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## PROPOSED ACQUISITION OF THE WESTPARK PORTFOLIO

### 1. INTRODUCTION

Keppel-KBS US REIT Management Pte. Ltd., in its capacity as manager of Keppel-KBS US Real Estate Investment Trust (“**Keppel-KBS US REIT**”, and the manager of Keppel-KBS US REIT, the “**Manager**”), is pleased to announce that Keppel-KBS US REIT, through its indirect wholly-owned subsidiary, Keppel-KBS Westpark, LLC (the “**KORE Buyer LLC**”), has entered into a purchase and sale agreement (the “**Purchase and Sale Agreement**”) with KBS SOR Westpark Portfolio, LLC (the “**Vendor**”) to acquire 21 buildings located at 8200 – 8644 154<sup>th</sup> Ave NE, Redmond, WA 98052 (the “**Westpark Portfolio**”) for an estimated aggregate purchase consideration of US\$169.4 million.

### 2. INFORMATION ON THE WESTPARK PORTFOLIO

The Westpark Portfolio consists of 21 buildings, totalling 781,966 square feet (“**sq ft**”) over 41 acres. Located adjacent to downtown Redmond, Washington, the Westpark Portfolio is well situated for tenants’ needs and provides access to the area’s numerous amenities. The Westpark Portfolio includes three clusters of buildings:

- Westpark Business Park, which encompasses 14 two-story office buildings totalling 583,524 sq ft;
- Redmond Center Court, which encompasses two industrial buildings totalling 77,510 sq ft; and
- Pacific Business and Technology Center, which encompasses five office buildings totalling 120,932 sq ft.

The Westpark Portfolio is situated on grounds in a park-like setting with easy access to State Route 520/Interstate 405 and in close proximity to Redmond Town Center and Microsoft World Headquarters. The portfolio is located close to downtown Redmond, Marymoor Park, and Redmond Town Center. It is positioned on easy transit routes and at close proximity to the Redmond Transit Center.

DBS Bank Ltd. was the sole financial adviser and issue manager for the initial public offering of Keppel-KBS US Real Estate Investment Trust (the “**Offering**”). DBS Bank Ltd., Citigroup Global Markets Singapore Pte. Ltd., Credit Suisse (Singapore) Limited and Merrill Lynch (Singapore) Pte. Ltd. were the joint bookrunners and underwriters for the Offering.

### **3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION**

#### **3.1 Purchase Consideration and Valuation**

The purchase consideration payable to the Vendor in connection with the acquisition of the Westpark Portfolio (the “**Acquisition**”) is US\$169.4 million (the “**Purchase Consideration**”). The Purchase Consideration was negotiated on a willing-buyer and willing-seller basis and is supported by independent valuations.

The Manager has commissioned an independent property valuer, Cushman & Wakefield of Washington, Inc. (“**Cushman**”), and Perpetual (Asia) Limited, in its capacity as trustee of Keppel-KBS US REIT (the “**Trustee**”), has commissioned another independent property valuer, JLL Valuation & Advisory Services, LLC (“**JLL**”, together with Cushman, the “**Independent Valuers**”), to value the Westpark Portfolio. Cushman in its report dated 22 August 2018, stated that the open market value of the Westpark Portfolio is US\$178.0 million (based on a sale comparison approach and income capitalisation approach) and JLL in its report dated 20 August 2018, stated that the open market value of the Westpark Portfolio is US\$181.4 million (based on a sale comparison approach, income capitalisation approach and a discounted cash flow method).

#### **3.2 Estimated Total Acquisition Cost**

The estimated total cost of the Acquisition is US\$175.7 million, comprising:

- (i) the Purchase Consideration of US\$169.4 million;
- (ii) the acquisition fee of US\$1.7 million payable in units of Keppel-KBS US REIT (“**Units**”) to the Manager (the “**Acquisition Fee Units**”); and
- (iii) the estimated professional and other fees and expenses incurred or to be incurred by Keppel-KBS US REIT in connection with the Acquisition (inclusive of debt financing related expenses) of approximately US\$4.6 million<sup>1</sup>.

#### **3.3 Establishment of Subsidiary**

In connection with the Acquisition, Keppel-KBS US REIT has established Keppel-KBS Westpark, LLC<sup>2</sup>.

#### **3.4 Purchase and Sale Agreement**

On 24 September 2018, the KORE Buyer LLC entered into the Purchase and Sale Agreement with the Vendor to acquire the Westpark Portfolio.

The principal terms of the Purchase and Sale Agreement include, among others, the following:

- (i) the Purchase and Sale Agreement is subject to conditions precedent, including but not limited to:

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<sup>1</sup> Such fees and expenses include debt issuance-related costs, due diligence costs, equity fund raising costs and acquisition costs such as legal expenses, expenses relating to the appointment of the independent financial advisor and other professional costs. The estimate of US\$4.6 million is based on the assumption that the Equity Fund Raising (as defined herein) comprises only a preferential offering of new units. If the Equity Fund Raising comprises a rights issue, the estimated expenses will be approximately US\$5.6 million, increasing total cost of the Acquisition to US\$176.7 million.

<sup>2</sup> Keppel-KBS Westpark, LLC has no paid up capital.

- (a) Keppel-KBS US REIT obtaining approval by holders of Units (“**Unitholders**”) for the Acquisition;
  - (b) the proceeds raised from an equity fund raising by Keppel-KBS US REIT in connection with the Acquisition (the “**Equity Fund Raising**”), together with funds received by the KORE Buyer LLC in connection with any financing in connection with the acquisition of the Westpark Portfolio, being sufficient to pay the Purchase Consideration (and other closing costs);
  - (c) the Vendor’s representations and warranties contained in the Purchase and Sale Agreement being true and correct in all material respects as of the date of the Purchase and Sale Agreement and as of the closing date; and
  - (d) the Vendor having performed its obligations under the Purchase and Sale Agreement;
- (ii) First American Title Insurance Company shall at closing have issued and delivered to the KORE Buyer LLC, or shall have committed to issue and deliver to the KORE Buyer LLC, with respect to the Westpark Portfolio, a title insurance insuring the KORE Buyer LLC as owner of good, marketable and indefeasible fee simple legal title to the Westpark Portfolio;
  - (iii) the Purchase and Sale Agreement conveys the Westpark Portfolio “AS IS, WHERE IS”. The KORE Buyer LLC’s right to make a claim as a result of a breach of a representation or covenant by the Vendor will be subject to certain limitations, including a maximum aggregate cap on damages of up to US\$2,500,000 and any claims shall be actionable and enforceable only if notice of such claim is given within 12 months after closing; and
  - (iv) the Vendor shall endeavour to secure and deliver to the KORE Buyer LLC by the closing date estoppel certificates for all of the leases, tenancy agreements and other similar occupancy agreements affecting the Westpark Portfolio as at the date of closing that the Vendor has an interest in (“**Leases**”), and the KORE Buyer LLC may terminate the Purchase and Sale Agreement if the Vendor fails to deliver to the KORE Buyer LLC estoppel certificates substantially in the form attached to the Purchase and Sale Agreement executed by tenants under Leases covering at least 70% of the leased rental floor area of the Westpark Portfolio.

### 3.5 Free Rent Arrangement

#### 3.5.1 Terms of the Free Rent Arrangement

On 10 August 2018, Oculus VR, Inc. (“**Oculus**”) entered into three leases in relation to the Westpark Portfolio (the “**New Leases with Free Rent**”). Oculus has not yet commenced paying rent per the terms of the New Leases with Free Rent.

The “**Free Rent Arrangement**” comprises two components:

- (i) **Period from Completion of Acquisition to Commencement of Lease:**  
Pursuant to the terms of the Purchase and Sale Agreement, the Vendor shall, from the date of closing of the Acquisition until the lease

commencement dates, pay to the KORE Buyer LLC an amount equal to the agreed rental under the New Leases with Free Rent. The total amount of rental payable is US\$145,390 (the “**Rent Shortfall Amount**”), with the major lease commencing in December 2018 and by May 2019 all the leases would have commenced. This amount is to compensate the KORE Buyer LLC for the period prior to the commencement of the leases.

- (ii) **Period after Commencement of Lease in Relation to Rent Free Period:** In addition, these New Leases with Free Rent each contains three months of rent free period, and pursuant to the terms of the Purchase and Sale Agreement, unless the Vendor buys out<sup>3</sup> the free rent from Oculus, the Vendor shall pay to the KORE Buyer LLC an amount equal to the agreed rental under the New Leases with Free Rent. The total amount of free rent is US\$463,058 (together with the Rent Shortfall Amount, the “**Relevant Amount**”). This amount is to compensate the KORE Buyer LLC for the period after the commencement of the leases during the rent free period of the leases.

### 3.5.2 Directors’ Opinion

The independent directors of the Manager (the “**Independent Directors**”) are of the view that the Free Rent Arrangement is on normal commercial terms and is not prejudicial to the interests of Keppel-KBS US REIT and its minority Unitholders as (i) the Relevant Amount is determined based on the actual rental to be paid under the New Leases with Free Rent and (ii) the Free Rent Arrangement is to cover the period where payment of the rental has yet to commence notwithstanding that the leases have been executed.

### 3.5.3 Independent Valuations

It should be noted that the independent valuations of the Westpark Portfolio do not take into account the Free Rent Arrangement.

## 3.6 Property Management Agreement and Leasing Services Agreement

Upon completion of the Acquisition, property management services in respect of the Westpark Portfolio will be performed by Transwestern Commercial Services Washington, LLC, which is a third party property manager.

The property manager is entitled to be paid the following fees in relation to the Westpark Portfolio:

- a property management fee of 1.5% of the gross revenue income of the Westpark Portfolio; and
- a construction supervision fees in connection with providing construction management services for certain construction projects with respect to the Westpark Portfolio as follows:

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<sup>3</sup> The term “buy out” refers to the Vendor negotiating with Oculus to vary the terms of the leases such that Oculus would pay rental when the leases commence and that there is no rent free period. For the avoidance of doubt, if the Vendor buys out the free rent, Oculus would start paying rent upon commencement of the leases but if the Vendor is not able to buy out the free rent, it would pay the amount of US\$463,058 (representing the total amount of rent payable during the rent free period) to Keppel-KBS US REIT.

<b>Cost of Improvements</b>	<b>Fee</b>
Up to US\$50,000	5% of total construction cost
US\$50,001 to US\$150,000	4% of total construction cost
US\$150,001 to US\$500,000	3% of total construction cost
US\$500,001 and greater	2% of total construction cost

Upon completion of the Acquisition, leasing services in respect of the Westpark Portfolio will be performed by Jones Lang LaSalle, Inc., which is a third party leasing agent.

The leasing agent is entitled to a leasing services commission for procuring leases with new tenants, which ranges from US\$0.50 to US\$1.00 per sq ft per year of the lease term for years 1 to 5 of the initial lease term and US\$0.25 to US\$0.50 per sq ft per year for years 6 to 10 of the lease term for the initial lease term.

#### **4. RATIONALE FOR AND BENEFITS OF THE ACQUISITION**

The Manager believes that the Acquisition will benefit Unitholders as follows:

##### **4.1 Unique opportunity to acquire a distinctive freehold portfolio**

###### **4.1.1 Attractive suburban business campus**

The Westpark Portfolio is a unique suburban business campus which consists of 21 low-rise buildings, with 781,966 sq ft of net leasable area, spread over a 41.3 acre freehold campus. The buildings are designed to cater for multiple business uses including office and flex. The campus is in a beautiful park-like setting, surrounded by green space and neighbourhood parks, which provide valuable outdoor amenities for tenants.



The Westpark Portfolio was constructed between 1987 and 1992, and underwent

extensive capital improvements following the Vendor's acquisition in February 2016. These projects include the conversion of underutilised space to an amenities centre, new signage and painting through the campus, the additional of a full-service restaurant/bar, the renovation of the common area landscape and the exterior refurbishment of some of the buildings.

The successful repositioning of the Westpark Portfolio has garnered strong leasing traction amongst technology and professional services companies and attracted higher quality tenants, including Oculus, a major technology tenant.

The Westpark Portfolio is divided into three clusters of buildings which cater to multiple business uses.

<b>Building cluster</b>	<b>Number of buildings</b>	<b>Net Leasable Area (sq ft)</b>	<b>Primary Use</b>
Westpark Business Park	14	583,524	Office
Redmond Center Court	2	77,510	Industrial
Pacific Business and Technology Center	5	120,932	Office
<b>Total</b>	<b>21</b>	<b>781,966</b>	
<b>Total Occupancy<sup>(1)</sup></b>	<b>97.7%</b>		

**Note:**

(1) The lease with Oculus was entered into on 10 August 2018. The occupancy rate is computed based on the assumption that the lease with Oculus was in place as at 30 June 2018.

The Westpark Portfolio is located in a cluster of suburban business campuses that are characterised by a significant quantity of high-technology and incubator office/warehouse space in addition to traditional office space. The suburban business campus layout provides its typical appeal and amenities which attract a wide variety of tenants involved in trade sectors such as technology, engineering, medical and healthcare, as well as professional services.

The ability to have office and complementary spaces such as technology development and flex spaces within one business campus increases the appeal to tenants looking to enter or expand their presence in the fast-growing submarket. The warehouse space within the Westpark Portfolio provides technology and professional services tenants who require storage for their equipment or inventory (e.g. technology-based self-training companies, purchasing and distribution businesses) as it provides them the convenience and facilitates distribution.

The acquisition of the Westpark Portfolio is in line with the Manager's strategy to acquire distinctive assets which cater to a diverse tenant profile and add resilience to the portfolio.

#### **4.1.2 Strategic location with good accessibility**

The Westpark Portfolio is strategically located in the Redmond submarket in the centre of Seattle's Eastside suburban office market, which is a choice location for internet and technology companies.

The property is located approximately 2.5 miles north of the Microsoft Corporation’s headquarters and benefits from this proximity as sub-contractors to Microsoft Corporation, technology companies, and companies supporting Microsoft Corporation’s operations prefer to be located near them. The Westpark Portfolio enjoys good accessibility to the key commercial areas in Seattle-Bellevue such as the CBDs in Bellevue and Seattle. The business campus site provides easy access to State Route 520, which is one of the major highways in the Seattle metropolitan area.

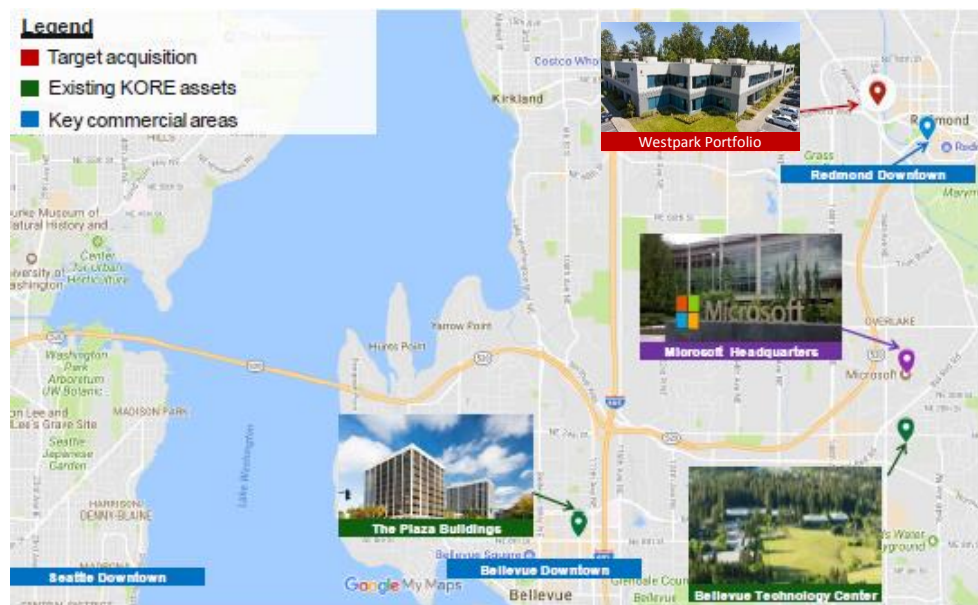
The proximity to Redmond and good access to major transportation corridors explain the diverse makeup of the area, being attractive to residents, employees and businesses.

**4.2 Strengthen presence in one of the strongest office markets and technology hubs in the U.S.**

**4.2.1 Deepen Keppel-KBS US REIT’s exposure to the high growth Seattle-Bellevue market**

The acquisition of the Westpark Portfolio will mark the third asset in Keppel-KBS US REIT’s portfolio in the Seattle-Tacoma-Bellevue Metropolitan Statistical Area (“Seattle MSA”), including the Plaza Buildings and Bellevue Technology Center.

**Proximity of the Westpark Portfolio to existing portfolio assets**



Adding the Westpark Portfolio to Keppel-KBS US REIT’s existing portfolio will allow Keppel-KBS US REIT to further capitalise on the positive leasing demand from the technology and professional services sectors, enjoy the continued rent growth in one of the strongest office markets in the U.S., as well as enhance Keppel-KBS US REIT’s exposure to the key growth sectors in the U.S.

#### **4.2.2 Benefit from the strong demand drivers of the Redmond submarket**

Redmond is a submarket within the Eastside office market in the Seattle MSA, which has benefitted from tremendous leasing demand in recent years due to the fast-growing technology sector, limited new high-quality office inventory, excellent retail and amenity base, and strong employment growth. Redmond's business friendly regime, which includes zero business tax to corporations, helps to attract companies from the high-technology industries into the market. The major presence of Microsoft Corporation and other established technology companies such as Nintendo of America helps to attract technology talents to move to this submarket, ensuring these companies of a strong and sizeable talent pool.

According to Cushman & Wakefield Western, Inc., the employment growth in the Seattle MSA continues to outpace the nation. The area experienced stronger than the average national employment growth rate between 2007 and 2017 and the growth is expected to remain strong going forward.

The Seattle MSA has positioned itself to be the fastest growing technology hub in the U.S. and has seen nearly an 11% increase in its share of tech-job openings in 2017 compared to 2016<sup>4</sup>, which far surpassed any other major technology hubs in the U.S.. Seattle MSA houses headquarters of several technology giants including Amazon, Nintendo (US) and Microsoft Corporation, which is located just 2.5 miles south of the Westpark Portfolio.

As one of the largest components of the nation's economy, contributing 9.2% of the U.S. GDP in 2017<sup>5</sup>, the rapid growth momentum of the technology sector will bode well for technological markets like Seattle MSA, whose office market has registered strong leasing demand due to aggressive growth plans by technology companies such as Amazon, Twitter and Facebook.

#### **4.2.3 Positive fundamentals for continued rental growth**

Overall vacancy rate in the Eastside Suburban office has seen a downward trend, contributed by improving economic conditions and strong employment growth. As at first quarter 2018, overall vacancy rate was at a low of 9.1%<sup>6</sup>, supported by strong leasing activity and a relative lack of speculative construction.

At the same time, asking rents in the Eastside Suburban market have historically exceeded that of other suburban office markets in the Seattle area. The overall average asking rent for space in the Eastside Suburban office market increased US\$0.90 per sq ft year-over-year and US\$0.34 per sq ft from the previous quarter to US\$32.59 per sq ft in first quarter 2018. The relatively low inventory of available office space and strong demand in the Seattle-Bellevue area should encourage asking rent growth in the near term, which may boost asking rents to surpass pre-recession highs.

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4 JLL Research

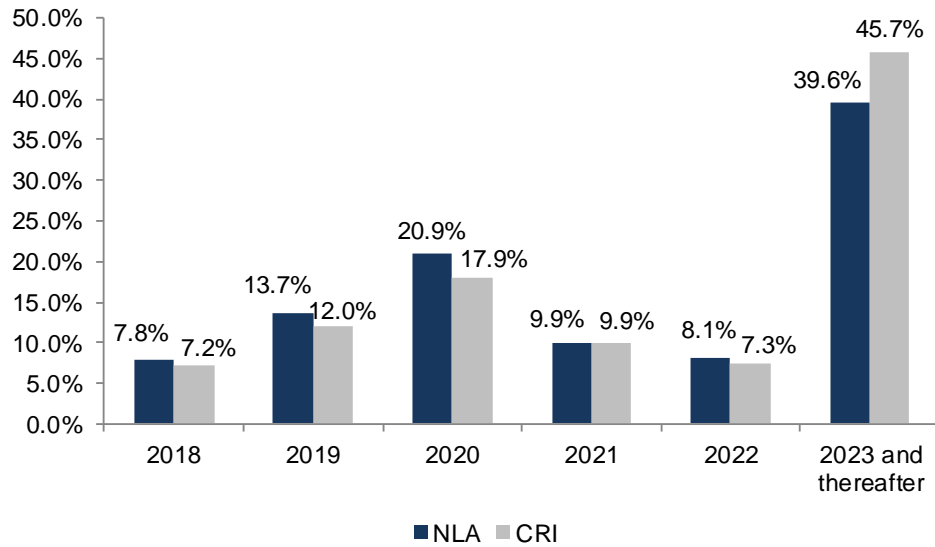
5 Source: CompTIA Research

6 According to Cushman & Wakefield Western, Inc.



The positive market conditions bode well for the Westpark Portfolio, which has a well-spread lease expiry that will allow the property to benefit from higher rental rates when current leases with lower rental rates are marked to market.

**Westpark Portfolio Lease Expiry Profile<sup>7</sup> (By Net Lettable Area (“NLA”) and Cash Rental Income (“CRI”))**



#### **4.3 Diversification of portfolio tenant base with increased exposure to the technology sector**

The Westpark Portfolio is leased to a diversified tenant base, concentrated mainly in the technology and professional services sectors. The relatively high number of tenants is due to the presence of technology start-ups and small and medium-sized enterprises, as well as boutique professional services firms operated by business owners residing in nearby residential neighbourhoods. Due to the diversified tenant base, there is limited tenant concentration within the Westpark Portfolio. The largest tenant of the Westpark Portfolio is Oculus, which will occupy approximately 12.6% of the total NLA. Oculus is an American technology company that specialises in virtual reality hardware and software products. It was founded in 2012 and was acquired by Facebook, Inc. in 2014 for approximately US\$2.3 billion.

Apart from Oculus which has committed to approximately 12.6% of Westpark Portfolio’s NLA, none of the remaining tenants lease more than 5.0% of Westpark Portfolio’s NLA or contribute more than 5.0% of Westpark Portfolio’s CRI.

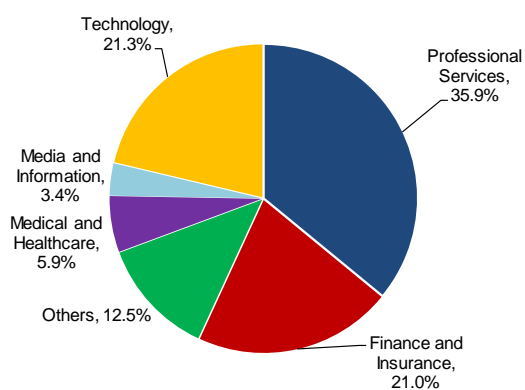
<sup>7</sup> Includes the leases with Oculus.

### Top 10 Tenants (by NLA) of the Westpark Portfolio

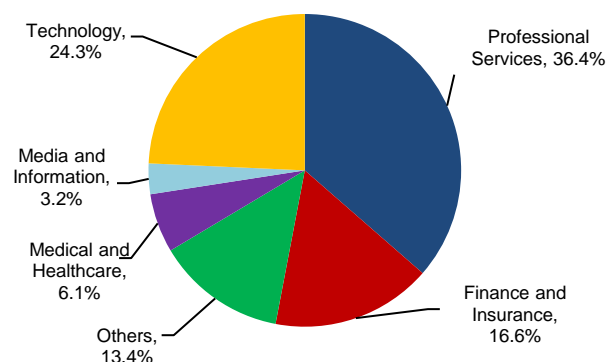
Tenant	Sector	Lease Term Remaining	% of NLA	% of CRI
Oculus VR, Inc.	Technology	7.3 years	12.6%	15.6%
Microsurgical Technology, Inc.	Medical and Healthcare	1.9 years	4.7%	3.4%
Helion Energy, Inc.	Technology	2.1 years	4.0%	3.2%
Echonous, Inc.	Technology	8.0 years	3.9%	4.6%
Micronics, Inc.	Medical and Healthcare	1.4 years	3.3%	3.4%
Wildlife Computers, Inc.	Technology	9.3 years	3.0%	3.6%
Seattle Aero, LLC	Engineering	3.6 years	2.8%	2.4%
Majiq, Inc.	Technology	6.6 years	2.7%	3.2%
Xtreme Consulting Group	Professional Services	1.8 years	2.7%	2.8%
Kone Inc.	Engineering	7.9 years	2.0%	1.9%
<b>Total</b>		<b>TOP 10 WALE (by NLA):</b> 5.3 years	<b>41.7%</b>	<b>44.1%</b>

Furthermore, the Acquisition will increase the exposure to the fast-growing technology sector in Keppel-KBS US REIT's portfolio from approximately 21.3% as at 30 June 2018 to approximately 24.3% by NLA following the completion of the Acquisition.

#### Existing Portfolio Tenant Base



#### Enlarged Portfolio Tenant Base



#### 4.4 Enlarged and diversified portfolio positioned for long term growth

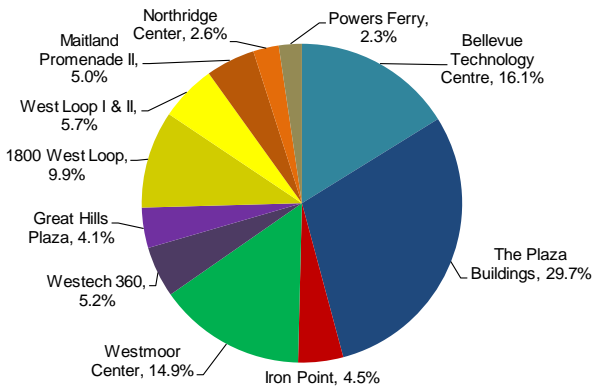
##### 4.4.1 Strengthen portfolio diversification

Upon completion of the Acquisition, Keppel-KBS US REIT's aggregate valuation will increase by 20.8% from US\$816.1 million to US\$985.5 million and NLA will increase by 24.2% from 3,225,739 sq ft to 4,007,705 sq ft.

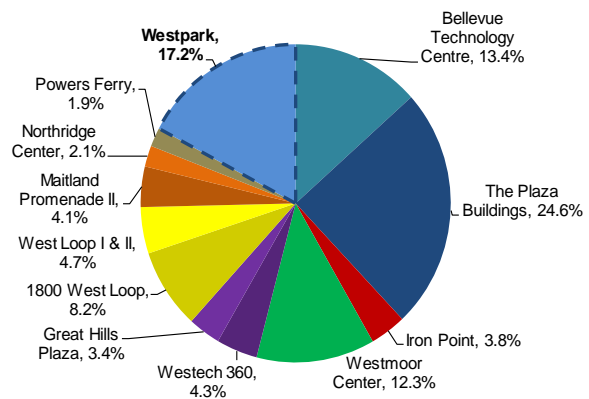
The Acquisition will allow Keppel-KBS US REIT to achieve diversification to its portfolio as it reduces the portfolio's largest asset exposure (based on valuation), the Plaza Buildings, from 29.7% to 24.6% and increases the number of tenants from 339 to 441.

Following the Acquisition, no single property will contribute more than 25.0% and 20.0% of Keppel-KBS US REIT's Enlarged Portfolio's valuation and CRI respectively.

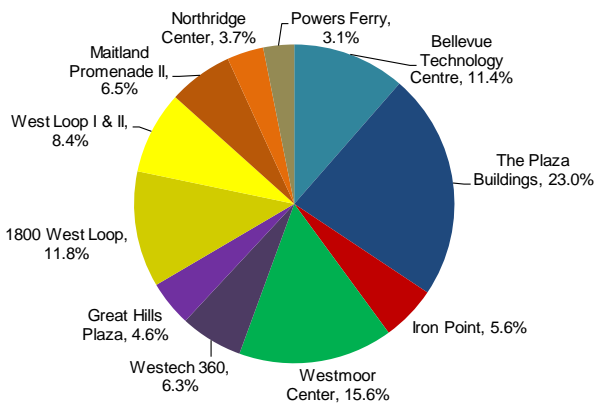
**Existing Portfolio by Valuation<sup>(1)</sup>**



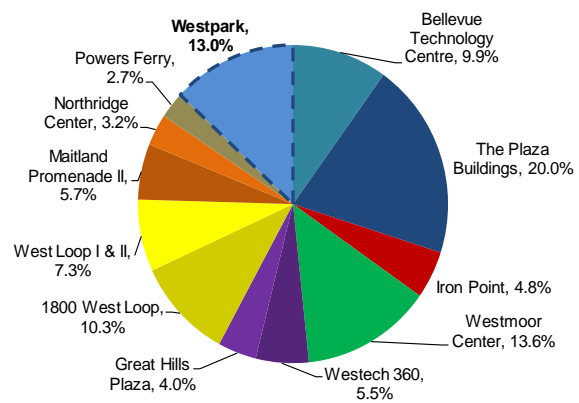
**Enlarged Portfolio by Valuation<sup>(1)</sup>**



**Existing Portfolio by CRI**



**Enlarged Portfolio by CRI**



**Note:**

(1) Valuation of the Existing Portfolio is based on the Unaudited Financial Statements (as defined herein). Valuation of the Westpark Portfolio is based on the Purchase Consideration of US\$169.4 million.

#### 4.4.2 Reduces concentration risk in the top ten tenants

After the Acquisition, the top 10 tenants' aggregate contribution to the portfolio's CRI for 30 June 2018 will decrease from 22.8% to 20.5% on a pro-forma basis.

The revised top 10 tenants for the enlarged portfolio would be as follows:

Tenant	Asset	% of CRI
Ball Aerospace & Tech Corp	Westmoor Center	3.0%
Oculus VR, Inc.	Westpark Portfolio	2.5%
Zimmer Biomet Spine, Inc.	Westmoor Center	2.5%
Unigard Insurance Company	Bellevue Technology Center	2.1%
US Bank National Association	The Plaza Buildings	2.0%
Blucora, Inc.	The Plaza Buildings	1.9%
Health Care Service Corp	1800 West Loop South	1.9%
Reed Group, Ltd.	Westmoor Center	1.7%
Regus PLC	Bellevue Technology Center	1.5%
Nintex USA, LLC	The Plaza Buildings	1.4%
	<b>Total:</b>	<b>20.5%</b>

#### 4.5 Accretive acquisition at discount to independent valuations

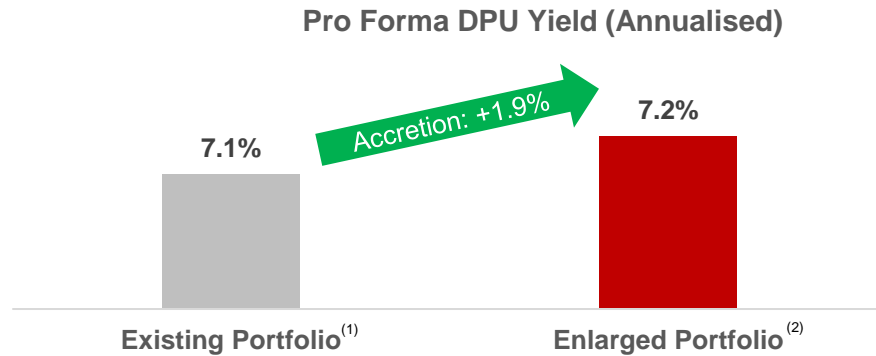
##### 4.5.1 Purchase price represents an attractive discount from appraised values

The agreed-upon purchase price of the Westpark Portfolio of US\$169.4 million represents a discount of approximately 4.8% to Cushman's aggregate valuation of US\$178.0 million and a discount of approximately 6.6% to JLL's aggregate valuation of US\$181.4 million. The acquisition of the Westpark Portfolio at an attractive discount from the independent appraised values represents good value for Unitholders.

##### 4.5.2 Accretive acquisition creating value for unitholders

Based on the proposed method of financing, the Acquisition is expected to be distributions per Unit ("DPU") yield accretive on a pro-forma basis. The chart below illustrates the pro forma impact on Keppel-KBS US REIT's annualised DPU yield for the period from 9 November 2017 (the date of listing of Keppel-KBS US REIT) to 30 June 2018 in relation to the Existing Portfolio and the Enlarged Portfolio respectively.

**For Illustration Purpose Only**



**Notes:**

- (1) Annualised DPU yield is computed based on the illustrative unit price of US\$0.84.
- (2) The calculation of annualised DPU yield assumes that (a) the Westpark Portfolio has a portfolio occupancy of 97.7% for the period between 9 November 2017 and 30 June 2018 and all leases, whether existing or committed as at the Latest Practicable Date (as defined herein), were in place since 9 November 2017, and (b) the Equity Fund Raising comprises only the Rights Issue (as defined herein), with an illustrative issue price of US\$0.59 to raise gross proceeds of approximately US\$102.3 million. Annualised DPU yield is estimated to be approximately 7.2% based on the illustrative theoretical ex-rights price of US\$0.7854. For illustrative purposes only, if the Equity Fund Raising comprises only the Preferential Offering, with an illustrative issue price of US\$0.78 to raise gross proceeds of approximately US\$101.3 million, annualised DPU yield is estimated to be approximately 7.2% based on the illustrative unit price of US\$0.84. Please refer to Section 6 Financial Information of the Acquisition for more details.

## **5. METHOD OF FINANCING**

The Manager intends to finance the Acquisition with the proceeds from the Equity Fund Raising, debt financing and internal cash resources.

The final decision regarding the proportion of the debt and equity to be employed to fund the Acquisition will be made by the Manager at the appropriate time, taking into account the then prevailing market conditions to provide overall DPU yield accretion to Unitholders while maintaining an optimum level of aggregate leverage.

### **5.1 Equity Fund Raising**

The structure and timing of the Equity Fund Raising have not been determined by the Manager.

If and when the Manager decides to undertake the Equity Fund Raising, the Equity Fund Raising may, at the Manager's absolute discretion and subject to the then prevailing market conditions, comprise:

- (i) a renounceable rights issue of New Units to the existing Unitholders on a pro rata basis (the "**Rights Issue**", and the New Units to be issued pursuant to the Rights Issue, the "**Rights Issue Units**");
- (ii) a non-renounceable preferential offering of New Units to the existing Unitholders on a pro rata basis (the "**Preferential Offering**", and the New Units to be issued pursuant to the Preferential Offering, the "**Preferential Offering Units**"); or
- (iii) both the Preferential Offering and a private placement of New Units to institutional

and other investors (the “**Private Placement**”, and the New Units to be issued pursuant to the Private Placement, the “**Private Placement Units**”), in which event the Preferential Offering will raise a portion of the proceeds, with the Private Placement raising the remaining amount.

It is anticipated that the New Units to be issued pursuant to any Equity Fund Raising that may be undertaken by the Manager (less the Preferential Offering Units or as the case may be the Rights Issue Units to be subscribed under the Undertakings (as defined herein)) will be underwritten by underwriter(s) subject to, among others, then prevailing market conditions.

The Manager will announce the details of the Equity Fund Raising (including details pertaining to the use of proceeds and percentage allocation for each use) on the SGXNET at the appropriate time when it launches the Equity Fund Raising in such structure and at such time as may be agreed with the underwriter(s).

## **5.2 Undertakings by Keppel Capital Investment Holdings Pte. Ltd. and KBS SOR Properties LLC**

To demonstrate its support for Keppel-KBS US REIT and the Equity Fund Raising, each of Keppel Capital Investment Holdings Pte. Ltd. and KBS SOR Properties LLC, which each owns an aggregate interest of approximately 6.97% of the total number of Units in issue as at the Latest Practicable Date, has irrevocably undertaken to the Manager on 23 September 2018 that, among other things, in the event that the Equity Fund Raising comprises the Preferential Offering or as the case may be the Rights Issue:

- (i) subject to any prohibitions or restrictions imposed by the relevant regulatory authorities (including the SGX-ST), it will accept, subscribe and pay in full for, its total provisional allotment of the Preferential Offering Units or the Rights Issue Units; and
- (ii) it will, in addition to paragraph (i) above, apply for, or procure the application of, such number of excess Preferential Offering Units or Rights Issue Units (the “**Excess Units**”), so that if each of Keppel Capital Investment Holdings Pte. Ltd. and KBS SOR Properties LLC are fully allotted the Excess Units, each of Keppel Capital Investment Holdings Pte. Ltd. and KBS SOR Properties LLC would maintain their percentage unitholding in Keppel-KBS US REIT at the level immediately prior to the Equity Fund Raising. For the avoidance of doubt, Keppel Capital Investment Holdings Pte. Ltd. and KBS SOR Properties LLC, among others, will rank last in the allocation of excess Preferential Offering Unit or Rights Issue Unit applications.

The Manager will, however, not be subscribing for its pro-rated share of the Preferential Offering Units or the Rights Issue Units in the event that the Equity Fund Raising comprises the Preferential Offering or as the case may be the Rights Issue.

## 6. FINANCIAL INFORMATION OF THE ACQUISITION

### 6.1 Pro Forma DPU

#### FOR ILLUSTRATIVE PURPOSE ONLY:

The pro forma financial effects of the Acquisition on Keppel-KBS US REIT's DPU for the financial period from 9 November to 30 June 2018, as if Keppel-KBS US REIT had purchased the Westpark Portfolio on 9 November 2017 (being the listing date of Keppel-KBS US REIT), and held and operated the Westpark Portfolio through to 30 June 2018 are as follows:

	Before the Acquisition	After the Acquisition <sup>(1)</sup>	
		Preferential Offering Scenario <sup>(2)</sup>	Rights Issue Scenario <sup>(3)</sup>
Distributable Income (US\$'000)	24,069	29,373 <sup>(4)</sup>	
Issued Units (million)	630.2 <sup>(5)</sup>	761.8 <sup>(6)</sup>	806.0 <sup>(7)</sup>
DPU (US cents)	3.82	3.86	3.64
Annualised DPU Yield (%)	7.1% <sup>(8)</sup>	7.2% <sup>(9)</sup>	7.2% <sup>(10)</sup>
Annualised DPU Yield based on Issue Price (%)	N.A.	7.7% <sup>(11)</sup>	9.6% <sup>(12)</sup>

#### Notes:

- (1) The figures set out are purely for illustrative purposes only and depending on the market conditions, the proportion of debt and equity funding may differ which may in turn affect the financial effects of the Acquisitions stated above.
- (2) Assuming that the Equity Fund Raising comprises the Preferential Offering at an illustrative issue price of US\$0.78 to raise gross proceeds of approximately US\$101.3 million (the "Preferential Offering Scenario").
- (3) Assuming that the Equity Fund Raising comprises the Rights Issue at an illustrative issue price of US\$0.59 to raise gross proceeds of approximately US\$102.3 million (the "Rights Issue Scenario").
- (4) Assuming the Westpark Portfolio has a portfolio occupancy of 97.7% for the period between 9 November 2017 and 30 June 2018 and all leases, whether existing or committed as at the Latest Practicable Date, were in place since 9 November 2017.
- (5) Number of Units issued as at 30 June 2018.
- (6) The total number of Units at the end of the period used in computing the DPU comprises the average of 629.4 million Units in issue for the period between 9 November 2017 and 30 June 2018 as well as (a) approximately 129.8 million New Units issued under the Preferential Offering Scenario, (b) approximately US\$1.7 million acquisition fee paid in Acquisition Fee Units at the illustrative issue price of US\$0.78 and (c) approximately 0.7 million new Units issued as payment to the Manager for the base management fee for the Westpark Portfolio for the period between 9 November 2017 and 30 June 2018.
- (7) The total number of units at the end of the period used in computing the DPU comprises the average of 629.4 million Units in issue for the period between 9 November 2017 and 30 June 2018 as well as (a) approximately 173.3 million New Units issued under the Rights Issue Scenario, (b) approximately US\$1.7 million acquisition fee paid in Acquisition Fee Units at the illustrative issue price of US\$0.59 and (c) approximately 0.8 million new Units issued as payment to the Manager for the base management fee for the Westpark Portfolio for the period between 9 November 2017 and 30 June 2018.
- (8) Annualised DPU yield is computed based on the illustrative unit price of US\$0.84.
- (9) Annualised DPU yield is computed based on the illustrative unit price of US\$0.84.
- (10) Annualised DPU yield is computed based on the illustrative theoretical ex-rights price of US\$0.7854.
- (11) Annualised DPU yield is computed based on the illustrative issue price of US\$0.78 under the Preferential Offering Scenario.
- (12) Annualised DPU yield is computed based on the illustrative issue price of US\$0.59 under the Rights Issue Scenario.

## 6.2 Pro Forma Net Asset Value (“NAV”)

### FOR ILLUSTRATIVE PURPOSE ONLY:

The pro forma financial effects of the Acquisition on the NAV per Unit as at 30 June 2018 as if the Acquisition was completed on 30 June 2018, are as follows:

	Before the Acquisition	After the Acquisition	
		Preferential Offering Scenario	Rights Issue Scenario
NAV represented by Unitholders’ funds (US\$’000)	563,794	667,572	667,572
Issued Units (million)	630.2 <sup>(1)</sup>	762.2 <sup>(2)</sup>	806.4 <sup>(3)</sup>
NAV represented by Unitholders’ funds per Unit (US\$)	0.89	0.88	0.83

**Notes:**

- (1) Number of Units issued as at 30 June 2018.
- (2) The total number of Units at the end of the period used in computing the NAV per Unit comprises 630.2 million Units in issue for the period between 9 November 2017 and 30 June 2018 as well as (a) approximately 129.8 million New Units issued under the Preferential Offering Scenario and (b) approximately US\$1.7 million acquisition fee paid in Acquisition Fee Units at the illustrative issue price of US\$0.78.
- (3) The total number of units at the end of the period used in computing the NAV per Unit comprises 630.2 million Units in issue for the period between 9 November 2017 and 30 June 2018 as well as (a) approximately 173.3 million New Units issued under the Rights Issue Scenario and (b) approximately US\$1.7 million acquisition fee paid in Acquisition Fee Units at the illustrative issue price of US\$0.59.

## 6.3 Aggregate Leverage

### FOR ILLUSTRATIVE PURPOSE ONLY:

The pro forma financial aggregate leverage of Keppel-KBS US REIT for the financial period from 9 November to 30 June 2018, assuming that the Acquisition, issuance of New Units under the Equity Fund Raising, issuance of Acquisition Fee Units and drawdown of loan facilities were completed on 30 June 2018, are as follows:

	Before the Acquisition	After the Acquisition
Aggregate Leverage (pro forma as at 30 June 2018)	33.1%	34.1%

## 7. OPINION OF THE INDEPENDENT FINANCIAL ADVISER AND THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee of the Manager will obtain an opinion from the independent financial adviser, on the Acquisition before forming its view, which will be disclosed in the Circular, as to whether the Acquisition is on normal commercial terms and is not prejudicial to the interests of Keppel-KBS US REIT and its minority Unitholders.



## 8. OTHER INFORMATION

### 8.1 Relative Figures under Chapter 10 of the Listing Manual

The relative figures computed on the following bases set out in Rules 1006(b) and 1006(c) of the Listing Manual are as follows:

- (i) the net profits attributable to the assets acquired, compared with Keppel-KBS US REIT's net profits; and
- (ii) the aggregate value of the consideration given, compared with Keppel-KBS US REIT's market capitalisation.

The relative figure of the number of Units issued by Keppel-KBS US REIT as consideration for an acquisition compared with the number of Units previously in issue does not apply in relation to the Acquisition as no Units will be issued as consideration for the Acquisition.

Comparison of:	The Acquisition (US\$'000)	Keppel-KBS US REIT (US\$'000)	Relative figure (%)
Net profits before tax	4,741 <sup>(1)</sup>	31,540 <sup>(2)</sup>	15.0
Consideration against market capitalisation	169,359	498,734 <sup>(3)</sup>	34.0

**Notes:**

- (1) Relates to an estimated net profit before tax of the Westpark Portfolio for the period from 9 November 2017 to 30 June 2018 assuming the Westpark Portfolio has a portfolio occupancy of 97.7% for the period between 9 November 2017 and 30 June 2018 and all leases, whether existing or committed as at the Latest Practicable Date, were in place since 9 November 2017.
- (2) Relates to Keppel-KBS US REIT's actual net profit before tax for the period from 9 November 2017 to 30 June 2018.
- (3) Based on the last traded price of US\$0.79 per Unit on SGX-ST on 21 September 2018, the market day prior to the date of the Purchase and Sale Agreement.

The Manager is of the view that the Acquisition is in the ordinary course of Keppel-KBS US REIT's business as it is within the investment policy of Keppel-KBS US REIT and does not change the risk profile of Keppel-KBS US REIT. As such, the Acquisition should therefore not be subject to Chapter 10 of the Listing Manual. However, as the Acquisition is an "interested person transaction" under Chapter 9 of the Listing Manual as well as an "interested party transaction" under Appendix 6 of the Code of Collective Investment Schemes (the "**Property Funds Appendix**"), the Acquisition will still be subject to the specific approval of Unitholders.

### 8.2 Interested Person Transaction and Interested Party Transaction

Under Chapter 9 of the Listing Manual, where Keppel-KBS US REIT proposes to enter into a transaction with an interested person (as defined in the Listing Manual) and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person during the same financial year) is equal to or exceeds 5.0% of Keppel-KBS US REIT's

latest audited net tangible assets (“**NTA**”), Unitholders’ approval is required in respect of the transaction. Based on the unaudited financial statements of Keppel-KBS US REIT for the financial period ended 30 June 2018 (the “**Unaudited Financial Statements**”), the NTA of Keppel-KBS US REIT was US\$563.8 million as at 30 June 2018. Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by Keppel-KBS US REIT with an interested person is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same interested person during the current financial year, equal to or in excess of US\$28.2 million, such a transaction would be subject to Unitholders’ approval.

Paragraph 5 of the Property Funds Appendix also imposes a requirement for Unitholders’ approval for an interested party transaction by Keppel-KBS US REIT whose value exceeds 5.0% of Keppel-KBS US REIT’s latest audited NAV. As Keppel-KBS US REIT was only listed on 9 November 2017, it does not have any audited financial statement. Based on Keppel-KBS US REIT’s Unaudited Financial Statements, the NAV of Keppel-KBS US REIT was US\$563.8 million as at 30 June 2018. Accordingly, if the value of a transaction which is proposed to be entered into by Keppel-KBS US REIT with an interested party (as defined in the Property Funds Appendix) is equal to or greater than US\$28.2 million, such a transaction would be subject to Unitholders’ approval.

The Manager is a joint venture held between the Sponsors, being KC and KBS Pacific Advisors Pte. Ltd. (“**KPA**”), in equal share. The Vendor is a fund managed by KBS Capital Advisors LLC (“**KBS**”). As disclosed in the Keppel-KBS US REIT prospectus dated 2 November 2017, the co-founding partners of KBS include Peter McMillan III and Keith D. Hall, who are partners of KPA and, together, indirectly hold a one-third stake of KBS. As KPA is a co-sponsor of Keppel-KBS US REIT, transactions between Keppel-KBS US REIT and any funds to be managed by KBS in the future will constitute interested person transactions under Chapter 9 of the Listing Manual. Therefore, the Acquisition will constitute an “Interested Person Transaction” under Chapter 9 of the Listing Manual as well as an “Interested Party Transaction” under the Property Funds Appendix, in respect of which the approval of Unitholders is required.

The Purchase Consideration of US\$169.4 million is 30.0% of the NTA and NAV respectively of Keppel-KBS US REIT as at 30 June 2018. As the value of the Acquisition will exceed (i) 5.0% of Keppel-KBS US REIT’s latest audited NTA and (ii) 5.0% of Keppel-KBS US REIT’s latest audited NAV, the Manager will be seeking the approval of Unitholders for the Acquisition, pursuant to Chapter 9 of the Listing Manual

As at 18 September 2018, being the latest practicable date prior to the printing of the Circular (the “**Latest Practicable Date**”), other than the Acquisition, Keppel-KBS US REIT has not entered into any interested person transactions during the course of the current financial year.

### **8.3 Interests of Directors and Substantial Unitholders**

As at the Latest Practicable Date, Mr Peter McMillan III is the non-executive Chairman of the Manager and also a co-founder of the KBS group. Further details of the interests in

Units of the Directors and Substantial Unitholders<sup>8</sup> are set out below.

Based on the Register of Directors' Unitholdings maintained by the Manager, the Directors and their interests in the Units as at the Latest Practicable Date are as follows:

Name of Director	Direct Interest		Deemed Interest		Total no. of Units held	%
	No. of Units	%	No. of Units	%		
Peter McMillan III <sup>(1)</sup>	-	-	2,381,431	0.38	2,381,431	0.38
Soong Hee Sang	-	-	-	-	-	-
John J. Ahn	-	-	-	-	-	-
Kenneth Tan Jhu Hwa	-	-	-	-	-	-
Paul Tham	-	-	-	-	-	-

**Notes:**

- (1) Peter McMillan III's deemed interest arises from his shareholdings in KBS Pacific Advisors Pte. Ltd., which in turn is deemed to have an interest in the units held by Keppel-KBS US REIT Management Pte. Ltd., a 50:50 joint-venture of Keppel Capital Holdings Pte. Ltd. and KBS Pacific Advisors Pte. Ltd..

Based on the Register of Substantial Unitholders' Unitholdings maintained by the Manager, the Substantial Unitholders and their interests in the Units as at the Latest Practicable Date are as follows:

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total no. of Units held	%
	No. of Units	%	No. of Units	%		
Temasek Holdings (Private) Limited <sup>(1)</sup>	-	-	69,474,500	11.05	69,474,500	11.05
Keppel Capital Investment Holdings Pte. Ltd.	43,999,500	6.97	-	-	43,999,500	6.97
Keppel Capital Holdings Pte. Ltd. <sup>(2)</sup>	-	-	46,380,931	7.35	46,380,931	7.35
Keppel Corporation Limited <sup>(3)</sup>	-	-	46,380,931	7.35	46,380,931	7.35
KBS SOR Properties LLC	43,999,500	6.97	-	-	43,999,500	6.97
KBS SOR (BVI) Holdings Ltd <sup>(4)</sup>	-	-	43,999,500	6.97	43,999,500	6.97
KBS Strategic Opportunity Limited Partnership <sup>(5)</sup>	-	-	43,999,500	6.97	43,999,500	6.97
KBS Strategic Opportunity REIT, Inc. <sup>(6)</sup>	-	-	43,999,500	6.97	43,999,500	6.97
Hillsboro Capital, Ltd	56,818,200	9.00	-	-	56,818,200	9.00

**Notes:**

- (1) Temasek Holdings (Private) Limited's deemed interest arises from the deemed interest held by Keppel

<sup>8</sup> "Substantial Unitholders" refer to persons with an interest in Units constituting not less than 5.0% of all Units in issue.

Corporation Limited and DBS Group Holdings Ltd.

- (2) Keppel Capital Holdings Pte. Ltd.'s deemed interest arises from its shareholdings in (i) Keppel Capital Investment Holdings Pte. Ltd., a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd.; and (ii) Keppel-KBS US REIT Management Pte. Ltd., a 50:50 joint-venture of Keppel Capital Holdings Pte. Ltd. and KBS Pacific Advisors Pte. Ltd..
- (3) Keppel Corporation Limited's deemed interest arises from its shareholdings in (i) Keppel Capital Investment Holdings Pte. Ltd., a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd., which is in turn a wholly-owned subsidiary of Keppel Corporation Limited; and (ii) Keppel-KBS US REIT Management Pte. Ltd., a 50:50 joint-venture of Keppel Capital Holdings Pte. Ltd. and KBS Pacific Advisors Pte. Ltd..
- (4) KBS SOR (BVI) Holdings Ltd's deemed interest arises from its shareholdings in KBS SOR Properties LLC, a wholly-owned subsidiary of KBS SOR (BVI) Holdings Ltd..
- (5) KBS Strategic Opportunity Limited Partnership's deemed interest arises from its shareholdings in KBS SOR Properties LLC, a wholly-owned subsidiary of KBS SOR (BVI) Holdings Ltd, which is in turn a wholly-owned subsidiary of KBS Strategic Opportunity Limited Partnership.
- (6) KBS Strategic Opportunity REIT, Inc.'s deemed interest arises from its shareholdings in KBS SOR Properties LLC, a wholly-owned subsidiary of KBS SOR (BVI) Holdings Ltd, which is in turn a wholly-owned subsidiary of KBS Strategic Opportunity Limited Partnership. KBS Strategic Opportunity Limited Partnership is a wholly-owned subsidiary of KBS Strategic Opportunity REIT, Inc..

Save as disclosed above and based on information available to the Manager as at the Latest Practicable Date, none of the Directors or the Substantial Unitholders have an interest, direct or indirect, in the Acquisition.

#### **8.4 Directors' Service Contracts**

No person is proposed to be appointed as a director of the Manager in connection with the Acquisition or any other transactions contemplated in relation to the Acquisition.

### **9. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager<sup>9</sup> located at 230 Victoria Street, #05-08 Bugis Junction Towers, Singapore 188024 for a period of three months commencing from the date of this announcement:

- (i) the Purchase and Sale Agreement;
- (ii) the market valuation report on the Westpark Portfolio issued by Cushman; and
- (iii) the market valuation report on the Westpark Portfolio issued by JLL.

### **10. FURTHER DETAILS**

The Circular, together with a notice of the Extraordinary General Meeting to be convened, will be dispatched to Unitholders in due course.

By Order of the Board  
Keppel-KBS US REIT Management Pte. Ltd.  
(Company Registration Number: 201719652G)  
as manager of Keppel-KBS US REIT

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<sup>9</sup> Prior appointment would be appreciated.

Kelvin Chua  
Company Secretary  
24 September 2018

## **IMPORTANT NOTICE**

This announcement is for information purposes only and does not constitute or form part of an offer, invitation or solicitation of any securities of Keppel-KBS 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 the Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, Perpetual (Asia) Limited, in its capacity as trustee of Keppel-KBS US REIT, Keppel Capital Holdings Pte. Ltd. and KBS Pacific Advisors Pte. Ltd., as the sponsors of Keppel-KBS 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.

This announcement is not to be distributed or circulated outside of Singapore. Any failure to comply with this restriction may constitute a violation of United States securities laws or the laws of any other jurisdiction.

The securities of Keppel-KBS US REIT will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or under the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or transactions not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Manager does not intend to conduct a public offering of any securities of Keppel-KBS US REIT in the United States. Neither this announcement nor any part thereof may be (a) used or relied upon by any other party or for any other purpose, (b) copied, photocopied, duplicated or otherwise reproduced in any form or by any means, or (c) forwarded, published, redistributed, passed on or otherwise disseminated or quoted, directly or indirectly, to any other person either in your organisation or elsewhere.