sponsor-Lender Loan in the current circumstances, this evidences that the Manager and Sponsor have prioritised the interests of Unitholders. The Directors of the Manager, including the Independent Directors, came to the conclusion that the Recapitalisation Plan is the best possible solution to address the breach of financial covenants, provide immediate liquidity, and provide more time for Manulife US REIT to strengthen its portfolio.

Independent Directors comprise 4 out of the 5-member Board of Directors. In respect of any matters in which there may be a conflict of interest, the Chairman Mr. Marc Feliciano has and will recuse himself from discussions and decisions involving the issues of conflict and abstain from voting. In such matters, the quorum will comprise all the other Board members (excluding any interested Director).

Q6. **What are the challenges to a rights issue now? Even with a 9.8% cap on ownership, why can't the REIT carry out a rights issue where all unitholders have the rights to participate? Is the Manager concerned with the potential risk of losing control of the REIT?**

Response: As mentioned in paragraph 3.2(b) of the Letter to Unitholders in the Circular, "equity fund raising at the current Unit price will be difficult given Manulife US REIT's low market capitalisation. There are also considerations around banks' ability to underwrite any such equity fund raising given the Sponsor's Unitholding capped at 9.8%. For the same reason, while the Manager has explored the option of a further subscription of Units by the Sponsor, such option is not feasible due to Manulife US REIT's tax structure. Furthermore, equity markets are currently volatile due to macroeconomic uncertainties and high interest rates that may not be conducive for equity fund raisings." The Manager has structured the Recapitalisation Plan in a manner that would not at this moment require any capital injection from unitholders. The risk of relinquishing control of the REIT arising from a rights issue is not a reason for not launching a rights issue. In any event, a rights issue is to existing unitholders, and all unitholders including the Sponsor can participate.

Q7. **Mr Gantt, Park Place was recently acquired by the REIT at the end of 2021 for US$106 million. It is a fairly recent acquisition, one which the Manager hailed as the next phase of growth for MUST. It was supposed to fortify the portfolio and was said to be an accretive acquisition. The asset will now be sold to the sponsor at US$98.7 million. Even as late as December 2021, did the Manager under-estimate the extent of the REIT's problem? Did the Manager grossly misread the market? How is the Manager being held accountable for this mis-step that resulted in a loss of US$7.3 million and placed the REIT in further financial stress?**

Response: Park Place was acquired along with Tanasbourne and Diablo in December 2021 from unrelated third parties as part of our pivot strategy to high-growth sunbelt/magnet cities. Much has changed in the macroeconomic and geopolitical environment since December 2021. At that time, the 10-year US treasury was still just 1.52%, early signs of inflation were considered transitory, the global economy was considered healthy, and the geopolitical environment was stable. All of this changed over the course of 2022 and continued into 2023, for instance:

- The 10-year U.S. treasury climbed over 200 basis points during 2022 to end the year at 3.8%, but has moved even higher in 2023, hitting a peak of 4.9% in October 2023.

- Inflation soared in 2022, with the U.S. consumer price index peaking at an annual rate of 8.9% in June 2022 and averaging 7.9% for the year.
- In 2023, more cracks emerged in the U.S. financial system with the failure of banks such as Silicon Valley Bank.
- The geopolitical environment became increasingly unstable after the Russian invasion of Ukraine in 1Q 2022 and, more recently, the conflict in Israel.

These events have impacted the entire U.S. real estate market, including Manulife US REIT. U.S. office REIT unit prices declined 40% from December 2021 to December 2022 and, as of November 2023, are 52% below the December 2021 level. Additionally, the National Council of Real Estate Investment Fiduciaries (NCREIF) office valuation appreciation index has declined 22% from 4Q 2021 through 3Q 2023.

Based on the current market and financial condition of Manulife US REIT, the Manager believes the sale of Park Place to the Sponsor at the 30 June 2023 appraised value, being the higher of two independent appraisals, is in the best interests of unitholders as part of the Recapitalisation Plan. If anything, the fact that the Sponsor purchased Park Place and Tanasbourne affirms the quality of those properties. The Sponsor has provided meaningful support to Manulife US REIT but also has its own governance, shareholders and regulators to consider. These considerations only allowed them to acquire certain assets that met their portfolio construction needs.

Q8. Mr Gantt, what if I get a call from my members who are also Unitholders tomorrow and they say to me: "You know, David, we look at the proposed Recapitalisation Plan by Manulife US REIT. The sponsor seems to be kicking the can down the road again and is praying for a recovery two years down the road. In fact, they also want to take the last bite of whatever is left. They get paid 7.25% per annum on the loan. They even want an exit premium of up to 21.16%. Unitholders are told that there will be no distributions until 2026. The sponsor will continue in place even though their track record has been dismal for unitholders like us. We are already down 95% and have lost 6 figures. Can we trust them to deliver positive results from here? Or should unitholders reject this lop-sided plan and put the REIT into Chapter 11? We may even have more trust in the bankruptcy proceedings in the United States than this proposed Recapitalisation Plan." So, Mr Gantt, what can I say to my members? Should unitholders continue to trust the Manager when it appears that there is so much misalignment?

Response: The Manager believes that the Recapitalisation Plan is the best solution to address the breach of the financial covenant. As U.S. office transaction volumes remain sluggish and hampered by, among other things, limited financing options, it would not be in the best interests of Unitholders to conduct an expedited sale of Manulife US REIT's portfolio.

As mentioned in response 5 above, the Sponsor is supporting the REIT with this loan as there is no third-party lenders and the effective interest rate is at the low end of the range of interest rates of comparable debt instruments as set out in paragraph 3.5.3 of the IFA Letter. Accordingly, there is real Sponsor support embedded in both the Park Place acquisition and in the Sponsor's willingness to provide the Sponsor-Lender Loan on its terms. The current state of the U.S. market is not conducive for the sale of commercial real estate. Pursuing Chapter 11 or another bankruptcy or insolvency proceeding would provide more control to lenders at the expense of unitholders, and at this point would mean that the REIT would be selling assets at an extremely challenging time in the market, reducing unitholders' value.

As mentioned in the Circular, the execution of the Recapitalisation Plan and an expected stabilisation of the market environment in the next few years will allow the Manager to assess Manulife US REIT's capital requirements and also put Manulife US REIT on a more stable footing to execute its pivot strategy into assets that may (i) offer better return potential going forward; (ii) secure long-term tenant demand; and (iii) be less capital intensive. These in turn may potentially allow Manulife US REIT to resume distributions to Unitholders.

Q9. **Are unitholders asked to sacrifice while the Manager and the sponsor maintains status quo, or in fact, profit from this situation? What is the Manager giving up? What is the sponsor giving up?**

Response: The Sponsor is providing US$235.7 million of cash to Manulife US REIT through the acquisition of Park Place and the Sponsor-Lender Loan. In relation to Park Place, the Sponsor is acquiring at the higher of the two valuations and in relation to the Sponsor-Lender Loan, as mentioned in response 4 above, the Sponsor is supporting the REIT with this loan as there is no third-party lenders and the effective interest rate is at the low end of the range of interest rates of comparable debt instruments as set out in paragraph 3.5.3 of the IFA Letter. Accordingly, there is real Sponsor support embedded in both the Park Place acquisition and in the Sponsor's willingness to provide the Sponsor-Lender Loan on its terms. It should also be noted that the Sponsor is also the largest unitholder in Manulife US REIT and has faced the same diminution in the value of its holdings.

Furthermore, the Sponsor had also acquired Tanasbourne for US$33.5 million in April 2023 at the higher of two valuations of the property and waived its disposition fees for Tanasbourne. As mentioned in the Circular, the Manager has also waived its disposition fees for Park Place.

Lastly, Manulife US REIT's management fees in units for 2H 2022 and 1H 2023 have been accrued and are not paid yet. Also, as the REIT's distributable income has declined, base management fees have been reduced correspondingly. Both of these factors have impacted the Manager's funding, and the Sponsor has stepped in to fund operational shortfalls.

Q10. Why did Manulife US REIT's unit price plunge more than 40% after the trading halt was lifted? Was the market against the deal?

Response: The trading halt was lifted on 30 November 2023 and a total of 110 million units were traded on the same day, the highest daily trading volume in MUST's history. Our average trading volume per day is approximately 7.5 million units. The unit price plunged 43% and closed at US$0.052. Through checks with our top institutional investors and brokers, we noted that the reason for majority of the sell-down was short selling and intra-day trading. Based on feedback after our week-long roadshow, majority of our top 30 investors are supportive of our Recapitalisation Plan.

Q11. Can the management explain what concrete steps are being taken to raise its share price? Does Manulife US REIT have plans to buy back its shares to raise its share price?

Response: Manulife as the Sponsor is unable to hold more than the 9.8% due to compliance with U.S. tax rules for REITs, such as the "Closely Held Rule" and the "Related Party Rent Rule".

The Manager understands that the unit price performance has been distressing for investors, coming on the back of challenging U.S. office market conditions and the REIT's breach of financial covenants announced on 18 July 2023. As unit buy-backs have to be funded, to conserve cash for the operations of Manulife US REIT (including to be used for capital expenditure, debt repayment, and other working capital), it does not have any plans to buy back units at this point of time. The Manager believes that the Recapitalisation Plan will be the first step towards stabilising the REIT to pave the way for recovery and growth.

Q12. Given that the distributions under the proposed plan will be halted up until 31 December 2025, could management share what will happen to the income which would otherwise be distributed normally on a bi-annual basis from 1H 2023 up till 31 December 2025? Will it be accrued to be paid to unitholders upon resumption of distributions? Or will it be used to pay down debt, thereby lowering leverage and enabling an expedited way for resumption of distributions?

Response: The retained undistributed income will be used for capital expenditure, debt repayment, and other working capital.

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