

KEPPEL PACIFIC OAK US REIT

MINUTES OF THE EXTRAORDINARY GENERAL MEETING (“EGM”) OF THE UNITHOLDERS OF KEPPEL PACIFIC OAK US REIT (“KORE”) HELD AT SUNTEC SINGAPORE CONVENTION AND EXHIBITION CENTRE, LEVEL 3, ROOMS 324 - 326, 1 RAFFLES BOULEVARD, SINGAPORE 039593 ON 15 OCTOBER 2019, AT 2.30 P.M.

PRESENT

Mr. Soong Hee Sang	Chairman of the EGM
Mr. Peter McMillan III	Board Chairman
Mr. David Snyder	Chief Executive Officer
Mr. Kenneth Tan Jhu Hwa	Director
Mr. John J. Ahn	Director
Mr. Paul Tham	Director

IN ATTENDANCE

As per attendance lists.

1. INTRODUCTION

- 1.1. The emcee for the EGM extended a warm welcome to all Unitholders and attendees present. She proceeded to introduce the board of directors (“Board”), chief executive officer (“CEO”) and company secretary of Keppel Pacific Oak US REIT Management Pte. Ltd., the manager of KORE (the “Manager”).
- 1.2. The CEO gave a presentation on the proposed acquisition of an office complex known as “One Twenty Five” which comprises two buildings, namely 125 East John Carpenter and 5100 North O’Connor, located at Irvine, Texas (the “Property”) for an estimated aggregate purchase consideration of US\$101.5 million (the “Acquisition”). A copy of the presentation slides is available on KORE’s corporate website
- 1.3. As the resolutions being tabled are interested person transactions, the trustee of KORE has nominated Mr Soong Hee Sang (the “Chairman”), the Chairman of the Audit and Risk Committee of the Manager, to chair the proceedings. As there was a quorum, the Chairman called the EGM to order.
- 1.4. The Chairman informed the meeting that voting on each of the resolutions put to the meeting would be done by way of a poll and that polling would be conducted electronically using a voting handset. He then invited the scrutineers, RHT Governance, Risk & Compliance (Singapore) Pte. Ltd., to bring the meeting through the poll voting process.

AS ORDINARY BUSINESS

2. RESOLUTION 1: THE PROPOSED ACQUISITION OF THE PROPERTY

- 2.1. The Chairman invited Unitholders to raise questions on Resolution 1.
- 2.2. MPS, a Unitholder, asked about the growth strategy for KORE and the pace of acquisitions. The Chairman noted that the acquisition of the Property is the third acquisition that KORE has undertaken since IPO and the strategy is to continue to grow the REIT. The CEO shared that KORE had set an acquisition target of US\$100 million in its first year post-listing and US\$150 million in the second year. With the acquisition of the Property, KORE would have achieved both targets. The target next year is to grow by another US\$200 million and the longer term goal over the next few years is to grow sufficiently to be included in an index which would be beneficial for the REIT. He added that KORE will continue to look at key growth markets such as its existing markets including Seattle and Dallas, and potentially new markets such as Salt Lake City and Charlotte which are seeing the same outsized growth characteristics in terms of population, wages, GDP and having a large universities presence.
- 2.3. MPS asked if KORE had a strong sponsor pipeline to support its growth strategy. The CEO explained that KORE expects to continue pursuing a mix of sponsor acquisitions and third party deals. This is reflected in the acquisitions to date with two having come from KBS SOR and one being a third party deal. While KORE does not have any rights of first refusal with KBS SOR, it has good visibility on the assets in its portfolio. KBS SOR is also one of the largest Unitholders in KORE and there is a strong alignment of interest to continue supporting KORE's growth.
- 2.4. MPS asked what the Manager's core criteria would be when looking at acquisitions. The CEO said that the Manager considers both DPU accretion and long term value creation when evaluating acquisitions. Another key objective is to have KORE included in indexes as this is likely to improve trading liquidity and Unit price performance which would benefit all Unitholders. MPS noted that the acquisition of the Property is slightly NAV dilutive based on the pro forma financials. He also noted that KORE is currently trading at a discount to NAV and that the pro forma financials had assumed that a private placement Unit price of US\$0.71. He was of the view that a preferential offering should have been considered instead of a private placement so that Unitholders are given a proportionate opportunity to participate in the discounted offering. The Chairman explained that the method of funding for each acquisition will vary depending on various factors including the acquisition size and market conditions. In this instance, the funding required is within the mandate given to the Manager for non-pro rata private placement and the Manager also wanted to attract more institutional investors to strengthen the longer term trading performance of KORE's Units. The CEO added that the last equity fund raising by KORE was a rights issue where all Unitholders had the opportunity to participate. The Manager will continue to utilise and balance a combination of both private placements and pro rata preferential offering for future acquisitions. The CEO also explained that having both sponsors undertake to subscribe for Units in the private placement is important as they reduce the level of underwriting required from the banks, and thereby strengthens the certainty and pricing of the fund raising.
- 2.5. MPS also asked about whether further changes to the US tax regulations would adversely affect KORE. The CEO recapped that the US government had proposed certain tax regulations changes in end-2017. The proposed draft regulations were released in December 2018 and KORE's US tax counsel opined that based on the proposed draft regulations, there would be no material financial impact to KORE arising from these proposed tax changes. However, the final regulations are only expected to be issued in end-2019 and assuming there is no substantive change from the draft regulations, the Manager

expects to be able to remove the current Barbados holding structure, which will see a slight reduction to the REIT's overall tax payments. With regards to property and income taxes, the CEO explained that these are paid in the US and the rates differ from state to state. Each of the properties are also held through US REITs which allows for deductions for the purpose of tax assessment in the US. In Singapore, no income tax is paid as the income is streamed up to the REIT in the form of dividend and capital returns which the REIT pays out to Unitholders as distribution.

- 2.6. LKM, a Unitholder, asked if having the acquisition fee pegged to the quantum of the purchase price affects the Manager's motivation in seeking the best price for the Property. He also asked what the historical purchase price of the Property was when KBS SOR acquired it. The Chairman noted that KBS SOR had acquired the Property at US\$84 million in 2017 but have since undertaken extensive capital improvements costing US\$5.8 million to improve the common areas and enhance tenant amenities. As for the Manager's acquisition fee being tied to the purchase price, the Chairman assured Unitholders that each acquisition is assessed to ensure that it is for the best interests of Unitholders. Each acquisition is carefully evaluated based on multiple parameters including valuations and annualised cash flows, among others.. In response to LKM's further query, the CEO responded that the purchase price for the Property should be higher than property prices in 2008 though it may be around the same level as prices before the 2008 property crash.
- 2.7. LAH, a Unitholder, asked if the pricing for the private placement should be based on the volume weighted average price for five market days preceding the date of the placement agreement rather than one market day. The Chairman explained that the pricing methodology is based on the listing rules of the Singapore Exchange. The CEO added that the Manager has discretion to decide when to launch the private placement and will do so based on market conditions.
- 2.8. As the vendor of the Property is indirectly wholly-owned by KBS Properties LLC which is managed by KBS Capital Advisors, KBS Capital Advisors, KBS Pacific Advisors and their associates as well as funds managed by KBS Capital Advisors are prohibited from voting on the resolution. The Manager will also abstain from voting on the resolution.
- 2.9. LSP proposed that the resolution set out in Ordinary Resolution 1 of the Notice of EGM be approved. CWM seconded the motion which was put to the vote.

Votes FOR the resolution: 132,283,475 votes or 99.71 per cent.
Votes AGAINST the resolution: 388,766 votes or 0.29 per cent.

The Chairman declared the resolution carried.

It was resolved as an Ordinary Resolution that:

- (a) approval be and is hereby given for the acquisition of the Property, which consists of 2 buildings, namely 125 East John Carpenter and 5100 North O'Connor, for a purchase consideration of US\$101.5 million, on the terms and conditions set out in the Purchase and Sale Agreement dated 6 September 2019;
- (b) the entry into of the Purchase and Sale Agreement be and is hereby approved and ratified;

- (c) approval be and is hereby given for the payment of all fees and expenses relating to the Acquisition; and
- (d) the Manager, any Director or CEO or Chief Financial Officer (“CFO”) of the Manager, and Perpetual (Asia) Limited (in its capacity as trustee of Keppel Pacific Oak US REIT) (the “Trustee”) be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or CEO or CFO of the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interests of KORE to give effect to the Acquisition and all transactions in connection therewith).

3. RESOLUTION 2: THE PROPOSED KEPPEL PLACEMENT

- 3.1. The second item of the agenda was an Ordinary Resolution to seek approval for the proposed issue and placement of new units to Keppel Capital Investment Holdings Pte. Ltd. (“KCIH”, and the placement to KCIH, the “Keppel Placement”) as part of a private placement to institutional and other investors (the “Private Placement”).
- 3.2. Each of KCIH and the Manager will abstain, and will procure their associates to abstain from voting at the EGM on the resolution to approve the Keppel Placement.
- 3.3. LKM proposed that the resolution set out in Ordinary Resolution 2 of the Notice of EGM be approved. LAH seconded the motion which was put to the vote.

Votes FOR the resolution: 125,258,400 votes or 94.38 per cent. Votes AGAINST the resolution: 7,457,841 votes or 5.62 per cent.

The Chairman declared the resolution carried.

It was resolved as an Ordinary Resolution that:

- (a) approval be and is hereby given for the issue and placement of up to such number of new units to KCIH as part of the Private Placement, in the manner described in the Circular; and
- (b) the Manager, any Director or CEO or CFO of the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or CEO or CFO of the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interests of KORE to give effect to the Keppel Placement and all transactions in connection therewith).

4. RESOLUTION 3: THE PROPOSED KBS SOR PLACEMENT

- 4.1. The last item of the agenda was an Ordinary Resolution to seek approval for the proposed issue and placement of new units to KBS SOR Properties LLC (the “KBS SOR Placement”) as part of the Private Placement.

- 4.2. Each of KBS SOR Properties LLC and the Manager will abstain, and will procure their associates to abstain from voting at the EGM on the resolution to approve the KBS SOR Placement.
- 4.3. NLH proposed that the resolution set out in Ordinary Resolution 3 of the Notice of EGM be approved. CKW seconded the motion which was put to the vote.

Votes FOR the resolution: 124,887,500 votes or 94.13 per cent. Votes AGAINST the resolution: 7,782,841 votes or 5.87 per cent.

The Chairman declared the resolution carried.

It was resolved as an Ordinary Resolution that:

- (a) approval be and is hereby given for the issue and placement of up to such number of new units to KBS SOR Properties LLC as part of the Private Placement, in the manner described in the Circular; and
- (b) the Manager, any Director or CEO or CFO of the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or CEO or CFO of the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interests of KORE to give effect to the KBS SOR Placement and all transactions in connection therewith).

5. ANY OTHER BUSINESS

- 5.1 There being no other business, the Meeting ended at 3:40 p.m. with a vote of thanks to the Chairman.

Confirmed by:

Soong Hee Sang
Chairman