



October 25, 2024

Dear Voting Unitholders:

On behalf of the board of trustees (the "**REIT Board**") of Melcor Real Estate Investment Trust (the "**REIT**"), I am pleased to invite you to attend a special meeting ("**Meeting**") of the holders of units ("**Units**") and special voting units ("**SVUs**" and together with Units, the "**Voting Units**") of the REIT (collectively, "**Voting Unitholders**") to be held at the Windsor Room, Third Floor, Manulife Place, 10180 101st Street, Edmonton, Alberta, T5J 3V5, on November 26, 2024 at 9:30 a.m. (Edmonton time).

At the Meeting, you will be asked to vote on a special resolution approving the proposed plan of arrangement (the "**Arrangement**") under the *Business Corporations Act* (Alberta) involving the REIT, Melcor REIT GP Inc. (the "**GP**") and Melcor Developments Ltd. ("**Purchaser**" or "**MRD**"). Pursuant to the Arrangement, among other steps as described in the management information circular accompanying this letter (the "**Circular**"), (i) the Purchaser will acquire all issued and outstanding shares in the capital of the GP and all issued and outstanding Class A voting LP Units (each, a "**Class A LP Unit**") of Melcor REIT Limited Partnership (the "**Limited Partnership**") from the REIT, in consideration for an amount equal to \$4.95 per Class A LP Unit, and (ii) each outstanding Unit shall be redeemed by the REIT in consideration for a cash payment to holders of Units (the "**Unitholders**") equal to \$4.95 per Unit (the "**Consideration**"), less any Pre-Arrangement Distribution (as defined in the Circular), representing a premium of 46.0% to the REIT's closing Unit price of \$3.39 on September 12, 2024, the last trading day prior to the announcement of the Arrangement, and a 61.3% premium to the 30-day volume weighted average Unit price ending September 12, 2024. As part of the Arrangement, immediately prior to the foregoing steps, the REIT will make a special distribution to Unitholders in the form of additional Units, immediately followed by a consolidation so that each Unitholder shall hold the same number of Units as prior to the special distribution.

Additionally, on or about the closing of the Arrangement, the REIT will cause the redemption of, and the Purchaser will pay out in cash, all principal amount of the \$46.0 million of the REIT's 5.10% convertible unsecured subordinated debentures having a maturity date of December 31, 2024 (the "**Debentures**"), with the REIT paying any accrued but unpaid interest on the Debentures.

The REIT Board unanimously (with the exception of Mr. Andrew Melton, Ms. Naomi Stefura and Mr. Ralph Young, each of whom declared their interest in, or position as a director and/or officer of, the Purchaser and abstained from voting in respect thereof) recommends that Voting Unitholders vote FOR the proposed Arrangement by following the instructions by the deadlines described in the accompanying Circular and any instructions provided to you by your broker (if you hold your Units through an intermediary or investment account).

Reasons for the Recommendation

The REIT Board formed a committee of independent trustees (the "**Independent Committee**") to, among other things, evaluate the proposal received from the Purchaser and other alternatives available to the REIT, as well as direct and supervise the negotiations of the Arrangement with the benefit of financial and legal advice. The REIT Board, after careful consideration and acting on the unanimous recommendation of the Independent Committee after receiving legal and financial advice, the BMO Fairness Opinion, and the Ventum Formal Valuation and Fairness Opinion, has unanimously (with certain trustees abstaining) determined that the Arrangement is in the best interests of the REIT and its stakeholders, and is

recommending that Voting Unitholders vote **FOR** the Arrangement Resolution at the Meeting for the following reasons, among others:

- **Best Current Prospect for Maximizing Unitholder Value.** Based on the considerations described in this section and others, the Independent Committee and the REIT Board determined that the Arrangement was the best current prospect for maximizing Unitholder value.
- **Significant Premium to Market Price.** As of the date of the Arrangement Agreement, the Arrangement values the Units at an equivalent to \$4.95 per Unit (the "**Per Unit Consideration**"), which represents a premium of 46.0% to the September 12, 2024 closing price of the Units on the TSX (the last closing price prior to the announcement of the Arrangement) and a premium of 61.3% to the 30-day VWAP ending September 12, 2024.
- **Certainty of Value and Immediate Liquidity.** The Consideration to be received by Unitholders is payable entirely in cash and therefore provides Unitholders with certainty of value and immediate liquidity, and removes the risks associated with the REIT remaining an independent public entity, including challenges of operating assets in light of an increasingly difficult environment for Canadian office real estate assets as well as external factors such as macroeconomic factors, changes in interest rates, access to and pricing of debt and equity capital, capitalization rates, political conditions and capital markets conditions that are beyond the control of the REIT, the REIT Board and its management team.
- **Strategic Process and Review of Strategic Alternatives.** Prior to executing the Arrangement Agreement, the Independent Committee, with the assistance of its legal and financial advisors, undertook a comprehensive, publicly announced strategic review process over a period of approximately five months. The Independent Committee, with the assistance of its financial and legal advisors, and based upon their collective knowledge of the business, operations, financial condition, earnings and prospects of the REIT, as well as their collective knowledge of the current and prospective environment in which the REIT operates (including economic and market conditions), assessed the relative benefits, risks and potential timelines of various alternatives reasonably available to the REIT, including the continued execution of the REIT's strategic business plan and the possibility of soliciting other potential buyers of the REIT. As part of that evaluation process, the Independent Committee concluded that: (i) the Per Unit Consideration to be received by Unitholders is payable entirely in cash and represents compelling value relative to the continued execution of the REIT's strategic business plan; and (ii) it was unlikely that any other party would be willing to acquire the REIT on terms that were more favourable to Unitholders, from a financial point of view, than the Arrangement, and moreover, the Go-Shop Period provided such an opportunity, which did not yield any Superior Proposals or offers. The Independent Committee ultimately concluded that entering into the Arrangement Agreement with the Purchaser was the most favourable alternative reasonably available.
- **Viability, Liquidity and Capital Constraints.** Prior to executing the Arrangement Agreement and the Backstop Loan Agreement, the Independent Committee, with the assistance of its legal and financial advisors, conducted a careful review of the REIT's ability to remain a viable publicly traded real estate investment trust and the potential risks and impact on Unitholders related thereto. This analysis was conducted primarily on the current operating environment for office real estate characterized by declining market rents, increasing market vacancies, increasing operating and leasing costs to retain existing tenants or attract new tenants, specifically related to the REIT's office portfolio which comprises approximately 49% of the REIT's gross leasable area. These factors in combination with the REIT's limited existing liquidity profile, maturities of the REIT's Debentures, mortgages and credit facilities, as well as headwinds associated with accessing meaningful additional debt capital funding (apart from funds available to the REIT under the Backstop Loan Agreement) and headwinds associated with the REIT's ability to access the equity capital markets, led the Independent Committee to conclude there are material risks to the business. In addition, the REIT has had limited success in its efforts to sell properties publicly listed

for sale with real estate brokers throughout 2023 and 2024 (particularly with respect to its properties in Saskatchewan), adding to the risks associated with the REIT's ability to remain a viable publicly traded real estate investment trust. The REIT is currently under contract on one potential asset sale (with such contract still subject to a due diligence condition), and continues its normal course efforts to secure appropriate asset divestiture transactions in this challenging market. Such risks impose significant time and capital impediments to the REIT's ability to sustain Unitholder equity value, further exacerbated by the headwinds in the REIT's current operating environment.

- **No Prospects of Reinstating the REIT's Distribution in the Foreseeable Future.** As a result of the ongoing liquidity and capital constraints, the Independent Committee concluded that it was unlikely that the REIT could reinstitute distributions in the near to medium term.
- **Go-Shop Provision.** The Arrangement Agreement contains a "go shop" provision which allowed the REIT to solicit and engage in discussions and negotiations with respect to potential Acquisition Proposals for a period of 30 days following execution of the Arrangement Agreement and to enter into a superior proposal during the Go-Shop Period. During the Go-Shop Period, BMO Nesbitt Burns Inc. ("**BMO**"), the REIT's financial advisor, contacted 100 potential buyers and signed 14 confidentiality and standstill agreements with potential buyers that were subsequently granted access to non-public information about the REIT. The Go-Shop Period expired at 11:59 p.m. MT on October 15, 2024 with no superior proposal having been received.
- **Arm's Length Negotiation and Role of the Independent Committee.** The Arrangement is the result of a rigorous arm's length negotiation process that was undertaken between the Independent Committee and its experienced, qualified and independent financial and legal advisors, on the one hand, and the Purchaser and its advisors, on the other hand. The Independent Committee was and is composed entirely of independent trustees of the REIT Board who are free from any conflict of interest with respect to the Purchaser and REIT management.
- **The Consideration is Supported by an Independent Valuation and Fairness Opinions.** The value of the Consideration is in the range for the fair market value of the Units as concluded in the formal valuation delivered to the Independent Committee by Ventum Financial Corp. ("**Ventum**") dated September 12, 2024. The Ventum Formal Valuation sets out a range of \$3.50 to \$5.00 for the fair market value of each Unit. Accordingly, the value of the consideration of \$4.95 per Unit is well above the midpoint of the range for the fair market value of the Units. The Ventum Formal Valuation and Fairness Opinion was delivered on a fixed fee basis and no portion of the fees payable to Ventum are contingent upon the conclusions reached in the formal valuation or completion of the Arrangement. In addition, the Independent Committee receive a fairness opinion from each of BMO and Ventum that, as of the date thereof, and subject to the assumptions, limitations and qualifications set out therein, the Consideration of \$4.95 per Unit to be received by Unitholders pursuant to the Arrangement was fair, from a financial point of view, to Unitholders (other than the Purchaser and its affiliates).

A comprehensive discussion of the reasons for the Independent Committee's and the REIT Board's recommendations to vote **FOR** the Arrangement can be found under "*The Arrangement — Reasons for the Recommendation*" in the accompanying Circular.

The Arrangement is subject to certain Voting Unitholder and Court approvals, and is also subject to other customary conditions, which are described in the accompanying Circular, that must be satisfied or waived for the completion of the Arrangement to occur. If all of the conditions for the completion of the Arrangement are satisfied, we currently anticipate that closing will occur during the fourth quarter of 2024.

The accompanying Circular contains a detailed description of the Arrangement, certain risks associated with the Arrangement and other important information. Before deciding how to vote, you should read and carefully consider the information contained in the Circular and consult with your financial, legal, tax and other professional advisors. If the Arrangement is approved and completed, you must follow the instructions

described in the Circular, as well as any instructions provided by your broker, in order to receive the Consideration for your Units.

Your vote is important regardless of the number of Voting Units you own. Vote FOR the Arrangement today.

Voting Unitholders are urged to vote **FOR** the Arrangement well in advance of the proxy voting deadline, which is 9:30 a.m. (Edmonton time) on November 22, 2024, or not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Meeting or any adjournment thereof. If you hold your Units through an intermediary, such as a broker, investment dealer, bank, trust company, trustee, clearing agency or other nominee, your intermediary may require you to submit your vote at an earlier date and/or time. You can complete and return the enclosed form of proxy (or voting instruction form, if applicable) in a number of ways. Voting Unitholders who have questions or need assistance voting should contact: *Laurel Hill Advisory Group, which can be reached by telephone toll-free in North America at 1-877-452-7184 outside North America at +1 416-304-0211, or by email at assistance@laurelhill.com.*

Yours very truly,

(signed) "*Richard Kirby*"

Richard Kirby
Chair of the Independent Committee