

MEDIA RELEASE

for immediate distribution

Melcor Developments Ltd. to Acquire Melcor Real Estate Investment Trust for \$4.95 per Trust Unit

Edmonton, Alberta | September 12, 2024

- Melcor REIT Unitholders will receive \$4.95 in cash per Trust Unit
- The transaction represents a premium of 61.3% to the REIT's 30-day volume weighted average unit price on the TSX
- Melcor REIT's 5.10% convertible unsecured subordinated debentures, with a maturity date of December 31, 2024, will be paid out in cash upon closing of the Transaction
- The REIT will have a 30-day "go-shop" period during which it is permitted to solicit superior proposals
- The REIT's Board of Trustees unanimously recommends that Unitholders vote in favour of the transaction

Melcor Developments Ltd. ("Melcor" or the "Company") (TSX: MRD) and Melcor Real Estate Investment Trust ("Melcor REIT" or the "REIT") (TSX: MR.UN) today announced that they have entered into an arrangement agreement (the "Arrangement Agreement") under which Melcor will acquire its unowned equity interest (approximately 45%) in Melcor REIT Limited Partnership ("REIT LP") for \$4.95 per unit in cash consideration (the "REIT LP Sale"). Melcor's unowned equity interest in REIT LP comprises all REIT LP's outstanding Class A LP Units (approximately 13.0 million units). The REIT will use the proceeds from the REIT LP Sale to repurchase and cancel (collectively with the REIT LP Sale, the "Transaction") all of the REIT's outstanding participating trust units ("Trust Units").

Holders of Trust Units (the "REIT Unitholders") will receive \$4.95 per Trust Unit in cash (the "Consideration"), representing a premium of 46.0% to the REIT's closing unit price on September 12, 2024, the last trading day prior to the announcement of the Transaction, and a 61.3% premium to the 30-day volume weighted average unit price. Additionally, on or about the closing of the Transaction, Melcor will cause the redemption of, and will pay out in cash, all \$46.0 million (plus any accrued and unpaid interest) of the REIT's 5.10% convertible unsecured subordinated debentures having a maturity date of December 31, 2024 (the "Debentures").

The REIT's Board of Trustees (the "REIT Board"), based on the recommendation of a special committee of independent trustees of the REIT Board (the "REIT Independent Committee"), has unanimously recommended that unitholders (the "Unitholders") vote in favour of the Transaction. BMO Capital Markets, financial advisor to the REIT, and Ventum Financial Corp. ("Ventum Capital Markets"), independent financial advisor and independent valuator to the REIT Independent Committee, have each rendered fairness opinions to the effect that, as at September 12, 2024, subject to the assumptions and limitations described therein, the Consideration to be received by the REIT Unitholders pursuant to the Transaction is fair, from a financial point of view. In addition, Ventum Capital Markets delivered its independent formal valuation pursuant to which it concluded that, as at September 12, 2024, that, subject to the assumptions and limitations described therein, the fair market value of the Trust Units is in the range of \$3.50 to \$5.00 per Trust Unit.

Timothy Melton, Melcor's Executive Chair and Chief Executive Officer, commented: "On behalf of the Board of Directors, I advise Melcor's shareholders that the Company has entered into this significant and strategic transaction that will bring Melcor's income property portfolio back under Melcor's full ownership."

Richard Kirby, Trustee of the REIT and Chair of the REIT Independent Committee, commented: "Following an in-depth strategic review process, the REIT Independent Committee is pleased to announce this important transaction, which represents a 46.0% premium to the REIT's closing unit price on September 12, 2024 and maximizes value for REIT Unitholders."

Transaction Details

The Transaction is structured as a statutory plan of arrangement under the *Business Corporations Act* (Alberta). Completion of the Transaction, which is expected to occur in the fourth quarter of this year, is subject to customary closing conditions, including court approval and the approval of holders of Trust Units and Special Voting Units (as defined below), among others. The plan of arrangement will include a distribution by the REIT to REIT Unitholders of record immediately prior to closing in an amount equal to the REIT's estimate of its taxable income, including taxable income to be allocated from the REIT LP to the REIT, in its current taxation year. Such distribution will be payable by the issuance of additional Trust Units which will immediately be consolidated.

With respect to the redemption of the REIT's Debentures, Melcor, the REIT and the REIT LP have entered into a credit agreement (the "Backstop Loan Agreement") pursuant to which Melcor will loan to the REIT an amount sufficient to repay the principal amount of the outstanding Debentures on or before December 31, 2024 if the Transaction is not completed prior to December 17, 2024 (subject to certain prescribed exceptions). Any amount advanced under the Backstop Loan Agreement will bear interest at a rate of 12% per annum, payable semi-annually, and have a maturity date three years following the date of advance.

Pursuant to the Arrangement Agreement, the REIT will have a 30-day go-shop period that will extend from September 12, 2024 to October 14, 2024 (the "Go-Shop Period"), during which it is permitted to solicit third-party interest in submitting a proposal which is superior to the proposal made by Melcor. Melcor will have the right to match a superior proposal during and after the Go-Shop Period. There can be no assurance that the go-shop process will result in a superior proposal. If the REIT is successful in soliciting a superior proposal as a result of the go-shop process, there will be a fee payable to Melcor of \$2.9 million (a "Go-Shop Fee"). The Arrangement Agreement also includes customary provisions, including non-solicitation by the REIT of alternative transactions following the conclusion of the Go-Shop Period, and a \$5.8 million termination fee payable to Melcor under certain customary circumstances where a Go-Shop Fee is not otherwise payable.

Completion of the Transaction will be subject to various closing conditions, including the approval of at least (i) two-thirds (66 2/3%) of the votes cast by the REIT Unitholders and holders of special voting units of the REIT (the "Special Voting Units") present in person or represented by proxy at the special meeting to be called to approve the Transaction (the "Special Meeting"), voting as a single class (each holder of Trust Units and Special Voting Units being entitled to one vote per Trust Unit or Special Voting Unit, as applicable) and (ii) the majority of the holders of Trust Units present in person or represented by proxy at the Special Meeting, excluding the votes of Melcor, and any other unitholders whose votes are required to be excluded for the purposes of "minority approval" under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). Further details regarding the applicable voting requirements will be contained in a management information circular (the "Circular") to be filed with applicable regulatory

authorities and mailed to holders of Trust Units and Special Voting Units in connection with the Special Meeting to approve the Transaction.

Copies of the Arrangement Agreement and the Backstop Loan Agreement will be filed with Canadian securities regulators and will be available on the SEDAR+ profile of each of Melcor and the REIT at www.sedarplus.ca. In addition, a copy of the Circular will also be available on the REIT's SEDAR+ profile at www.sedarplus.ca. All parties desiring details with respect to the Transaction are urged to read those and other relevant materials when they become available.

Subject to and upon completion of the Transaction, the Trust Units and the Debentures will cease to be listed on the TSX.

Advisors

CIBC Capital Markets is acting as exclusive financial advisor to Melcor and Bryan and Company LLP is acting as legal counsel to Melcor. ATB Capital Markets is acting as strategic advisor to the independent committee of Melcor.

BMO Capital Markets is acting as exclusive financial advisor to the REIT and Ventum Capital Markets is acting as independent financial advisor and independent valuator to the REIT Independent Committee.

DLA Piper (Canada) LLP is acting as legal counsel to the REIT Independent Committee and legal counsel to the REIT in connection with the Transaction.

Melcor Early Warning Disclosure

Melcor currently owns 16,125,147 Special Voting Units of the REIT and 14,899,325 Class B LP Units of REIT LP (each of which is exchangeable for a Trust Unit). Such Special Voting Units and Class B LP Units together represent a 55.4% effective ownership interest in the REIT. Following the completion of the transaction, Melcor will have a 100% effective ownership interest in the REIT.

About Melcor Developments Ltd.

Melcor is a diversified real estate development and asset management company that transforms real estate from raw land through to high-quality finished product in both residential and commercial built form. Melcor develops and manages mixed-use residential communities, business and industrial parks, office buildings, retail commercial centres and golf courses. Melcor owns a well diversified portfolio of assets in Alberta, Saskatchewan, British Columbia, Arizona and Colorado.

Melcor has been focused on real estate since 1923. The company has built over 170 communities and commercial projects across Western Canada and today manages 4.79 million sf in commercial real estate assets and 460 residential rental units. Melcor is committed to building communities that enrich quality of life - communities where people live, work, shop and play.

Melcor's headquarters are located in Edmonton, Alberta, with regional offices throughout Alberta and in Kelowna, British Columbia and Phoenix, Arizona. Melcor has been a public company since 1968 and trades on the Toronto Stock Exchange (TSX:MRD).

About Melcor REIT

Melcor REIT is an unincorporated, open-ended real estate investment trust. Melcor REIT owns, acquires, manages and leases quality retail, office and industrial income-generating properties in western Canadian markets. Its portfolio is currently made up of interests in 37 properties representing approximately 3.12 million square feet of gross leasable area located across Alberta and in Regina, Saskatchewan; and Kelowna, British Columbia.

Forward Looking Statements

This news release includes forward-looking information within the meaning of applicable Canadian securities laws. In some cases, forward-looking information can be identified by the use of words such as “may”, “will”, “should”, “expect”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue”, and by discussions of strategies that involve risks and uncertainties, certain of which are beyond Melcor's and the REIT's control. In this news release, forward-looking information includes, among other things, statements relating to expectations with respect to the timing and outcome of the Transaction and the anticipated benefits of the Transaction to the parties and their respective security holders. The forward-looking information is based on certain key expectations and assumptions made by each of Melcor and the REIT, including with respect to the structure of the Transaction and all other statements that are not historical facts. The timing and completion of the Transaction is subject to customary closing conditions, termination rights and other risks and uncertainties including, without limitation, required regulatory, court, and unitholder approvals. Although management of each of Melcor and the REIT believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that any transaction, including the Transaction, will occur or that it will occur on the timetable or on the terms and conditions contemplated in this news release. The Transaction could be modified, restructured or terminated. Readers are cautioned not to place undue reliance on forward-looking information. Additional information on these and other factors that could affect Melcor and the REIT are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR+ website (www.sedarplus.ca).

By its nature, such forward-looking information necessarily involves known and unknown risks and uncertainties that may cause actual results, performance, prospects and opportunities in future periods of Melcor and the REIT to differ materially from those expressed or implied by such forward-looking statements. Furthermore, the forward-looking statements contained in this news release are made as of the date of this news release and neither Melcor, nor the REIT nor any other person assumes responsibility for the accuracy and completeness of any forward-looking information, and no one has any obligation to update or revise any forward-looking information, whether as a result of new information, future events or such other factors which affect this information, except as required by law.

Contact Information:

Investor Relations
Tel: 1.780-945-4795
ir@melcor.ca