Manulife US REIT

PRESS RELEASE

As at the date of the circular to holders of units in Manulife US Real Estate Investment Trust ("**MUST**", or the "**REIT**") (the "**Units**", and the holders of Units, the "**Unitholders**") dated 29 November 2023 (the "**Circular**"), Unitholders should note that not all the 12 lenders of MUST's existing loan facilities ("**Existing Facilities**", and the lenders of the Existing Facilities, the "**Lenders**") have obtained the necessary approvals in relation to the restructuring of the Existing Facilities and the waivers in relation to the breach based on the terms as set out in the Circular. The remaining Lenders who have not yet obtained the necessary approvals are still in the process of obtaining their internal approval based on their meeting schedules. In the event that any one of the remaining Lenders does not obtain internal approval, the new master restructuring agreement to be entered into by The Manufacturers Life Insurance Company (the "**Sponsor**"), the Sponsor-Lender (as defined herein), all Lenders and DBS Trustee Limited, as trustee of MUST (the "**Trustee**") (the "**Master Restructuring Agreement**") will not be entered into. In such a situation, the consensual loan restructuring based on the terms as set out in the Circular will not proceed, and the Lenders have the right to accelerate the payment of all of the loans immediately. While the Manager is currently targeting to obtain approval of all Lenders before the extraordinary general meeting of Unitholders (the "**EGM**") to be held on 14 December 2023 (Thursday) at 2.30 p.m. (Singapore time), there may be approvals that come in after the EGM. As at the date of the Circular, while no assurance can be given, nothing has come to the attention of the Manager that any of the Lenders have issues with executing the contemplated Master Restructuring Agreement.

Manulife US REIT seeks Unitholder support for recapitalisation plan to revitalise the REIT

- **Approximately US$285.0 million[1] of proceeds to pay down debt owed to Lenders on a pari passu basis through the US$98.7 million sale of Park Place to Sponsor, US$137.0 million Sponsor-Lender Loan and US$50.0 million of cash from MUST's own cash holdings**
- **Proposed Disposition Mandate to raise at least US$328.7 million through asset dispositions**
- **Half-yearly distributions continue to be halted till 31 December 2025, unless Early Reinstatement Conditions[2] are achieved**
- **Lenders to waive MUST's past and existing financial covenant breaches, extend all loan maturities by a year, and relax financial covenants**
- **Register here for the analyst and media briefing on 29 November 2023, 2.00 p.m.**

Singapore, [29 November 2023] – Manulife US REIT today announced a holistic funding plan put together by Manulife US Real Estate Management Pte. Ltd., the manager of MUST (the "**Manager**") (the "**Recapitalisation Plan**") to revitalise and reinforce the REIT. The Manager had in July 2023 announced that its first-half 2023 ("**1H 2023**") portfolio valuations had declined by 14.6%, or US$279.95 million, to US$1,633.55 million. This resulted in the REIT breaching a financial covenant in the Existing Facilities requiring the percentage of its consolidated total unencumbered debt to

[1] After taking into account the total divestment cost which comprises the estimated professional and other fees and expenses of approximately US$0.7 million incurred or to be incurred by MUST in connection with the Proposed Divestment.

[2] If (i) Consolidated Total Liabilities to Consolidated Deposited Properties is no more than 45%; or (ii) Consolidated Total Liabilities to Consolidated Deposited Properties is more than 45% but not more than 50%, and Interest Coverage Ratio is more than 2.5 times, and there are no potential events of default continuing for at least one financial quarter. Please refer to Paragraph 3.1 of the Letter to Unitholders in the Circular for more details.

consolidated total unencumbered assets (“**Unencumbered Gearing**")[3] to be not more than 60%.

Since then, the Manager, alongside the Sponsor, has engaged with the Lenders regarding the restructuring of the Existing Facilities and waivers in relation to the breach. Following heavy negotiations amongst the Manager, the Sponsor and the Lenders, the key terms for the waiver of the breach of the financial covenants and the restructuring of the Existing Facilities pursuant to the Recapitalisation Plan comprises:

a) Aggregate funding by the Sponsor of US$235.7 million via the proposed divestment of MUST’s property, Park Place[4], by MUST to an indirect wholly-owned subsidiary of the Sponsor, for US$98.7 million (the “**Proposed Divestment**”), and the proposed granting by the Sponsor or an affiliate (the “**Sponsor-Lender**”) of a six-year unsecured loan to MUST of US$137.0 million (the “**Sponsor-Lender Loan**”);
b) Utilisation of US$50.0 million from MUST’s own cash holdings; and
c) Raising minimum aggregate net sale proceeds of US$328.7 million from the asset dispositions pursuant to the adoption of a disposition mandate to authorise the Manager to dispose of existing properties held by MUST (the “**Disposition Mandate**”) to strengthen MUST’s balance sheet and create sufficient liquidity to fund essential capital expenditure (“**CapEx**”) for the next two years.

A Holistic Plan to Revitalise and Reinforce MUST

Under the Recapitalisation Plan and subject to the approval of Unitholders, the Sponsor will, through an indirect wholly-owned subsidiary, acquire Park Place for US$98.7 million pursuant to the Proposed Divestment, being the higher of two independent valuations obtained in June 2023 and October 2023; and the Sponsor-Lender will grant the Sponsor-Lender Loan to MUST of US$137.0 million. The Sponsor-Lender Loan will carry an interest rate of 7.25%, paid quarterly, with an exit premium of 21.16% upon maturity. Purely for illustrative purposes only, taking into account the exit premium, an effective interest rate[5] of approximately 10% per annum is derived. Together with US$50.0 million from MUST’s own cash holdings, US$98.0 million of proceeds from the Proposed Divestment and US$137.0 million from the Sponsor-Lender Loan, the aggregate US$285.0 million will be used in its entirety to repay outstanding debt owed to each Lender on a pari passu basis to provide liquidity relief.

In addition, as part of the terms of the Recapitalisation Plan and subject to the approval of Unitholders, the Manager is proposing the adoption of the Disposition Mandate to raise aggregate net sale proceeds of at least US$328.7 million through asset dispositions[6]. The Manager has classified certain assets in MUST’s portfolio in the following categories in terms of order of priority and focus for the Manager to execute asset dispositions pursuant to the Disposition Mandate. The

[3] For any measurement period (being a period of 12 months ending on the last day of each financial half-year of MUST).
[4] “**Park Place**” means the property known as Park Place located at 1650 & 1700 South Price Road, Chandler, Arizona, United States 85286.
[5] Effective interest rate is the rate that exactly discounts future cash payments through the tenor of the loan.
[6] On a cumulative basis, but for the avoidance of doubt, does not include the sale proceeds of US$98.7 million from the Proposed Divestment.

Manager took into consideration various factors in the portfolio analysis[7], including the occupancy risk, CapEx requirements and total return potential:

(i) **Tranche 1 Assets**: Centerpointe, Diablo, Figueroa and Penn (collectively, the "**Tranche 1 Assets**"), being assets identified by the Manager to be the key focus of the sale.
(ii) **Tranche 2 Assets**: Capitol, Exchange, Peachtree and Plaza (collectively, the "**Tranche 2 Assets**"), being assets which the Manager may explore selling.
(iii) **Tranche 3 Assets**: Phipps and Michelson (collectively, the "**Tranche 3 Assets**", and together with the Tranche 1 Assets and the Tranche 2 Assets, the "**Existing Properties**"), being assets which are not the focus of the sale, but the Manager may explore such sale of, if the situation and opportunity arise and such sale is beneficial to Unitholders.

The Disposition Mandate will reduce administrative time, inconvenience and expenses incurred for asset dispositions without the need for conducting an EGM for every individual asset disposition. It will also give the Manager a competitive edge as a seller in the U.S. office market and preserve long-term Unitholder value through a disciplined asset disposition process. At the same time, it will help to reposition MUST's portfolio, strengthen the quality of its remaining assets and allow for a swifter reduction of non-value-added CapEx and increase in liquidity.

Some key terms of the Disposition Mandate are as follows:

- An independent valuation will be commissioned by the Trustee before each asset disposition[8], and each of the Existing Properties are to be sold at no less than 90% of the independent valuation obtained.
- The Disposition Mandate will expire either by 31 December 2025; or when the aggregate net sale proceeds from the sale of any of the Existing Properties exceed US$328.7 million; or if the Early Reinstatement Conditions are achieved[9], whichever is earliest.

In addition to the above, as part of the terms of the Recapitalisation Plan, half-yearly distributions will continue to be halted until 31 December 2025. The distributions may resume during such period if the Early Reinstatement Conditions are achieved[9]. Proceeds from the asset dispositions and retained distributions will go towards repaying outstanding debt by maturity and funding CapEx.

Relaxation of Financial Covenants by Lenders

On the Lenders' front, they have agreed to waive all of MUST's past and existing breaches in the respective facility agreements (financial covenants, cross-default, etc.), extend all loan maturities of the Existing Facilities by one year, and permit a temporary relaxation of financial covenants up to the earlier of 31 December 2025 or if the Early Reinstatement Conditions are achieved. The Lenders will revise the Unencumbered Gearing and bank interest coverage ratio ("**Bank ICR**")[10] requirements from 60% to 80%, and from 2.0 times to 1.5 times, respectively. Post-recapitalisation, there will be

[7] Please refer to Paragraph 7.1 of the Letter to Unitholders in the Circular for more details on the Manager's portfolio analysis on the classification of the Existing Properties based on the identified factors.
[8] The independent valuations are to be dated no earlier than two months prior to the entry into the sale and purchase agreement for such asset.
[9] If (i) Consolidated Total Liabilities to Consolidated Deposited Properties is no more than 45%; or (ii) Consolidated Total Liabilities to Consolidated Deposited Properties is more than 45% but not more than 50%, and Interest Coverage Ratio is more than 2.5 times, and there are no potential events of default continuing for at least one financial quarter. Please refer to Paragraph 3.1 of the Letter to Unitholders in the Circular for more details.
[10] The bank interest coverage ratio means the Ratio of Consolidated EBITDA to Consolidated Interest Expense.

no loans due in 2024, with the next loan tranche maturing in May 2025, and the weighted average debt maturity will increase from 2.3 years to 3.7 years[11].

In view of the continued headwinds in the U.S. office sector (as described below), the Recapitalisation Plan provides the Manager with a substantial runway of approximately 19 months until June 2025 to execute the sale of the Existing Properties, while the relaxation of financial covenants up until end-2025 also allows the Manager to fully focus on optimising its portfolio during this period.

Best Possible Solution to Address Breach of Financial Covenants

MUST currently operates amidst challenging headwinds in the U.S. office sector, where post-COVID-19 work patterns continue to impact leasing demand and valuations have declined 21.1% year-on-year, according to the National Council of Real Estate Investment Fiduciaries ("**NCREIF**") Office Subindex as of the third quarter of 2023 ("**3Q 2023**")[12]. Rising interest rates have had a significant impact on MUST's aggregate leverage, while limited financing options have hampered the office transaction market, causing transaction volumes to fall by 69% in the first nine months of 2023[13].

In this climate, asset dispositions have been challenging due to the prevailing negative sentiment around the U.S. office sector and limited buyer access to credit financing. The Manager has attempted three asset sales since April 2022 which were halted due to interest rate hikes and limited credit financing which affected the potential buyers. Equity fund raising has also been difficult due to MUST's low market capitalisation and concerns around banks' ability to underwrite any equity fund raising in view of the Sponsor's unitholding in MUST being capped at 9.8% due to MUST's tax structure. Pertaining to strategic transactions, of the more than 40 parties engaged, a number of such parties continue to express interest but are awaiting the outcome of the Recapitalisation Plan. Potential mergers were considered, but they carried elevated execution risks and did not address MUST's high aggregate leverage. Finally, the Manager sought additional debt funding from external lenders, but found that new loans and credit were not available.

In view of the above, the Manager is of the view that the Recapitalisation Plan remains the best possible solution to address the breach of the financial covenants, as well as provide immediate liquidity and more time for MUST to strengthen its portfolio.

Rationale and Benefits of the Recapitalisation Plan

On a pro forma basis, assuming the completion of the Proposed Divestment, the Sponsor-Lender Loan and the disposal of the Tranche 1 Assets pursuant to the Disposition Mandate, based on MUST's latest 1H 2023 unaudited financial statements, gross borrowings will be reduced from US$1.02 billion[14] to US$654.5 million, while aggregate leverage will decline from 56.5% to 49.4%.

Mr Tripp Gantt, Chief Executive Officer of the Manager, said, "These successful negotiation outcomes demonstrate how instrumental the Sponsor's support has been in helping MUST to reach a common ground with the Lenders. Obtaining the Lenders' waiver of the breach of the financial covenants and execution of the Recapitalisation Plan will provide MUST with a longer runway all the way up to 2025. At the same time, the Disposition Mandate will provide MUST with flexibility, in order

[11] As at 30 September 2023.
[12] Source: NCREIF Property Index, as of 3Q 2023.
[13] Source: JLL Research Q3 2023 U.S. Office Outlook.
[14] For illustrative purposes, this includes the effect of the $9.0 million good faith debt repayment made in August 2023 from MUST's own cash holdings.

to maximise disposition proceeds to repay indebtedness and to fund CapEx to rejuvenate the remaining assets in the portfolio. The Recapitalisation Plan will also provide more clarity on the equity fund raising required to achieve the optimal aggregate leverage level, as well as pave the way for the REIT to eventually resume distributions and execute a pivot strategy. We would like to thank all our Unitholders for your patience and seek your support to vote for this holistic plan that will set the REIT on a sustainable growth path going forward."

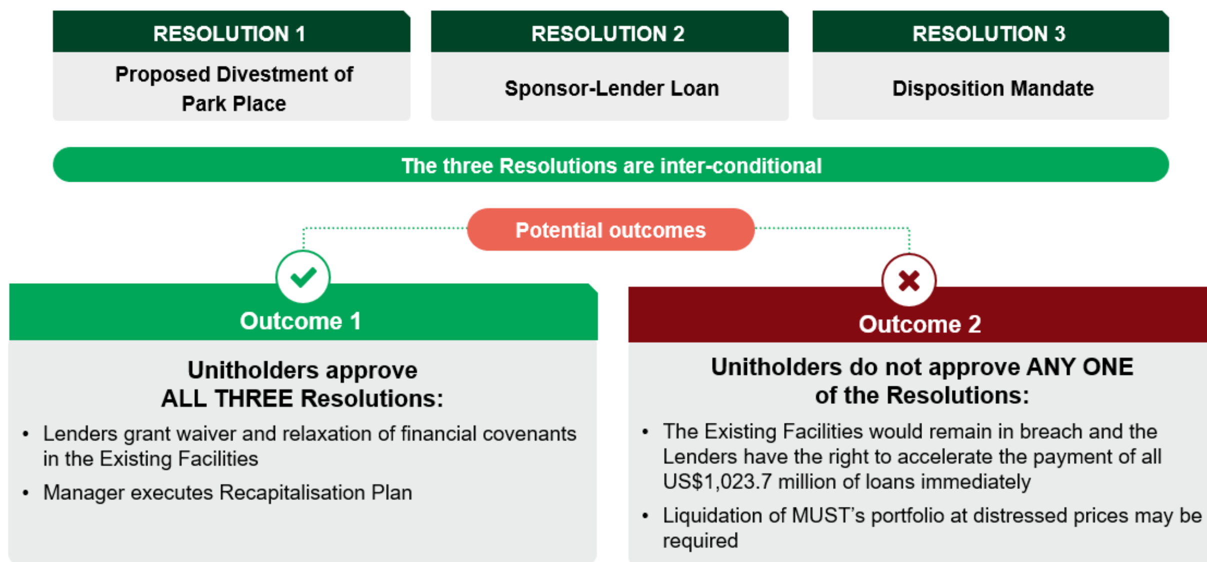
Unitholders' Approvals Required at EGM

MUST will be convening an EGM on 14 December 2023 (Thursday) at 2.30 p.m. (Singapore time) as outlined in the Circular. Unitholders will vote on the following three resolutions by way of Ordinary Resolution[15]:

(i) **Resolution 1**: the Proposed Divestment to the Sponsor;

(ii) **Resolution 2**: the proposed Sponsor-Lender Loan granted by the Sponsor-Lender; and

(iii) **Resolution 3**: the proposed adoption of the Disposition Mandate.



Unitholders should note that certain terms of the restructuring of the Existing Facilities (which includes the Lenders' waiver of the breach of the financial covenants) pursuant to the Recapitalisation Plan are conditional upon the approval of Unitholders of all three of the Resolutions. In the event that Unitholders do not approve any of the Resolutions, the Existing Facilities would remain in breach and the Lenders have the right to accelerate the payment of all US$1,023.7 million of loans immediately, effectively forcing an expedited liquidation of MUST's portfolio. This outcome would not be in the best interests of Unitholders.

The Manager has appointed Deloitte & Touche Corporate Finance Pte Ltd as the independent financial adviser ("**IFA**") pursuant to Rule 921(4)(a) of the Listing Manual of Singapore Exchange

[15] "**Ordinary Resolution**" means a resolution proposed and passed as such by a majority being greater than 50.0% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders convened in accordance with the provisions of the trust deed constituting MUST dated 27 March 2015, as amended, varied, supplemented and/or restated from time to time.

Securities Trading Limited to advise the independent directors of the Manager (the "**Independent Directors**"), the audit and risk committee of the Manager (the "**Audit and Risk Committee**"), and the Trustee in relation to the Sponsor-Lender Loan. Having considered the factors and the assumptions set out in the letter from the IFA to the Independent Directors, the Audit and Risk Committee and the Trustee, containing its advice in full (the "**IFA Letter**"), and subject to the qualifications set out therein[16], the IFA is of the opinion that the Sponsor-Lender Loan is on normal commercial terms and not prejudicial to the interests of MUST and its minority Unitholders, given the specific circumstances facing Manulife US REIT. Accordingly, based on (in respect of the Sponsor-Lender Loan) the opinion of the IFA and (in respect of the Proposed Divestment, the Sponsor-Lender Loan and the Disposition Mandate) the rationale and benefits of the Recapitalisation Plan to Unitholders[17], the Independent Directors have recommended that Unitholders vote in favour of all three Resolutions. All of the Independent Directors who hold Units will be voting at the EGM in favour of all three Resolutions.

Investors are invited to join the following briefings and dialogue sessions:

- Analyst and media briefing with a 'live' audio webcast on 29 November 2023 (Wednesday), 2.00 p.m. (Singapore time). To join the webcast, please register **here**.
- SIAS Dialogue (virtual) on 6 December 2023 (Wednesday), 12.00 p.m. (Singapore time). Please register **here**.

More details on the EGM can also be found by scanning the QR code below:

For queries, please contact:

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[16] Please refer to Appendix B of the Circular for a copy of the IFA Letter.
[17] As set out at paragraph 4 of the Letter to Unitholders in the Circular.

About Manulife US REIT

Manulife US Real Estate Investment Trust ("**Manulife US REIT**") is the first pure-play U.S. office REIT listed in Asia. It is a Singapore listed REIT established with the investment strategy principally to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the United States ("**U.S.**"), as well as real estate-related assets. Manulife US REIT's portfolio comprises 11 freehold office properties in Arizona, California, Georgia, New Jersey, Virginia and Washington D.C. The current portfolio has an aggregate net lettable area of 5.3 million sq ft and is valued at US$1.6 billion as at 30 June 2023.

About the Sponsor – The Manufacturers Life Insurance Company ("Manulife")

Manulife is part of a leading Canada-based financial services group with principal operations in Asia, Canada and the United States. The Sponsor operates as John Hancock in the U.S. and as Manulife in other parts of the world, providing a wide range of financial protection and wealth management products, such as life and health insurance, group retirement products, mutual funds and banking products. The Sponsor also provides asset management services to institutional customers. Manulife Financial Corporation is listed on the Toronto Stock Exchange, the New York Stock Exchange, the Hong Kong Stock Exchange and the Philippine Stock Exchange.

About the Manager – Manulife US Real Estate Management Pte. Ltd. (the "Manager")

The Manager is Manulife US Real Estate Management Pte. Ltd., an indirect wholly-owned subsidiary of the Sponsor. The Manager's key objectives are to provide Unitholders with regular and stable distributions and to achieve long-term growth in DPU and NAV per Unit, while maintaining an appropriate capital structure.

IMPORTANT NOTICE

This announcement is for information purposes only and does not constitute or form part of an offer, invitation or solicitation of any offer to purchase or subscribe for any securities of Manulife US REIT in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever. The value of units in Manulife US REIT ("**Units**") and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by the Manager, DBS Trustee Limited (as trustee of Manulife US REIT) or any of their respective affiliates.

An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Holders of Units ("**Unitholders**") have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. The past performance of Manulife US REIT is not necessarily indicative of the future performance of Manulife US REIT.