

# Keppel **KBS US REIT**

(a real estate investment trust constituted on 22 September 2017  
under the laws of the Republic of Singapore)  
Managed by Keppel-KBS US REIT Management Pte. Ltd.

## **REDEMPTION OF PREFERRED SHARES BY U.S. REITS AND PROPOSED ESTABLISHMENT OF WHOLLY-OWNED ENTITIES**

Keppel-KBS US REIT Management Pte. Ltd., as manager of Keppel-KBS US REIT (the “**Manager**”), refers to the recently announced tax changes reforming the United States Internal Revenue Code (“**IRC**”) introduced by the United States Government, and the resulting enactment of the US Tax Act<sup>1</sup>.

The US Tax Act amends the IRC generally from and after 1 January 2018. One of the effects of the US Tax Act is that it impacts the deductibility of certain interest expense for taxable years beginning after 31 December 2017.

To address such effects:

- (i) the preferred shares issued by each of the Lower-Tier Sub-US REITs<sup>2</sup> and Keppel-KBS US Properties REIT, Inc. have been redeemed by the Lower-Tier Sub-US REITs and Keppel-KBS US Properties REIT, Inc. respectively (the “**Redemption**”). The total redemption amount is approximately US\$1.6 million, which was funded from internal resources; and
- (ii) Keppel-KBS US REIT S2 Pte. Ltd. (“**Singapore Sub 2**”), a wholly owned subsidiary of Keppel-KBS US REIT, has commenced a process of its own restructuring (the “**Restructuring**”). Singapore Sub 2 has established directly and indirectly wholly-owned companies and a partnership in Barbados<sup>3</sup>. The Barbados partnership has become the lender to Keppel-KBS US Parent REIT, Inc. in place of Singapore Sub 2.

Keppel-KBS US REIT will incur some costs to effect the Redemption and the Restructuring. In addition, future tax costs may result from the Restructuring, for example, (i) on account of the US Tax Act’s amendments to the IRC including, without limitation, any regulations issued thereunder),

1 The “**US Tax Act**” refers to the United States legislation titled An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, commonly known as “The Tax Cuts and Jobs Act of 2017”.

2 “**Lower-Tier Sub-US REITs**” means Keppel-KBS Bellevue Technology Center, Inc., Keppel-KBS Plaza Buildings, Inc., Keppel-KBS Iron Point, Inc., Keppel-KBS Westmoor Center, Inc., Keppel-KBS Great Hills Plaza, Inc., Keppel-KBS Westtech 360, Inc., Keppel-KBS 1800 West Loop, Inc., Keppel-KBS West Loop I and II, Inc., Keppel-KBS Powers Ferry Landing, Inc., Keppel-KBS Northridge Center, Inc. and Keppel-KBS Maitland Promenade, Inc..

3 The following companies have been incorporated - (i) Keppel-KBS US REIT B1 SRL (with a paid-up capital of US\$446,007) and (ii) Keppel-KBS US REIT B2 SRL (with a paid-up capital of US\$100). The following partnership has been formed - Keppel-KBS US REIT LP1 (with a paid-up capital of US\$445,907,116).

DBS Bank Ltd. was the Sole Financial Adviser and Issue Manager for the initial public offering of Keppel-KBS US REIT (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 (collectively, the “**Joint Bookrunners and Underwriters**”).

or (ii) on account of the tax laws of Barbados with regard to the new companies and partnership. Notwithstanding the foregoing, the Manager presently expects that:

- (a) absent any additional guidance or negative applications of relevant tax laws; and
- (b) upon completing and giving effect to the Redemption and the Restructuring,

all such costs are not expected to have a material impact on the consolidated net tangible assets or distributions per unit of Keppel-KBS US REIT.

However, legislative technical corrections, regulations or administrative guidance addressing the new provisions of the US Tax Act may be enacted or issued in the future. In addition, certain tax rulings need to be obtained.

The Manager will update unitholders of Keppel-KBS US REIT if there is a material impact on Keppel-KBS US REIT and/or its unitholders arising from:

- (i) the Restructuring, for example, due to any negative applications of relevant tax laws or any issues obtaining appropriate tax rulings; and/or
- (ii) the enactment or issuance of additional corrections, interpretations, regulations or administrative guidance with respect to the US Tax Act.

For queries, please send them to: [enquiries@kepksusreit.com](mailto:enquiries@kepksusreit.com)

By Order of the Board  
David Snyder  
Chief Executive Officer / Chief Investment Officer

**Keppel-KBS US REIT Management Pte. Ltd.**  
(Company Registration No.: 201719652G)  
As manager of Keppel-KBS US REIT

2 January 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, the Sponsors, the Joint Bookrunners and Underwriters 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 Keppel-KBS US REIT is not necessarily indicative of the future performance of Keppel-KBS US REIT.

This announcement may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Predictions, projections or forecasts of the economy or economic trends of the markets and for potential changes to the tax or other laws are not necessarily indicative of the future or likely performance of Keppel-KBS US REIT. The forecast financial performance of Keppel-KBS US REIT is not guaranteed. A potential investor is cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager’s current view of future events.