

MANULIFE US REAL ESTATE INVESTMENT TRUST (“MUST”)

(Constituted in the Republic of Singapore pursuant to a
Trust Deed dated 27 March 2015 (as amended and restated))

MINUTES OF EXTRAORDINARY GENERAL MEETING

PLACE : Carlton Hotel Singapore
Empress Ballroom 5, Level 2
76 Bras Basah Road
Singapore 189558

DATE : Tuesday, 15 May 2018

TIME : 5.00 p.m.

PRESENT : Please see Attendance List attached hereto.

CHAIRMAN : Mr Hsieh Tsun-Yan

QUORUM

As a quorum was present, the Chairman of Manulife US Real Estate Management Pte. Ltd., Manager of MUST (the “**Manager**”) declared the Extraordinary General Meeting of MUST (“**EGM**”) opened at 5.00. p.m. and introduced the Directors and Management who were present at the meeting. Mr Kevin John Eric Adolphe, Non-Executive Director, extended his apologies for not being able to attend the EGM.

PRESENTATION BY CHIEF EXECUTIVE OFFICER (“CEO”) TO UNITHOLDERS

The CEO of the Manager, Ms Jill Smith, shared a short presentation on MUST’s proposed acquisitions of the following 2 office properties in United States at an aggregate purchase consideration of US\$387.0 million from an interested person, John Hancock Life Insurance Company (USA) (“**JHUSA**”).

- (i) 1750 Pennsylvania Avenue – a Class A office building located in the heart of Washington, D.C.’s CBD area, a block away from the White House; and
- (ii) Phipps Tower – a Trophy quality office located in the heart of Buckhead, one of the primary business districts of Atlanta.

Following the CEO’s presentation, the Chairman proceeded with the business of the EGM.

NOTICE

With the consent of the unitholders present, the Notice convening the meeting and the Circular dated 27 April 2018 was taken as read.

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INTRODUCTION

The Chairman informed the meeting that:

- (i) Mr Davy Lau, in his capacity as the Lead Independent Director of the Manager, had been appointed as proxy by unitholders and would be voting in accordance with their wishes;
- (ii) the resolution tabled at the EGM would be voted by way of poll (in accordance with the requirements of the Listing Rules of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”));
- (iii) the polling for the resolution would be conducted electronically via wireless handset and the voting would take place immediately after the motion had been duly proposed and seconded; and
- (iv) the Q&A session would be opened to the floor upon the motion had been proposed and seconded by the unitholders.

ORDINARY RESOLUTION:

THE PROPOSED ACQUISITION OF OFFICE PROPERTIES IN UNITED STATES AT AN AGGREGATE PURCHASE CONSIDERATION OF US\$387.0 MILLION FROM AN INTERESTED PERSON

The meeting noted that in the interest of good corporate governance, the Chairman would voluntarily abstain from voting on the Resolution and handed the chairing of the meeting proceedings to Mr Davy Lau.

The meeting noted that:

- (i) The Resolution was to seek unitholders’ approval on the proposed acquisition of the 2 office properties in the United States at an aggregate purchase consideration of US\$387.0 million from an interested person, JUHSA, an indirect, wholly-owned subsidiary of The Manufacturers Life Insurance Company (the “**Sponsor**”);
- (ii) Manager is a wholly-owned subsidiary of the Sponsor, and therefore the Sponsor would be considered as a controlling shareholder of the Manager under the SGX-ST’s Listing Rules and the Property Funds Appendix;
- (iii) JHUSA is an indirect, wholly-owned subsidiary of the Sponsor, it would be considered as an interested person and interested party of MUST under the SGX-ST’s Listing Rules and Property Funds Appendix respectively. Therefore the proposed acquisitions would be considered as interested person transactions under the SGX-ST’s Listing Rules and interested party transactions under the Property Funds Appendix, in respect of which the approval of Unitholders was required; and
- (iv) the details, rationale for and merits of the Acquisition were set out on Pages 7 to 22 of the Circular, and the text of the Resolution was set out on Pages F-1 and F-2 of the Circular.

The text of the Resolution as set out in the Notice of EGM was proposed by Mr Davy Lau and seconded by a unitholder/proxy.

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After dealing with questions from the unitholders, the motion was put to vote and the results of the poll for the Resolution were as follows:

FOR		AGAINST		TOTAL	
No. of Units	As a percentage of total no. of votes for the resolution (%)	No. of Units	As a percentage of total no. of votes against the resolution (%)	Total no. of units represented by votes for and against the resolution	As a percentage of total no. of votes for and against the resolution (%)
270,488,159	99.80	530,800	0.20	271,018,959	100.00

MUST had on 18 May 2018 announced a corrigendum to the results of the poll votes casted during the EGM held on 15 May 2018, a copy of the released announcement is annexed to these minutes as **Appendix A**.

Based on the results of the poll, the motion was declared carried by My Davy Lau and it was RESOLVED that:

“(a) approval be and is hereby given for the proposed acquisition of the following office properties:

- (i) Phipps Tower, the office building located at 3438 Peachtree Road, Atlanta, Georgia, from John Hancock Life Insurance Company (U.S.A) (“JHUSA”) (an indirect, wholly-owned subsidiary of The Manufacturers Life Insurance Company), on the terms and conditions set out in the sale and purchase agreement entered into between Hancock S-REIT ATL Phipps LLC, an indirect, wholly-owned subsidiary of Manulife US REIT and JHUSA; and
- (ii) the office building located at 1750 Pennsylvania Avenue NW, Washington, D.C. from JHUSA, on the terms and conditions set out in the sale and purchase agreement entered into between Hancock S-REIT DC 1750 LLC, an indirect, wholly-owned subsidiary of Manulife US REIT and JHUSA,

for an estimated aggregate purchase consideration of US\$387.0 million, on the basis set out in the Circular (the “Acquisitions”);

(b) approval be and is hereby given for the payment of all fees and expenses relating to the Acquisitions; and

(c) Manulife US Real Estate Management Pte. Ltd., as the manager of Manulife US REIT, (the “Manager”), any director of the Manager, and DBS Trustee Limited, in its capacity as the trustee of Manulife US REIT (the “Trustee”) be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interests of Manulife US REIT to give effect to the Acquisitions.”

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CONCLUSION

There being no other business, the Chairman declared the EGM of MUST closed at 6.10 p.m. and thanked everyone for their attendance.

**CONFIRMED AS TRUE RECORD
OF PROCEEDINGS HELD**

**HSIEH TSUN-YAN
CHAIRMAN**

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EXTRAORDINARY GENERAL MEETING

ATTENDANCE LIST

(Directors and Management)

PLACE : Carlton Hotel Singapore
Empress Ballroom 5, Level 2
76 Bras Basah Road
Singapore 189558

DATE : Tuesday, 15 May 2018

TIME : 5.00 p.m.

S/No.	Name	Position
1.	Hsieh Tsun-Yan	Chairman / Non-Executive Director
2.	Lau Chun Wah @ Davy Lau	Independent Non-Executive Director / Lead Independent Director
3.	Ho Chew Thim	Independent Non-Executive Director
4.	Veronica Julia McCann	Independent Non-Executive Director
5.	Dr Choo Kian Koon	Independent Non-Executive Director
6.	Michael Floyd Dommermuth	Non-Executive Director
7.	Jill Smith	Chief Executive Officer
8.	Jagjit Obhan	Chief Financial Officer
9.	Jennifer Schillaci	Chief Investment Officer
10.	Caroline Fong	Head of Investors Relations
11.	Choong Chia Yee	Financial Controller
12.	Daphne Chua	Head of Compliance

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SUMMARY OF QUESTIONS AND ANSWERS DEALT DURING EXTRAORDINARY GENERAL MEETING HELD ON TUESDAY, 15 MAY 2018 (the “EGM”)

Question 1 : How is MUST going to fund these acquisitions? We understand that MUST is considering a mix of bank loan facilities and equity funding. What kind of equity funding does MUST have in mind?

Response (Jagjit Obhan) : Management had provided illustrations for 2 funding scenarios in MUST’s Circular dated 27 April 2018:
 (i) Equity & Debt financing; and
 (ii) Combination of perpetual securities and Debt financing.

Management would decide on an appropriate funding mix that is in the best interest of the Unitholders.

Question 2 : Would it be rights Issue or placement, or both?

Response (Jagjit Obhan) : We will announce the details on the funding option in due course.

Question 3 : The main concern of Unitholders is to receive a constant pay-out of distribution per unit (“DPU”) on a quarterly basis from REITs. Frequent rights issue exercise by the REITs may not be in the best interest of the Unitholders, in particular, retirees, who are not financially-sound to participate in such rights issue exercise. MUST’s DPU had dropped compared to the last quarter and MUST should grow its DPU via organic expansion or Asset Enhancement Initiative (“AEI”).

Response (Jagjit Obhan) : Organically we had exceeded the forecast last year by growing the Net Property Income (“NPI”) and DPU. We are always focused on increasing both NPI and DPU in a sustainable manner. In terms of inorganic growth, we have provided a proforma demonstration of 2.3% for Plaza and 2.2% for Exchange, which equates to 4.5%, being accretive acquisitions.

Our buildings are at 95% occupancy which is above average in the United States. We continue to focus on driving value from existing portfolio through leasing and asset enhancement initiatives such as lobby renovations in Figueroa and Exchange. Our recent acquisitions will further fortify the portfolio by extending WALE and provide stability that Unitholders are looking for.

Question 4 : Page 18 of the Circular, regarding the acquisition of Phipps, can you explain more about the land tenure, is it leasehold in nature?

Response (Jennifer Schillaci) : It is leasehold but not leasehold in the traditional sense (e.g. in Asia). In order to encourage development, the State of Georgia offers a property tax relief for a stated period of time of 10 years. Manulife developers started building in 2010 so for the next 10 years, in order to continue enjoying the tax relief, they have to switch the title with the county. At the end of that 10 year period, the

title goes back to the owner at a cost of \$100. Hence in 2020, the building will become a freehold property, free of encumbrances, without any conditions imposed.

Question 5 : **On page B-15 of the Circular on 1750 Pennsylvania Avenue, it sits in the middle of two buildings, is this near the White House? Are there any future plans to rebuild the building and does the building have a strong lasting base?**

Response (Jennifer Schillaci) : Yes, the market is stable and the building has been there for a long time. There is a height restriction within the Capital, therefore no building can be taller than the Capital Building. The height shown on Page B-15 is the maximum height allowed. Unlike in Singapore where buildings are typically torn down for new buildings, here in the US there will be developments within the city but likely not to the extent of demolishing a building.

Question 6 : **On the first question on rights issue, I'm sure most Unitholders would prefer a rights issue vs a placement. Placement will still affect our DPU. Since we hold units and with a good acquisition, Unitholders should be prepared to take up the rights issue as it will be to our benefit.**

Response (Jagjit Obhan) : Thank you. We have noted your comment.

Question 7 : **Whether it is a rights issue or placement, our main goal is to achieve a higher DPU. Can you confirm that there will be no private placement?**

Response (Jagjit Obhan) : We are not able to disclose anything at the moment but we note your feedback and comment.

Question 8 : **On the total acquisition cost found on page 3 of the Circular, please elaborate on the breakdown of the cost for the estimated professional and other transaction fees totalling US\$9.0 million. Based on my calculations they total up to US\$12.0 million which is around 3% of the Total Purchase Consideration of US\$387.0 million. The fee of US\$9.0 million seems to be on the high side.**

Response (Jagjit Obhan) : The fee of US\$9.0 million is broken down into 3 components:

- i. Underwriting Fees
For fund raising.
- ii. Acquisition Cost
When a buyer buys a building, land transfer tax is payable. It also includes title insurance to ensure the title is valid and safely transferred.
- iii. Legal / Professional Fees
We are paying for legal fees in Singapore and the United States. As this is a cross border transaction, we have to respect both jurisdictions. The other part of the cost is to arrange for debt.

Question 9 : **Further to my question, is the land transfer tax fixed cost or based on the ratio proportional to the purchase price?**

Response (Jagit Obhan) : It is based on the percentage of the purchase price. This also depends on which state we are buying the building from. In certain states, the seller absorbs the land transfer tax and vice versa. For one of our buildings, the seller absorbs the land transfer tax, for our other buildings, we do absorb the tax.

Question 10 : **On Page 29 of the Circular, it states that “On the pro forma basis, the debt leverage ratio of MUST as at 31 December 2017 would have increased from 33.7% to 36.2% after the Acquisitions and the issuance of the perpetual securities”. What are the implications of this statement?**

Response (Jagit Obhan) : From the feedback on our announcement, our investors would like to see the post-acquisition gearing to be reflected. This is showing that if we fund this acquisition with perpetuals, post-acquisition, the leverage ratio will increase to 36.2%.

Question 11 : **Would that mean that our liabilities will increase as well?**

Response (Jagit Obhan) : Yes, as you are funding it with perpetuals and bank loan. Bank loan adds to your leverage which is why there will be an increase.

Question 12 : **On page A-4 of the Circular and also as described in the video, the WALE (Weighted Average Lease Expiry) ranges from 4 to 8 years however in the video shown earlier, it ranges from 8 to 10 years. Can you elaborate on how this is calculated?**

Response (Jennifer Schillaci) : The years ranging from 4 to 8 years WALE refers to the WALE of our current portfolio. The WALE for the new assets will be 6.8 years for Penn and 10 years for Phipps.

Question 13 : **The capitalisation rates are mentioned in page D-18 of the Circular. What is the difference and implication between capitalisation rate and terminal capitalisation rate? Which method is more accurate?**

Response (Jennifer Schillaci) : Capitalisation rate is a year-one cap rate (i.e. net operating income divided by price). That is the Income Capitalisation method. Another method is the Discounted Cash Flow method where appraisers project 10 years of income and then present value the income. To capture the terminal value in subsequent years, appraisers take a terminal capitalisation rate and apply it to the final year of income to determine the perpetual amount then discount that full amount back to get the price. So it is the difference between the capitalisation rate today and the capitalisation rate in the next 10 years. Both methods are different in valuing properties and will differ depending on how the appraiser looks at it.

Question 14 : **Earlier you said that MUST is insured against terrorism and calamities but the risk of low occupancies and renewability for the new buildings are at stake. Will there be any pay-out guaranteed to the Unitholders should any of these issues arise?**

Response (Jennifer Schillaci) : We have a comprehensive insurance programme that covers the entire portfolio. We do have adequate coverage for such calamities occurring, this is part of our larger Manulife portfolio. There will not be actual pay-out to the Unitholders but rather, we will be covered in the restoration and re-building of buildings.

Question 15 : **According to page 25 of the Circular, what is the difference between direct interest and deemed interest? Some has blanks in the deemed interest column – is this a good thing for the Unitholders?**

Response (Jagjit Obhan) : There is no impact to Unitholders. It is just stating whether substantial Unitholders are holding units directly in their names or whether it is a deemed interested held by other related entities, which they are interested in.

Question 16 : **What is the strategy of MUST, how many more buildings is MUST targeting to acquire over the next few years?**

Response (Jill Smith) : MUST aims to double its Assets Under Management (“AUM”) from US\$1.3 billion to US\$2.6 billion over the next 2 years, as and when opportunities arise. It was announced in MUST’s fourth quarter/full year Results announcement that MUST intends to grow and fortify its property portfolio, and to make it possible to provide a sustainable DPU to its Unitholders. That is MUST’s objective.

These two opportunities (to acquire Phipps and Penn) at an aggregate value of just under US\$400 million were now being presented to MUST. Management has no idea when there might be other sponsor opportunities or third party opportunities in future. We intend to grow MUST in a suitable and sustainable manner and will wait and see what is available in the market.

Question 17 : **Has the Company considered a capital gain? For example, if the buildings are making good returns, instead of acquiring more buildings, is there a possibility that you could sell them?**

Response (Jagjit Obhan) : Firstly, our objective is to provide a sustainable and stable DPU. If we sell those buildings, this would defeat the purpose of our portfolio of acquiring a building to provide DPU in a sustainable manner. If there is opportunity to “churn” the properties, we will consider selling but this is not our purpose.

Secondly, apart from focusing on the DPU growth, we also focus on the growth and increasing the valuation of our properties.

Since acquisition, our properties’ valuation had increased 8.7% due to net property performance and strong market fundamentals. We are very focused on capital gain and DPU growth.

Question 18 : **The reason to my question is that, if there is capital growth / capital gain, for the next acquisition you will not need rights issue or a private placement. You can use this gain for the acquisition instead?**

Response (Jagjit Obhan) : We do look at the impact of capital gain. However our portfolio is designed to provide stable income, rather than buying and selling of properties. We are buying solid properties so that we can derive stable income and stable DPU for Unitholders. We are not really in the “churning” business (i.e. buying and selling of properties).

Question 19 : **I appreciate the 2 buildings that MUST is putting up for acquisition and for acquiring good quality properties for its portfolio. I notice that for this acquisition, the rent is 12%-30% below market rent. The lease profile on pages 20 - 21 of the Circular shows that there are no upcoming rentals till 2020. What is the market looking for if it is a 7% coming up in 2020 and less than 1% in 2018 and 2019, we might not be able to capture that for the next two years, can you give some colour on this?**

Response (Jennifer Schillaci) : While we are looking at buildings and looking at a long WALE, the trade-off is to have the stability of income vs the ability to push market rents. We try to weigh the two factors to make sure they have the stability and also able to capture upsides. For this particular transaction, we are tilted towards the stability of income. However, among the majority of leases in our portfolio, there are rental escalations in the leases that will increase rent.

Question 20 : **What is the step-up percentage?**

Response (Jennifer Schillaci) : The annual average step-up percentage is about 2% and periodically is about 1.5%.

Question 21 : **If there is going to be a rights issue, there is no price indicated here. You are asking us to approve the acquisition without telling us whether it will be via a rights issue and if there is a rights issue, what is the price to buy in at? Please take note to indicate the pricing of the rights for your future EGMs. Therefore, please give us ample time to subscribe to the units if there is going to be a rights issue.**

Response (Jagjit Obhan) : Thank you, your feedback is noted.

Question 22 : **We hope that for the next acquisition it will not be through a private placement. As a Unitholder, we buy into your units in order to participate in the activities of the company. With private placement, we will be diluted.**

Response (Jagjit Obhan) : Thank you, we appreciate the suggestion.

Question 23 : **With the acquisition of these two buildings, what is the DPU accretion we are looking at after acquisition?**

Response (Jagjit Obhan) : For illustrative purposes provided, the numbers have been provided in the Circular for both scenarios. Perpetuals will be at 1.4% but the equity is lower. Whatever funding we choose, we will ensure that it is accretive to the Unitholders. We take your feedback seriously and will take them into account.

Question 24 : **We would like acquisitions to benefit us with DPU growth. As mentioned by others, the first quarter's DPU has dropped. It was mentioned that there are 2 buildings in the portfolio that has lower rental return. Is this temporary and if yes, how temporary is this?**

Response (Jagjit Obhan) : In normal course of business, there were lease expiries in the two buildings which we are working to lease it up. This is temporary and the rental income will increase as we lease up the property.

Question 25 : **The circular states DPU before rights issue and after rights issue, it is a bit confusing. The percentage differs with the calculation excluding the rights issue, why is this done?**

Response
(Jagjit Obhan)

We note your comment. The rationale for providing DPU before and after rights issue is for comparison purposes, so that Unitholders can do an “apple-to-apple” comparison. This quarter’s DPU is calculated based on the enlarged unit base, however, last year’s unit base was smaller. In order to compare the DPU with a large unit base against last year, we factored in the rights issue so that you can see what it would be after adjusting for the rights.

Question 26 : **If that’s the case, then it is important that the rights issue actually makes a difference in the DPU. If under a private placement, it will be a disadvantage to the Unitholders as it takes away their enjoyment of these units.**

Response
(Davy Lau)

: The CFO can answer your further questions after the EGM.

Question 27 : **For last year’s acquisition, there was an additional resolution pertaining to the fundraising – “non-renounceable rights issue”. However there is no such resolution this year for this acquisition. Whilst you are still working out on the details on fund raising, why not we postpone this EGM until the Board has considered the options of funding this acquisition?**

Response
(Jagjit Obhan)

: Last year’s acquisition had included the resolution pertaining to the rights issue because the size of the rights issue was larger than the room granted to us in the general mandate given by Unitholders at the previous AGM. We therefore had to go back to Unitholders to request for approval for the rights issue. This year, we still have room to issue equity under our general mandate.