

Terms and Conditions



Musharaka REIT

A closed-end Real Estate Investment Traded Fund (REIT) listed in the Saudi Stock Exchange (Tadawul) in consistency with the Shariah Board Standards

Fund Manager: Musharaka Capital Company

July 2017

Fund Size: SAR 880,000,000

Unit Price: SAR 10

Number of units offered as of the offering and listing date: 88,000,000 units

Number of units offered to the public: 35,210,000 units at SAR 352,100,000

The Fund Manager accepts full responsibility for the accuracy of the information contained in these Terms and Conditions and confirms, having made all reasonable enquiries and according to its best knowledge and belief, that there are no other facts, whose exclusion would render any statement therein to be misleading. In addition, the Saudi Capital Market Authority (CMA) and the Saudi Stock Exchange (Tadawul) do not assume any responsibility for the contents of these Terms and Conditions, or make any representations or warranties regarding their accuracy or completeness, and expressly disclaim any liability whatsoever for any loss that may be incurred from reliance on any part of these Terms and Conditions.

Important Information for Investors

Before investing in the Fund, all investors must read the Terms and Conditions. In case of any ambiguity, kindly seek financial advice from your financial advisor in order to determine the following:

- The suitability of investment in the Fund to achieve your investment objectives; and
- The capability of investors to withstand any potential loss of capital as a result of the risks associated with investment in the Fund.

Under this notice, we ensure the investors that the decision to invest in the Fund and the resulting risks will be their own responsibility.

Offering, registration and listing of REIT Units has been approved by CMA

On 23-10-1438 AH, corresponding to 17-07-2017.

The Fund's approval to be as a traded real estate investment fund takes the form of special purpose entity under the real estate investment funds regulations and rules for special purposes entities.

This is an updated Terms and Conditions that reflects the fund's approval to Amending the first item in the twenty-fifth paragraph in the subparagraph that concerns zakat and value-added tax, as per our written communication to the CMA on 10/31/2023 G corresponding to 04/16/1445H

Disclaimer: This is translated version of the original terms & conditions issued in Arabic language and is only meant to assist the users with barriers to understanding with regards to Arabic language. This version holds no legal value and the original version in Arabic stands as an official document. Musharaka Capital, its employees, and directors hold no responsibility in the unlikely event of any translation errors. In case of any discrepancy between the Arabic and the English translated version, the original Arabic version shall prevail.

Important Notice

These Terms and Conditions contain detailed information related to Musharaka REIT (the “Fund”) and the offering of units therein. Upon purchasing the Fund’s units, investors will be handled as if they have only relied on the information contained in these Terms and Conditions. Copies of these Terms and Conditions are available on the website of Musharaka Capital Company, which www.musharaka.sa, and the Saudi Stock Exchange (“Tadawul”), which is www.tadawul.com.sa.

Prospective investors must read the entirety of these Terms and Conditions before purchasing units in the Fund. Investment in the Fund involves certain risks, and may not be suitable for all investors. Investors must be willing to bear the risks associated with investment in the Fund, as stated in (Clause 2.7) of the Fund’s terms and provisions set forth in these Terms and Conditions.

These Terms and Conditions have been prepared by Musharaka Capital Company (“Fund Manager”), a Saudi closed joint-stock company established under the Decision of the Saudi Ministry of Commerce and Industry No. (73/S) on 29-03-1435 AH, corresponding to 30-01-2014. It is a legal person authorized by the Authorized Persons Regulation list under CMA license No. 27-13169 on 18-12-1434 AH, in accordance with the provisions of the Real Estate Investment Funds Regulations issued by the CMA Council under the Decision No. 1-193-2006, on 19-06-1427 AH (corresponding to 15-07-2006) under the Capital Market Law promulgated by Royal Decree No. M/30 on 02-06-1424 AH (corresponding to 31-07-2003), and the provisions of the Real Estate Investment Traded Funds Instructions issued by the CMA pursuant to the Decision No. 6-130-2016 on 23-01-1438 AH (corresponding to 24-10-2016).

These Terms and Conditions include information that has been presented in compliance with the requirements of offering, registration and listing of REIT units on the Saudi Stock Exchange (Tadawul) in accordance with the Real Estate Investment Funds Regulations and the REIT Instructions.

The offering of units in the REIT has been approved by CMA on Monday, the 23rd of Shawwal 1438 AH (corresponding to the 17th of July 2017). The Fund Manager has submitted a request to the CMA to offer, register and list the units on Tadawul. All the regulatory approvals and other relevant approvals required to establish the REIT have been obtained, including approvals pertaining to the publication of these Terms and Conditions. In addition, all the supporting documents have been submitted to the CMA. These Terms and Conditions have been prepared for those interested in investment in the REIT. It is prohibited to use these terms and conditions for any other purpose.

The Fund Manager accepts full responsibility for the accuracy of the information contained in these Terms and Conditions and confirms that based on the information he has, and after conducting all the reasonable and possible enquiries, no facts have been included or omitted from these Terms and Conditions, which would make any data contained therein to be misleading. In addition, investors should not deem the Fund Manager’s opinions in these information as a recommendation to purchase units in the REIT.

The CMA does not assume any responsibility for the contents of these Terms and Conditions and does not provide any warranties regarding the accuracy or completeness of information contained therein. Furthermore, CMA shall not be responsible for any financial loss resulting from any clause contained in these Terms and Conditions or any reliance thereon.

Prospective investors should consult with their own representatives, including licensed accountants and legal advisors, regarding the legal and Zakat matters and other matters pertaining to the REIT or investment therein.

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Fund Directory

Fund Name	Musharaka REIT	
Fund Manager	Musharaka Capital Company (“Musharaka”). CMA's license No. 27-13169 on 18-12-1434 AH, corresponding to 23-10-2013, in accordance with the provisions of the authorized persons issued by CMA.	
Fund Manager Address	Musharaka Capital Company - Prince Turki Bin Abdulaziz Road P.O. Box: 712 Al-Khobar 31952 Tel.: +966 (13) 8817990 Fax: +966 (13) 8818205 www.musharaka.sa	
Custodian	Alinma Investment Head Office - Riyadh Kingdom of Saudi Arabia - P.O. Box: 66333 Riyadh 11576 Al Anoud Tower 2, 20th Floor, King Fahad Road, Olaya District Tel: +966 (11) 2799299 8004413333 Fax: (+ 966) 2185900 www.alinmainvestment.com	
Chartered Accountant	Allied Accountant Professional Services Riyadh-Olaya District-Al Oruba Street1 st Floor. Building No.3193 P.O Box 8335, Riyadh-12333Tel: +966 (11) 416 9361 Fax: +966 (11) 416 9349 www.rsmksa.com	
Financial Advisor	Musharaka Capital Company	
Real Estate Appraisers	RE/MAX - Real Estate Olat Development Co. Ltd. Abdulkarim Al Busair Office for Real Estate Appraisal Salem Ghazi Al Harbi Office for Real Estate Appraisal	
Legal Advisor	Salman G. Ismael Al-Dhufairy Lawyers & Legal Consultants P.O. Box: 1595 Al-Khobar 31952 Tel.: +966 (13) 8810333 Fax: +966 (13) 8678855	
Shariah Board	Shariyah Review Bureau Kingdom of Bahrain - Manama Building No. 872, Office No. 41 & 42, Road 3618, Seef 436 Tel: +973 172158989 www.Shariyah.com	

Definitions

Fund	Musharaka REIT
Real Estate Investment Traded Fund (REIT)	A real estate investment fund offered as a public offering and its units are traded in the main market, where its main investment objective is to invest in constructionally developed real estates qualified to generate regular and rental income. 90% of the Fund's net profits are distributed in cash to the unitholders, throughout its term, at an annual basis as a minimum.
Fund Manager	Musharaka Capital Company ("Musharaka"), a (closed) Saudi joint-stock company established under the Decision of the Saudi Ministry of Commerce and Industry No. (73/S) on 29-03-1435 AH. It is a legal person authorized by the Authorized Persons Regulation under the CMA license No. 27-13169 on 18-12-1434 AH to engage in the activity of managing (managing investment funds), advising, arranging, and dealing as a principal with respect to the securities business.
Anti-Money Laundering and Counter-Terrorist Financing Rules	They are the Anti-Money Laundering and Counter-Terrorist Financing Rules issued by the CMA Council under the Decision No. 1-39-2008 on 03-12-1429 AH, corresponding to 01-12-2008, as amended by the CMA Council Decision No. 5-53-2016 on 25-07-1437 AH, corresponding to 02-05-2016.
Assets	They assets and resources (budget clauses) of an economic value owned by the Fund and can be converted into cash (as cash constitutes part of the assets), for example, the constructionally developed ready-to-use in-kind real estate assets, whether they are residential, commercial, industrial, agricultural real estates... etc. The Assets Clause also includes the right to use and acquire the above-mentioned in-kind real estate without ownership thereof, along with the cash and the receivables, in addition to investment in real estate projects for the purpose of development and investment in other similar real estate funds, whether they are local or international, etc.
Unitholders from the Public	Any legal or natural person who may invest in the Fund's units. For the purpose of this prospectus, unitholders shall mean whoever owns units in the Fund other than the following: 1) Any unitholder owning 5% or more of the Fund's total units. 2) The Fund Manager and its affiliates. 3) The Fund's Board members.
Independent Board Member	One of the Fund's Board members, who is neither an employee nor a Board member of the Fund Manager or any subsidiary thereof or any Sub-Fund Manager or the Fund's custodian. Furthermore, he should not be involved in a substantial business relationship or contract with the Fund Manager, or any Sub-Fund Manager or the Fund's custodian. The definition of the Independent Board Member as mentioned in the Real Estate Investment Funds Regulations shall be applicable to such person.
Business Day	Any work day (from Sunday to Thursday), with the exception of the public holidays, on which the banks and financial institutions carry out their work in Kingdom of Saudi Arabia.
Capital Market Law	It is the Saudi Capital Market Law issued by the Royal Decree No. M/30 on 02-06-1424 AH (as amended or re-enacted from time to time).
REITs Instructions	Instructions issued by the CMA Council under the Decision No. 6-130-2016 on 23-01-1438 AH, corresponding to 24-10-2016, based on the Capital Market Law issued by the Royal Decree (M/30) on 2-6-1424 AH.
Real Estate Investment Funds Regulations	Real Estate Investment Funds Regulations issued by the CMA Council in the Kingdom of Saudi Arabia, under the Decision No. 1 – 193 – 2006 on 19-06-1427 AH, corresponding to 15-07-2006.
Closing Date	The end date of the subscription period in the Fund, on which the targeted Fund capital is collected.
Authority	The Capital Market Authority (CMA) in the Kingdom of Saudi Arabia.

Kingdom	Kingdom of Saudi Arabia
Custodian	The Alinma Investment Company
Operation Date	17/8/2017 G.
Operating Income	The Fund's net profits (calculated according to the standards issued by the Saudi Organization for Certified Public Accountants (SOCPA)), and it is calculated by the total Fund returns after deducting the Fund's total expenses, including the capital profits (or losses) resulting from the sale and purchase of the real estates.
Financing Costs (Commissions)	The costs imposed on the Fund (commissions) concerning the finance, which are compatible to the Shariah controls at the prevailing market prices.
Shariah	It means the system based on the Holy Quran and the Pure Prophetic Sunnah.
Shariah Board	It means (the Shariyah Review Bureau) which serves as the Fund Shariah Advisor ("Shariah Board"). The Shariah Board reviews all the Fund's operations and investments and monitors the application of the Shariah rules and standards thereon.
Fiscal Year	The Fund's fiscal year starts on the first day of January of each calendar year and ends on the 31 st of December of each calendar year. The first fiscal year consists of a period not less than 6 months and not exceeding 18 months.
Appraiser	An authority appointed by the Fund Manager to evaluate the Fund assets, and it is certified by the Saudi Authority for Accredited Valuers (Taqeem). It must have the necessary know-how and expertise to provide real estate appraisal services, in addition to the availability of the independence requirement.
Law	Any decree, decision, court order, verdict, system, law, order, legislation, regulation or rule applicable in the Kingdom of Saudi Arabia.
Real Estate Advisor	The authorities that provide the Fund with real estate opportunities compatible with the Fund's investment strategy, and in return they obtain brokerage (commission) fees.
Riyal	Saudi Riyal
Prohibited Person	Any natural or legal person to whom the transfer or acquisition of units may result in: <ul style="list-style-type: none"> • A violation of any system or requirement of any country or governmental entity in any jurisdiction, whether solely or in conjunction with any other relevant circumstances. • Charging the Fund with any tax liability that would not have been incurred or borne in the absence of such a person; or obligating the Fund to submit a registration application; or complying with any registration requirements relating to any of its units in any country, in which the Fund is not registered or does not intend to register therein.
Exceptional Circumstances	Severe economic crises such as cases of economic recession and financial market turmoil associated with a sharp decline in the prices of securities and other assets; or political crises such as wars and conflicts between states.
Net Asset Value	The total assets value minus the total liabilities.
Evaluation Day	Every six months for the Fund, on the 30 th of June and the 31 st of December of each calendar year.
Authorized Person	A person licensed by CMA to perform the securities business.
Unit(s)	It represents a common share for the Fund Unitholders, i.e. each unit is an undivided share of the Fund's net asset value.
Fund's Proceeds	The funds generated by: <ol style="list-style-type: none"> 1. The issuance of Fund units through the initial public offering, and all of the following offers, including the offers related to the acquisition of in-kind shares. 2. Income from the rental of the Fund's real estates.

	<ol style="list-style-type: none"> 3. Returns generated due to the Fund's investment in other investment instruments from investment funds, Murabaha and others. 4. Sale of any Fund's assets or any part thereof during the Fund's term in the absence of any other real estate opportunities for acquisition or at the end of the Fund's term.
Subscription Request Form	The subscription request form that must be filled out and signed by each investor and then submitted to the Fund Manager to subscribe to the units during the offering period.
Real Estate Usufructuary Right	An in-kind right to use and exploit a real estate or a group of real estates, and it is an in-kind right, which gives its holder the right to take advantage of an asset belonging to a third party. It is a temporary right for a certain number of years (the right's term) and the right holder is entitled to sell it to a third party; however, he has no right to dispose of the exploited real estate by selling it, because the disposition privilege remains with the owner.
Promissory Notes	A deed prepared according to a certain form, which contains data stated in the system, and the one who prepared it undertakes to pay a certain amount to the beneficiary on a date that is determined or can be appointed; or to only review it; and it is a form of commercial papers.
Fund's Net Profits	The Fund's total returns after deducting the total expenses incurred by the Fund.
Constructually Developed Real Estates	Developed and ready-to-use real estates, which include the residential, commercial, industrial, agricultural real estates.
Fund Assets	It means the Fund's assets, which include the current assets.
Trading Funds	An investment base through which the commodities are traded; as the Fund finances the Murabaha transactions, which is represented in purchasing commodities from well-known suppliers in exchange for immediate payment, and then selling them at a higher price to large companies with good financial reputation based on short-term post payment.
Cash Funds	Funds aim to maintain the invested capital while achieving a reasonable rate of return within low risks by investing in the money market instruments, the Saudi Government's short and medium-term bonds, the corporate bonds and the Sukuk.
Proportionality in the Allocation Mechanism	It is the method used to describe the proportionate allocation. It is a method to allocate an amount to a part, according to its share from the whole.
Fundamental Change	<p>It means any of the following cases:</p> <ol style="list-style-type: none"> 1. The important change in the Fund's objectives or nature. 2. The change that may have a negative or substantial effect on the unitholders or their rights regarding the Fund. 3. The change that may have an impact on the Fund's risk position. 4. An increase in the Fund's capital.
Retained Earnings	The cash portion not distributed to the unitholders from the Fund's net profit during the previous fiscal year(s), which does not exceed 10% of the Fund's net profit per year, according to the latest audited financial statements.
Real Estate's Market Value	It is the average value of the real estate appraisers' results for the real estate under appraisal.
Relevant Parties	<ol style="list-style-type: none"> 1- Fund Manager. 2- Custodian. 3- Real Estate Manager. 4- Appraiser. 5- Chartered Accountant. 6- Board members or the Chief Executive Officers or employees of any of the above parties. 7- Any unitholder who owns more than 5% of the Fund's net assets. 8- Any person belonging or in control of any of the previously mentioned persons.

Stakeholders	A group of individuals, groups and institutions that affect and are affected by the actions and decisions taken by the Company.
Long-term Period	A period exceeding five years.
Pre-emption Right	It is the right of giving priority to a partner to purchase a real estate before offering it to others.
Gregorian Calendar	The Gregorian Calendar is used for the purpose of these terms and conditions, unless expressly stated otherwise.
Trading Units	The units are traded in the same way in which the REITs units are traded in the financial market. Therefore, the unitholders can purchase and sell units during daily trading hours through the market directly.
Rules for Special Purposes Entities	the rules for special purposes entities issued by the board of the authority.
Special Purposes Entity	means an entity established and licensed under the rules for special purposes entities.

Chapter One

This summary should be read as an introduction to the Terms and Conditions; as it contains an overview of the key information that helps the investor to form an initial image for the Fund's nature, its investment mechanism and its targeted returns; however, it is necessary to read Chapter Two "Terms and Conditions" and not to suffice with just Chapter One.

Fund Summary

Fund Name and Type	"Musharaka REIT", it is a closed real estate investment traded fund.
Investment Objectives	The Fund mainly invests in the constructually developed real estate assets that are viable to leasing and generating regular income, and the Fund may secondarily invest in its assets in the real estate development projects; provided that (A) the Fund's assets invested in the developed real estate assets, which generates regular income, are not less than 75%, and (B) the Fund should not invest in idle lands.
Fund Term	(99) Ninety-nine years starting from the date of listing the Fund units' in the Saudi Stock Exchange (Tadawul) and making it available for trading. They are renewable for an additional two years after obtaining the approval of the Fund Board and the CMA.
Fund Currency	Saudi Riyal
Risk Level	Moderate, and for further details, please see Chapter VII on the main risks for fund investment.
Minimum Investment	(1000 units) One thousand units amounting to ten thousand riyals during the subscription period.
Unit Par Value	(10) Ten Riyals
Number of Evaluations	Once every six months at least, by two independent appraisers licensed by the Saudi Authority for Accredited Valuers (Taqeem).
Fund Manager	Musharaka Capital Company ("Musharaka")
Profit Distribution Policy	The Fund Manager aims to distribute the cash profits to the unitholders at least once year during the first quarter of the fiscal year; as it will not be less than 90% of the net profits of the Real Estate Investment Traded Fund (REIT).
Compliance with Islamic Shariah Standards	The Fund invests and deals in a manner consistent with the Islamic Shariah controls approved by the Shariah Board.
Management Fees	The Fund pays annual management fees to the Fund Manager amounting to 1.2% from the Fund's total asset value, after deducting all fees and expenses.
Custody Fees	The Fund pays the Custodian an annual amount of (SAR 100,000) one hundred thousand riyals, which is paid once a year.
Transaction Costs	The Fund and the unitholders pays a maximum rate of (1%) from the value of each sale or purchase process paid to the Fund Manager; and that is in exchange for having carried out the investigation, negotiation, and inspection, and these fees are payable after the completion of the deal directly. It may become part of the commissions, if it is possible to agree with the deal brokers on it.
Real Estate Manager	The Real Estate Manager is entitled to maximum fees of 7% per annum from the total rental value realized on the real estates to be acquired in the future. Furthermore, the Fund Manager is entitled to appoint the lessee as the Real Estate Manager, where the latter works under the supervision of the Fund Manager, and no fees will be charged to the Real Estate Manager in this case.
Other Expenses	A maximum rate of 0.25% per annum from the Fund's total assets containing the incidental expenses, and the expenses related to the Fund's work and activities. The Fund also acknowledges that no other amounts will be deducted except what has been mentioned.
Units Registration and Listing Fees	The Fund will pay fees for the services provided by the Saudi Stock Exchange (Tadawul), and the fees are as follows: <ul style="list-style-type: none"> - Registration Fees: It includes the unitholders registry establishment fees: An amount of SAR 50 thousand, in addition to SAR 2 for each investor and up to a maximum of 500 thousand riyals. - Unitholders registry management service: An amount of 400 thousand riyals per annum. - Listing Fees: The Fund units initial listing service: An amount of SAR 50 thousand. - Fund units initial listing service: An amount of: 0.03% of the Fund's market value, with a minimum of 50 thousand riyals, and a maximum of 300 thousand riyals.
Public Ownership Rate and the Number of Unitholders	According to the second subparagraph of subparagraph (B) of the fourth clause contained in the REITs instructions, the public's ownership of the Fund units should not be less than 30%, unless an exception has been obtained from the CMA. The number of unitholders from the public should not be less than fifty unitholders.

Chapter Two

Terms and Conditions

1. Provisions

1.1 Fund Name and Type

Fund name is Musharaka REIT, and it is a closed real estate investment traded fund established in the Kingdom of Saudi Arabia under the Real Estate Investment Funds Regulations and the REITs instructions.

1.2 Fund Manager's Head Office Address:

Musharaka Capital Company – Prince Turki Bin Abdulaziz Road – P.O. Box 712 Al-Khobar 31952 Kingdom of Saudi Arabia

Tel: + 966 (13) 8817990, Fax: + 966 (13) 8818205 www.musharaka.sa

1.3 Fund Size

The target fund size is SAR 880,000,000 (eight hundred and eighty million riyals) divided into 880,000,000 units (eight hundred and eighty million) with a par value of SAR 10 (ten riyals) per unit; as the Fund's size represents the purchase value of the real estates amounting to SAR 857,000,000 (eight hundred and fifty seven million riyals); in addition to the commissions fees to own the real estates amounting to SAR 21,425,000 (twenty one million four hundred and twenty five thousand riyals) payable to the Fund Manager and the brokers. The rest are the expenses for the Fund's establishment, such as the Fund units' registration and listing expenses for the first time to a trading company.

1.4 Fund Term

The Fund's term is (99) years starting from the date of listing the Fund units' in the Saudi Stock Exchange (Tadawul) and making it available for trading. The Fund's term is renewable for an additional two years after obtaining the approval of the Fund Board and the CMA.

1.5 Fund Objectives

The Fund's main investment objective is to provide a regular annual income to the unitholders through investment in contractually developed real estate assets capable of generating regular and rental income and mainly located in Saudi Arabia; as the Fund Manager must carry out a cash distribution at least once a year during the first quarter of each year, and not less than 90% of the Fund's net profits. The Fund intends to finance the acquisition costs on the real estates in the future during the Fund's term by increasing the Fund's capital, in accordance with Article 1.8.3 from the Terms and Conditions, or through finance consistent with the Shariah Board standards; in addition to the retained earnings from the Fund's previous investments.

A Description of the Fund's Purpose and its Investment Objectives

The Fund's main objective is to achieve a stable cash distributions not less than 90% of the Fund's net annual income and the distributions to the unitholders must be viable to growth and increase, and that is through the investment in contractually developed real estates capable of generating regular and rental income, and the distribution of the amounts to the unitholders in a periodic manner. The Fund aims to achieve growth and increase in the annual distributions through the application of the following options: (A) Reinvestment of the income retained in other contractually developed real estate investment assets capable of generating regular and rental income, (B) linking the annual retained earnings or part thereof to the low-risk Murabaha deposits compatible with the Shariah Board standards, and that is after the distribution of 90% of the Fund's net profits in cash to all the Fund unitholders on an annual basis at a minimum, at the start of the first quarter of the fiscal year ending on the 31st of December of each year, and (C) reinvestment of the retained earnings or part thereof in real estate funds (REITs), whose units are traded locally and compatible with the Shariah Board standards .

1.6 A Summary of the Strategies to be followed by the Fund Manager to achieve its Objectives

1.6.1 A Description of the Types of the Real Estate Assets to be invested by Fund

The Fund Manager intends to invest in various sectors such as the industrial, residential, hospitality, commercial, or agriculture sectors. The Fund can carry out two types of acquisitions, namely:

- Acquisition of contractually developed real estates to generate regular and rental income.
- Acquisition of real estate usufruct rights for a long-term period.

While the Fund mainly invests in contractually developed real estate assets capable of generating regular and rental income, the Fund Manager is not permitted to invest in idle lands, and it is only allowed to invest a rate no more than (25%) of the total value of the Fund's assets, according to latest audited financial statements, in real estate development or to renew or redevelop these real estates owned by the Fund. The criteria for selecting the real estate are as follows: (A) Leased by at least 50% of the leasable areas, (B) constructually developed and achieves annual rental returns, (C) located in areas within the major cities; provided that it is outside the boundaries of Mecca and Medina, and (D) the real estate does not require the addition of improvements thereon, whose costs exceed 15% of the total purchase cost.

1.6.2. Real Estates to be acquired for the Fund

The Fund Manager is in the process of acquiring constructually developed real estates that generate regular and rental income with medium and long term leases in different sectors, and these real estates are located in (the Eastern Province and Central Province) as shown in the following table:

Name	Province	City	Purchase Value	Total Return on the Real Estate
Ejzala Compound I	Eastern Province	Al-Khobar	SAR 160,000,000	SAR 14,400,000
Al-Baraka Warehouses	Riyadh Province	Riyadh	SAR 90,000,000	SAR 9,000,000
Radisson Blu Hotel Apartments	Eastern Province	Al-Khobar	SAR 85,000,000	SAR 7,225,000
Seashore Residential Compound	Eastern Province	Al-Khobar	SAR 145,000,000	SAR 13,050,000
Pearl Residential Compound	Eastern Province	Al-Khobar	SAR 377,000,000	SAR 32,045,000

1.6.2.1 First Real Estate: Ejzala Compound I:

1.6.2.1.1 Real Estate Description: Ejzala Compound is a closed residential compound consisting of 101 villas established in two models different in terms of their design and size; as the first model of villas is built on an area of 220 m² per villa, containing 36 villas; whereas the second model is built on an area of 210 m² per villa, containing 65 villas. All the villas consist of two floors with three bedrooms and the Compound includes health, sports and entertainment centers; in addition to a multi-purpose hall, a nursery, pools and a shopping center (Farm Superstores). The Compound is characterized by its proximity to all important and key areas; as it is located in the Al-Korba Neighborhood in the Dhahran region on the King Saud Road (Qishla) from its western side, and along the Old Dhahran Airport. The Dhahran region is the link between Dammam and Al-Khobar. Furthermore, its location is also characterized by its proximity to the Saudi Aramco Company, the Imam Abdul Rahman bin Faisal University, the King Fahd University of Petroleum and Minerals (KFUPM), and the National Guard. The Compound is built on two plots of land; as the area of the first plot is equal to (14,391.9 m²); whereas the area of the second plot is equal to (15,094.83 m²), and the total compound area is equal to (29,486.73 m²). The Fund Manager also acknowledges that the real estate is free of any systematic violations that may prevent or cause the non-utilization or non-operation of the real estate, and he also acknowledges the technical safety of the real estate and the absence of any major engineering defect or flaws that may prevent or cause the non-utilization or non-operation of the real estate, or may in return require making main expensive reforms and changes.

1.6.2.1.2 Summary of the Real Estate's Key Information:

Current Owner	Ejzala Trade and Real Estate Investment Company (EJZALA)
Location	Quortobah Neighborhood – Al-Khobar
Plot Area	29,486.73 m ²
Number of Villas	101 Residential Villas
Furnishing	Fully-Furnished
Lease Rate	100%
Net Annual Income Value from the Lease	14.4 Million Saudi Riyals
Sector	Residential investment
Lessee and Real Estate Manager / Contract Term	The Three Palm Trees Hotel Company /5 Years
Average Evaluation	161,509,980 Saudi Riyals
Purchase Price	160,000,000 Saudi Riyals
In-kind Share	70% of the Real Estate Value, amounting to SAR 112,000,000
Total Annual Rate of Return	9% p.a. of the Real Estate Purchase Value
Real Estate Age and Operation Commencement	14 years
Average Income in 2014 / Occupancy Rate	SAR 16,380,000 / 100%
Average Income in 2015 / Occupancy Rate	SAR 16,380,000 / 100%
Average Income in 2016 / Occupancy Rate	SAR 16,380,000 / 100%

1.6.2.1.3 Marketing Value and Real Estate Evaluation Method: The real estate was evaluated at the market value of SAR 161,509,980 (one hundred and sixty-one million five hundred and nine thousand nine hundred and eighty riyals), and this value represents the real estate’s average evaluation made by appraisers independent from the Fund and from each other, and accredited by the Saudi Authority for Accredited Valuers (Taqeem). Each appraiser has evaluated the real estate separately and then they reached the final market value after taking the arithmetic average for the evaluation’s results, in accordance to the paragraph 1.12 of these Terms and Conditions.

1.6.2.1.4 Real Estate Lease and Management: The compound was fully leased to the Three Palm Trees Hotel Company under a five-year contract which generates an annual return of (SAR14,400,000), i.e. fourteen million and four hundred thousand riyals. This is the net income after deduction of all the real estate’s management expenses and all expenses of insurance and periodic maintenance which are incurred by the Lessee in its capacity as the Real Estate Manager. The real estate manager shall be appointed and supervised by the Fund Manager. In addition, the real estate manager shall fulfill all the mentioned expenses. There are no expenses or entitlements payable to the current real estate manager, as it is the Lessee. In addition, the Lessee has issued promissory notes for the lease value for each year, i.e. five promissory notes. The Fund Manager shall, six months prior to expiration of the lease contract with the Three Palm Trees Hotel Company, contact the Lessee, i.e. the Three Palm Trees Hotel Company, to know whether or not it desires to renew the lease contract for a similar or different term and for the price to be agreed upon at the time. If it does not desire to renew the contract; the Fund Manager shall appoint a new real estate manager, who meets the criteria mentioned in paragraph 1.25.1.3, in order to operate the compound to operate the compound.

1.6.2.1.5 Real Estate Acquisition Mechanism: The Fund Manager will acquire the real estate at SAR 160,000,000, giving the Fund a total annual return of 9% of the real estate purchase amount (as described in Paragraph 1.6.2.6). The purchase rate is considered lower than the real estate’s average appraisal rate, which prepared by three appraisers accredited by the Saudi Authority for Accredited Valuers, amounting to SAR 161,509,980, as shown in Paragraph 1.12, and the real estate owner will contribute with an in-kind share amounting to 70% of the real estate’s total value, equal to SAR 112,000,000.

1.6.2.1.6 Lease Contracts Details:

Number of Contracts	One Contract
Lessee	The Three Palm Trees Hotel Company
Lease Contract Start Date	Since the transfer of its ownership and its conveyance for the Fund
Contract Term	Five Years
Contract Type	A lease contract in which the Lessee shall bear the insurance, maintenance and operating costs.
Permitted Usage	Lease of residential villas in a closed compound
Total Value of Lease Contract	SAR 72,000,000
Lease Value per Year	SAR 14,400,000
Lessee Commitment Guarantee	Order payment vouchers at the value of each lease per year.
Contract Termination Conditions during the Term, which is five years	The owner is entitled to terminate the lease contract in the following cases: 1. If the Lessee fails to fulfill his obligation to pay the annual lease, within 60 days from the date of Fund’s entitlement to the lease value. 2. If the Lessee breaches the clauses of the lease contract.

* The Fund Manager acknowledges that there is no conflict of interests between the following parties, whether directly or indirectly:

- 1) Fund Manager.
- 2) Real Estate Manager(s) associated with the Fund.
- 3) Real Estate Owner(s) associated with the Fund.
- 4) Lessee(s) of real estate assets, whose revenues constitute 10% or more of the Fund's annual lease returns.

1.6.2.2 Second Real Estate: Al-Baraka Warehouses

Real Estate Description: It consists of six towering (14 m²) closed warehouses located at the Al Mashael District in the Sulai Municipality in the city of Riyadh, built on a plot area of 29,955.49 m² and leased by the Advanced Supplies Company Limited, owner of the FLOW carriers; as it is the exclusive carrier for the IKEA Company under a binding five-year contract renewed after the end of each period with a new value; however, if one of the parties does not wish to renew the contract, it must notify the other party in writing within 30 days before the end of the contract term, which is two years since the Lessee's receipt of the real estate and its operation.

The Fund Manager acknowledges that the real estate is free of any irregularities that may prevent or hinder using or operating the real estate; furthermore, the Fund Manager acknowledges that the real estate is technically safe and free of any flaws or major engineering defects that may prevent or hinder using or operating the real estate or may require making costly major repairs and changes.

1.6.2.2.1 Summary of the Real Estate's Key Information:

Current Owner	Abdullah bin Ibrahim bin Awad Al-Awad
Location	Al Mashael District – City of Riyadh (the Sulai Municipality)
Plot Area	29,955.49 m ²
Equipment inside the Warehouses	They were prepared by the Lessee
Lease Rate	100%
Net Annual Income Value from the Lease	SAR 9,000,000
Sector	Industrial
Lessee and Real Estate Manager / Contract Term	The Advanced Supplies Company Limited / 5 Years
Average Evaluation	SAR 90,559,500
Purchase Price	SAR 90,000,000
Total Annual Rate of Return	10% p.a. of the real estate's purchase value
Real Estate Age and Operation Commencement	2 (Two) years
Average Income since Inception / Occupancy Rate	SAR 9,000,000 / 100%

1.6.2.2.2 Marketing Value and Real Estate Evaluation Method: The real estate was evaluated at the market value of SAR 90,559,500 (ninety million, five hundred and fifty-nine thousand and five hundred riyals), and this value represents the real estate's average evaluation made by appraisers independent from the Fund and from each other, and accredited by the Saudi Authority for Accredited Valuers (Taqeeem). Each appraiser has evaluated the real estate separately and then they reached the final market value after taking the arithmetic average for the evaluation's results, in accordance to the paragraph 1.12 of these Terms and Conditions.

1.6.2.2.3 Real Estate Lease and Management: The real estate is fully leased to the Advanced Supplies Company Limited under a five-year contract which generates an annual return of (SAR 9,000,000), i.e. nine million riyals. This is the net income after deduction of all the real estate's management expenses and all expenses

of insurance and periodic maintenance which are incurred by the Lessee in its capacity as the Real Estate Manager; as it will be appointed, and no real estate management fees will be charged in this case, and it will work under the supervision of Fund Manager. **In addition, the Real Estate Manager shall fulfill all the mentioned expenses. There are no expenses or entitlements payable to the current real estate manager, as it is the Lessee.** The Fund Manager shall, thirty days prior to expiration of the lease contract with the Advanced Supplies Company Limited, contact the Lessee to know whether or not it desires to renew the lease contract for a similar or different term and for a price to be agreed upon at the time. If it does desire to renew the contract, the Fund Manager shall appoint a new real estate manager, who meets the criteria mentioned in paragraph 1.25.1.3, in order to operate the compound to operate the compound.

1.6.2.1.4 Real Estate Acquisition Mechanism: The Fund Manager will acquire the real estate at SAR 90,000,000, giving the Fund a total annual return of 10% of the real estate purchase amount (as described in Paragraph 1.6.2.6). The purchase rate is considered lower than the real estate's average appraisal rate, which is prepared by two appraisers accredited by the Saudi Authority for Accredited Valuers, amounting to SAR 90,559,500, as shown in Paragraph 1.12.

1.6.2.2.5 Lease Contracts Details

Number of Contracts	One Contract
Lessee	The Advanced Supplies Company Limited
Lease Contract Start Date	10/11/1436 AH
Contract Term	Five Years
Contract Type	A lease contract in which the Lessee shall bear the management, maintenance and operating costs.
Permitted Usage	Storage Warehouses
Total Value of Lease Contract	SAR 27,000,000
Lease Value per Year	SAR 9,000,000
Contract Termination Conditions during the Term, which is five years	1. If the Lessee is delayed in paying the annual lease value, within a month from the payment due date, the owner will be entitled to terminate the contract. 2. If the Lessee breaches the clauses of the lease contract, the owner will be entitled to terminate the contract.

* The Fund Manager acknowledges that there is no conflict of interests between the following parties, whether directly or indirectly:

- 1) Fund Manager.
- 2) Real Estate Manager(s) associated with the Fund.
- 3) Real Estate Owner(s) associated with the Fund.
- 4) Lessee(s) of real estate assets, whose returns constitute 10% or more of the Fund's annual lease returns.

1.6.2.3. Third Real Estate: Radisson Blu Hotel Apartments

1.6.2.3.1. Real Estate Description: Radisson Blu Hotel Apartments consist of four interconnected and closed compounds consisting of 92 fully-furnished hotel apartments. Such apartments have three different styles in

terms of design and area. The first style is built over an area of 20 m² per apartment and contains a single room. There are 36 apartments in the compound built in this style. The second style is built over an area of 84 m² per apartment and contains two bedrooms. There are 48 apartments in the compound built in this style. The third style is built over an area of 125 m² per apartment and contains three bedrooms. There are 8 apartments built in this style. The real estate is owned by the Tanami Arabia Company (a closed joint-stock company). Radisson Blu is responsible for operating the whole real estate for a period of ten years. All buildings consist of three floors. Most of the services that the guests need are available at the compound, such as room service, restaurant, business center, reception, health center, gym and swimming pool. The compound is characterized by being close to all the main and important locations. It is located near King Saud Road (Al Qishla), as the compound overlooks the road from its western side. The location of the compound is also close to the Saudi Aramco Company, the Imam Abdulrahman bin Faisal University, the King Fahd University of Petroleum and Minerals, the National Guard, the Procure Riaya Hospital and the Dhahran and Al Rashed Compounds. The compound is built on an area of (3,798.08 m²). Furthermore, the Fund Manager also acknowledges that the real estate is free of any irregularities that may prevent or hinder using or operating the real estate. The Fund Manager also acknowledges that the real estate is technically safe and free of any flaws or major engineering defects that may prevent or hinder using or operating the real estate or may require making costly major repairs and changes.

1.6.2.3.2. Summary of the Real Estate Key Information:

Current owner	Tanami Arabia Company (a closed joint-stock company)
Location	Olaya District, Al-Khobar City
Plot Area	3,798.08 m ²
Number of units	92 hotel apartments
Furnishing	Fully-furnished
Lease rate	100%
Net Annual Income Value from the Lease	SAR 7,225,000
Sector	Hospitality
Lessee and Real Estate Manager / Contract Term	Tanami Arabia Company (a closed joint-stock company) / 5 years
Average Evaluation	SAR 86,004,000
Purchase Price	SAR 85,000,000
In-kind Share	30% of the real estate value, i.e. SAR 25,500,000
Total Annual Rate of Return	8.5% p.a. of the real estate purchase price
Real Estate Age and Operation Commencement	New (February 2017).

1.6.2.3.3 Marketing Value and Real Estate Evaluation Method: The real estate was evaluated at the market value of SAR 86,004,000 (eighty-six million and four thousand riyals), and this value represents the real estate's average evaluation made by appraisers independent from the Fund and from each other, and accredited by the Saudi Authority for Accredited Valuers (Taqeem). Each appraiser has evaluated the real estate separately and then they reached the final market value after taking the arithmetic average for the evaluation's results, in accordance to the paragraph 1.12 of these Terms and Conditions.

1.6.2.3.4 Real Estate Lease and Management: The compound was fully leased to the same seller Tanami Arabia Company (a closed joint-stock company) under a separate contract that was signed after the purchase agreement. The contract's term is five years, which generate an annual return of SAR 7,225,000 (seven million, two hundred twenty-five thousand Saudi riyals). This is the net income after deduction of all the real estate's management expenses and all expenses of insurance and periodic maintenance which are incurred by the Lessee in its capacity as the Real Estate Manager. The Real Estate Manager shall be appointed and supervised by the Fund Manager. In addition, the Real Estate Manager shall fulfill all the mentioned expenses. There are no expenses or entitlements payable to the current Real Estate Manager, as it is the Lessee. In addition, the Lessee has issued a promissory note for the lease of each year, i.e. five promissory notes. The Fund Manager shall, six months prior to expiration of the lease contract with Tanami Arabia Company, contact the Lessee, i.e. the Tanami Arabia Company, in order to know whether or not it is desiring to renew the lease contract for a similar or different term and for a price to be agreed upon at the time. If the Lessee does not desire to renew the contract, the Fund Manager shall appoint a new Real Estate Manager, who meets the criteria mentioned in paragraph 1.25.1.3, in order to operate the compound.

1.6.2.3.5 Real Estate Acquisition Mechanism: The Fund Manager will acquire the real estate at SAR 85,000,000, giving the Fund a total annual return of 8.5% of the real estate purchase amount (as described in Paragraph 1.6.2.6). The purchase rate is considered lower than the real estate's average appraisal rate, which is prepared by two appraisers accredited by the Saudi Authority for Accredited Valuers, amounting to SAR 86,004,000, as shown in Paragraph 1.12. The owner of the real estate will contribute by an in-kind share of 30% of the total real estate value, i.e. SAR 25,500,000.

1.6.2.3.6 Lease Contracts Details

Number of contracts	One contract
Lessee	Tanami Arabia Company (a closed joint-stock company)
Lease Contract Start Date	Since ownership transfer and conveyance thereof to the Fund
Contract Term	Five years
Contract Type	A lease contract in which the Lessee bears the insurance, maintenance and operation costs
Permitted Usage	Hotel apartments
Total Value of Lease Contract	SAR 36,125,000
Lease Value per Year	SAR 7,225,000
Guarantee of tenant's commitment	Promissory notes of the annual lease, in addition to the guarantees of the owners of the leasing company regarding the lease payment.
Contract Termination Conditions during the Term, which is five years	The owner shall be entitled to terminate the lease contract in the following cases: <ol style="list-style-type: none"> 1. If the Lessee fails to fulfill its annual obligation of paying the lease within 60 days from the Fund's maturity date for the lease value. 2. If the Lessee violates the clauses of the lease contract.

* The Fund Manager acknowledges that there is no conflict of interests between the following parties, whether directly or indirectly:

- 1) Fund Manager.
- 2) Real Estate Manager(s) associated with the Fund.
- 3) Real Estate Owner(s) associated with the Fund.
- 4) Lessee(s) of real estate assets, whose returns constitute 10% or more of the Fund's annual lease returns.

1.6.2.4. Fourth Real Estate: Seashore Residential Compound

1.6.2.4.1. Real Estate Description: It is a residential compound located in Al Aziziyah neighborhood in Al-Khobar city near the desalination station and Sunset Beach Compound. Such compound contains 112 residential units; 76 villas and 36 apartments that are fully furnished. The compound also contains recreational and service facilities for the residents, e.g.: health and sports clubs and an outdoor swimming pool. In addition, the compound has a modern design. Furthermore, it is close to Al-Khobar Corniche and King Fahd Bin Abdulaziz Causeway that leads to the Kingdom of Bahrain. The Compound is built over an area of 38,121.50 m². It has been recently built and will be handed over to the Lessee when the Fund starts its operation. The Fund Manager acknowledges that the real estate is free of any irregularities that may prevent or hinder using or operating the real estate. The Fund Manager also acknowledges that the real estate is technically safe and free of any flaws or major engineering defects that may prevent or hinder using or operating the real estate or may require making costly major repairs and changes.

1.6.2.4.2. Summary of the Real Estate Key Information:

Current owner	Ejzala Trade and Real Estate Investment Company
Location	Al Aziziyah Neighborhood, Al-Khobar City
Plot Area	38,121.50 m ²
Number of units	112 units
Furnishing	Fully furnished
Lease rate	100%
Net Annual Income Value from the Lease	SAR 13,050,000
Sector	Residential
Lessee and Real Estate Manager / Contract Term	Labab Works Contracting Company / 5 years
Average Evaluation	SAR 155,192,873
Purchase Price	SAR 145,000,000
In-kind Share	70% of the real estate value, i.e. SAR 101,500,000
Total Annual Rate of Return	9% p.a. of the real estate purchase price
Real Estate Age and Operation Commencement	New (to be handed over to the Lessee on 01-07-2017)

1.6.2.4.3 Marketing Value and Real Estate Evaluation Method: The real estate was evaluated at the market value of SAR 155,192,873 (one hundred fifty-five million, one hundred ninety-two thousand, eight hundred seventy-three riyals), and this value represents the real estate's average evaluation made by appraisers independent from the Fund and from each other, and accredited by the Saudi Authority for Accredited Valuers (Taqeem). Each appraiser has evaluated the real estate separately and then they reached the final market value after taking the arithmetic average for the evaluation's results, in accordance to the paragraph 1.12 of these Terms and Conditions.

1.6.2.4.4 Real Estate Lease and Management: The compound was fully leased to Labab Works Contracting Company under a five-year contract which generates an annual return of SAR 13,050,000 (thirteen million, fifty thousand Saudi riyals). This is the net income after deduction of all the real estate's management expenses and all expenses of insurance and periodic maintenance which are incurred by the Lessee in its capacity as the Real Estate Manager. The Real Estate Manager shall be appointed and supervised by the Fund Manager. In addition, the Real Estate Manager shall fulfill all the mentioned expenses. There are no expenses or entitlements payable to the current real estate manager, as it is the Lessee. In addition, the Lessee has issued a promissory note for the lease of each year, i.e. five promissory notes. The Fund Manager shall, six months prior to expiration of the lease contract with Labab Works Contracting Company, contact the Lessee, i.e. the Labab Works Contracting Co., in order to know whether or not it desires to renew the lease contract for a similar or different term and for a price to be agreed upon at the time. If the Lessee does not desire to renew the contract, the Fund Manager shall appoint a new real estate manager, who meets the criteria mentioned in paragraph 1.25.1.3, in order to operate the compound.

1.6.2.4.5 Real Estate Acquisition Mechanism: The Fund Manager will acquire the real estate at SAR 145,000,000, giving the Fund a total annual return of 9% of the real estate purchase amount (as described in Paragraph 1.6.2.6). The purchase rate is considered lower than the real estate's average appraisal rate, which is prepared by two appraisers accredited by the Saudi Authority for Accredited Valuers, amounting to SAR 155,192,873, as shown in Paragraph 1.12. The owner of the real estate will contribute by an in-kind share of 70% of the total real estate value, i.e. SAR 101,500,000.

1.6.2.4.6 Lease Contracts Details

Number of contracts	One contract
Lessee	Labab Works Contracting Company
Lease Contract Start Date	01-07-2017
Contract Term	Five years
Contract Type	A lease contract in which the Lessee bears the insurance, maintenance and operation costs
Permitted Usage	Lease of residential units in a closed compound
Total Value of Lease Contract	SAR 65,250,000
Lease Value per Year	SAR 13,050,000
Guarantee of tenant's commitment	Promissory notes of the annual lease
Contract Termination Conditions during the Term, which is five years	The owner shall be entitled to terminate the lease contract in the following cases: <ol style="list-style-type: none"> 1. If the Lessee fails to fulfill its annual obligation of paying the lease within 60 days from the Fund's maturity date for the lease value. 2. If the Lessee violates the clauses of the lease contract.

* The Fund Manager acknowledges that there is no conflict of interests between the following parties, whether directly or indirectly:

- 1) Fund Manager.
- 2) Real Estate Manager(s) associated with the Fund.
- 3) Real Estate Owner(s) associated with the Fund.
- 4) Lessee(s) of real estate assets, whose returns constitute 10% or more of the Fund's annual lease returns.

1.6.2.5. Fifth Real Estate: Pearl Residential Compound:

1.6.2.5.1. Real Estate Description: It is a closed residential compound located in Al-Rakah Neighborhood in Al-Khobar city overlooking Prince Sultan Bin Fahd Bin Abdulaziz Street and is near King Fahd Bin Abdulaziz Road (Causeway), which connects Dammam with Al-Khobar. The compound contains many services, equipment and recreational facilities, e.g.: a health club having two sections, one for men and another one for women, an outdoor swimming pool, a health club and a multi-use hall. The compound is composed of 233 units that differ in design and area. The compound is one of the most modern and efficient compounds that are equipped with a security and guarding system; as it is equipped with safety equipment and a high-standard control room. The real estate is leased under one contract to Enwan Al Khaleej Company for Real Estate Investment. The compound is built over an area of 22,500 m². The Fund Manager acknowledges that the real estate is free of any irregularities that may prevent or hinder using or operating the real estate. The Fund Manager also acknowledges that the real estate is technically safe and free of any flaws or major engineering defects that may prevent or hinder using or operating the real estate or may require making costly major repairs and changes.

1.6.2.5.2. Summary of key information of the real estate:

Current owner	Enwan Al Khaleej Company for Real Estate Investment
Location	Al-Rakah Neighborhood, Al-Khobar City
Plot Area	22,500 m ²
Lease rate	100%
Net Annual Income Value from the Lease	SAR 32,045,000
Sector	Residential
Lessee and Real Estate Manager / Contract Term	Enwan Al Khaleej Company for Real Estate Investment / 5 years
Average Evaluation	SAR 379,171,000
Purchase Price	SAR 377,000,000
In-kind Share	70% of the real estate value, i.e. SAR 263,900,000
Total Annual Rate of Return	8.5% p.a. of the real estate purchase price
Real Estate Age and Operation Commencement	5 years
Average Income in 2014 / Occupancy rate	SAR 34,000,000 / 100%
Average Income in 2015 / Occupancy rate	SAR 34,000,000 / 100%
Average Income in 2016 / Occupancy rate	SAR 34,000,000 / 100%

1.6.2.5.3 Marketing Value and Real Estate Evaluation Method: The real estate was evaluated at the market value of SAR 379,171,000 (three hundred seventy-nine thousand, one hundred and seventy-one thousand riyals), and this value represents the real estate's average evaluation made by two appraisers independent from the Fund and from each other, and accredited by the Saudi Authority for Accredited Valuers (Taqeem). Each appraiser has evaluated the real estate separately and then they reached the final market value after taking the arithmetic average for the evaluation's results, in accordance to the paragraph 1.12 of these Terms and Conditions.

1.6.2.5.4 Real Estate Lease and Management: The compound was fully leased to Enwan Al Khaleej Company for Real Estate Investment under a five-year contract which generates an annual return of SAR 32,045,000 (thirty two million, forty five thousand Saudi riyals). This is the net income after deduction of all the real estate's management expenses and all expenses of insurance and periodic maintenance which are incurred by the Lessee in its capacity as the Real Estate Manager. The Real Estate Manager shall be appointed and supervised by the Fund Manager. In addition, the real estate manager shall fulfill all the mentioned expenses. There are no expenses or entitlements payable to the current real estate manager, as it is the Lessee. In addition, the Lessee has issued a promissory note for the lessee of every six months, i.e. ten promissory notes. The Fund Manager shall, six months prior to expiration of the lease contract with Enwan Al Khaleej Company for Real Estate Investment, contact the tenant, Enwan Al Khaleej Company for Real Estate Investment, in order to know whether or not it desires to renew the lease contract for a similar or different term and for a price to be agreed upon at the time. If the Lessee does not desire to renew the contract, the Fund Manager shall appoint a new real estate manager, who meets the criteria mentioned in paragraph 1.25.1.3, in order to operate the compound.

1.6.2.5.5. Real Estate Acquisition Mechanism: The Fund Manager will acquire the real estate at SAR 377,000,000, giving the Fund a total annual return of 8.5% of the real estate purchase amount (as described in Paragraph 1.6.2.6). The purchase rate is considered lower than the real estate's average appraisal rate, which is prepared by two appraisers accredited by the Saudi Authority for Accredited Valuers, amounting to SAR 379,171,000, as shown in Paragraph 1.12. The owner of the real estate will contribute by an in-kind share of 70% of the total real estate value, i.e. SAR 263,900,000.

1.6.2.5.6 Lease Contracts Details

Number of contracts	One contract
Lessee	Enwan Al Khaleej Company for Real Estate Investment
Lease Contract Start Date	After the real estate's ownership is transferred to the Fund
Contract Term	Five years
Contract Type	A lease contract in which the Lessee bears the insurance, maintenance and operation costs
Permitted Usage	Lease of residential units in a closed compound
Total Value of Lease Contract	SAR 160,225,000
Lease Value per Year	SAR 32,045,000
Guarantee of tenant's commitment	Promissory notes of the lessee of every six months
Contract Termination Conditions during the Term, which is five years	The owner shall be entitled to terminate the lease contract in the following cases: <ol style="list-style-type: none"> 1. If the Lessee fails to fulfill its annual obligation of paying the lease within 60 days from the Fund's maturity date for the lease value. 2. If the Lessee violates the clauses of the lease contract.

* The Fund Manager acknowledges that there is no conflict of interests between the following parties, whether directly or indirectly:

- 1) Fund Manager.
- 2) Real Estate Manager(s) associated with the Fund.
- 3) Real Estate Owner(s) associated with the Fund.
- 4) Lessee(s) of real estate assets, whose returns constitute 10% or more of the Fund's annual lease returns.

1.6.2.6. The Fund's total target returns based on the unit price SAR 10 (representing the annual lease divided by the Fund's size) as mentioned in the lease contract for the first five years:

Year	Total	Before deduction of fees*	Target after deduction of fees
From 17/08/2017 Till 16/08/2018	SAR 75,720,000	8.6 %	7%
From 17/08/2018 Till 16/08/2019	SAR 75,720,000	8.6 %	7%
From 17/08/2019 Till 16/08/2020	SAR 75,720,000	8.6 %	7%
From 17/08/2020 Till 16/08/2021	SAR 66,720,000 *	7.5 %	6.02%
From 17/08/2021 Till 16/08/2022	SAR 66,720,000	7.5 %	6.02%

*The Fund Manager acknowledges that the target total return is before deduction of all the fees and expenses relevant to the Fund.

*At the end of the Fund's third year, the lease contract of the second real estate, "Al-Baraka Warehouses", will expire. The Fund Manager shall then determine a mechanism that commensurate with the provisions of paragraph 1.6.2.2.3.

1.6.3. Investment Concentration Policies

The Fund aims to mainly invest in places located in the main cities of the Kingdom of Saudi Arabia, provided that such places are outside the borders of the cities of Mecca and Medina. Such places are characterized by positive population characteristics, strong growth in business activities, positive investment flow, positive supply and demand dynamics, and a strong infrastructure. Although the Fund's initial investment is in the Kingdom of Saudi Arabia, the Fund may invest up to 25% of the its total asset value in constructionally developed real estates that are located outside the Kingdom and capable of generating a periodic rental income in accordance with the latest audited financial statements. In addition, the Fund Manager may retain up to 10% of the net annual profits in the form of cash through undistributed retained earnings obtained from annual rents. The following table shows the investment concentration rates pursuant to the Fund's strategy:

Type of Investment	Minimum	Maximum
Income-generating real estates in the Kingdom of Saudi Arabia	75%	100%
Usufruct rights of income-generating real estates in the Kingdom of Saudi Arabia, real estate development projects, income-generating real estates outside the Kingdom of Saudi Arabia, international or local REIT funds compliant with the Shariah Board's standards, Murabaha deposits in Saudi riyals with Saudi banks, and IPO funds whether or not they are affiliated to the Fund Manager.	0%	25%
Retaining cash annually from net profits	0%	10%

1.6.4. Fund's Borrowing Powers

The Fund Manager may, on behalf of the Fund, obtain financing compliant with the Shariah Board's standards, after obtaining the approval of the Fund's Board of Directors. The percentage of financing obtained shall not exceed (50%) of the Fund's total asset value according to the latest audited financial statements. Financing can be obtained from any local bank. All financing costs shall be borne by the Fund.

1.6.5. Methods and Ways to invest the Cash Available in the Fund

The Fund may invest the available cash in Murabaha deposits in Saudi riyals and other short-term investments compliant with the Shariah Board's standards. Public investment funds shall be established and licensed by the CMA, whether they are managed by the Fund Manager of any manager of other investment funds. Such funds shall either be traded or non-traded, e.g.: local REIT funds or IPO funds. In addition, such funds include cash and trading funds, provided that all of these investments shall not exceed 25% of the Fund's total asset value according to the latest audited financial statements. The Fund Manager shall determine such investments based on selection standards: (a) previous performance of such funds; and (b) efficiency of the Fund Manager.

1.6.6. Exit Policy

The main objective of the Fund is to provide the unitholders with annual periodic income from the revenues of the Fund's real estates. This would require retention of asset ownership of constructionally developed real estates and generation of a periodic rental income for a period of time. The Fund Manager will continuously monitor the market in order to seize opportunities to disassociate itself of one or more of its investments.

The reasons for the exit include but are not limited to: (a) restructuring the Fund's real estate assets to include new real estates that increase the efficiency of the Fund's income and commensurate with the description of real estate assets in which the Fund will invest in 1.6.1; (b) changes in the characteristics of the existing real estate assets, e.g.: the geographical location of the real estate and the significant and continuous declination in its revenues.

The Fund shall, generally, retain its real estate assets for a long-term. However, the Fund Manager will appraise each of the Fund's real estate on a periodic basis and propose specific strategies for it. Such proposals shall include decisions of selling the real estate after obtaining the approval of the Fund's Board of Directors, if it appears that such decisions are in favor of the Fund and the unitholders, and such decision decisions shall be taken without referring to the unitholders. The Fund Manager shall have any real estate, which is proposed to be sold, appraised by two independent appraisers licensed by the Saudi Authority for Accredited Valuers. In addition, the Fund Manager shall make endeavors so that the sale price is not less than the average appraisal price of the real estate. Furthermore, the Fund Manager shall make endeavors to buy another real estate that commensurate with the Fund's strategies in order to achieve its objectives, within six months as of the real estate's sale.

1.6.7. Fund Manager's Investment Decision Making Mechanism

1.6.7.1. Making substantive Decisions on the Fund's Work:

All substantive decisions relevant to the Fund and any other decisions that affect the unitholders and the value of such units in any way shall be first submitted by the Real Estate Funds Management to the Fund's Board of Directors. Such decisions include but are not limited to:

1. Approving the Fund's initial objectives and the target investment field;
2. Approving appointment of the Fund's key service providers, e.g.: Custodian, Real Estate Developer, Real Estate Appraisers, Real Estate Marketer, Shariah Board, Real Estate Manager, Auditor);
3. Approving any new contracts within the Fund's normal operations;
4. Approving the Fund's terms and conditions;
5. Following-up with the workflow and completion rate together with approving the payments;
6. Any significant changes to any of the following;
7. Any process that may affect the Fund's performance or its units 'value.

1.6.7.2. Description of the Steps for taking investment decisions

1. Studying real estate markets:

The Fund relies on the Fund Manager's Real Estate Management Department and the External Advisors to regularly assess the most attractive sectors in the real estate investment market. The Fund Manager will continuously follow-up the trends and cycles in the real estate investment market as well as market fundamentals and sector characteristics in order to capitalize on the real estate market's available opportunities and sustain the Fund's long-term objectives.

2. Acquisitions:

Taking the decisions for Fund's investment in real estates is conducted as follows:

- Performance of initial appraisal of the real estate proposed for acquisition by the Real Estate Management Department in order to verify its feasibility. Such real estate shall commensurate with the types of real estate assets in which the Fund will invest, as indicated in above-mentioned the sub-paragraph 1.6.1.
- The results of the initial appraisal shall be presented to the Fund's Board of Directors in order to obtain its approval on continuing to seek acquisition of the real estate.
- The Fund Manager shall appoint independent appraisers in order to value the real estate in order to determine the real estate's market value.
- The Fund Manager shall appoint a technical appraiser in order to value the real estate from the technical and engineering aspects.
- When the real estate's feasibility and its consistency with the Fund's objectives are verified, a binding offer to acquire the property is extended to the property landlord after obtaining the approval of the Fund's Board of Directors. Finally, the real estate is acquired in favor of the Fund and its ownership is registered in the name of the private company established by the Custodian.

3. Real Estate Operation and Management:

The Fund Manager shall be entitled to appoint the real estate lessee or its representative or any of its subsidiaries as a Real Estate Manager. In this case, the lessee shall assume all duties of the Real Estate Management as part of its responsibilities and duties under the same lease contract. The Fund Manager shall periodically supervise the Real Estate Manager. If the Fund's Board of Directors is unsatisfied with the Real Estate Manager's performance due to its lack of commitment in performing its duties and responsibilities provided for in the contract signed therewith, it shall be replaced by a more efficient manager within a maximum of three months from the date of terminating the contract with the Real Estate Manager.

The Fund generally intends to retain the ownership of real estate on a long-term basis. However, the Fund Manager will regularly evaluate all the real estates owned by the Fund. The Fund Manager may propose selling any of the Fund's real estates, after obtaining the approval of the Fund's Board of Directors. Such proposal may be made after performing an analysis and a detailed study that takes the following factors into consideration:

- Real estate's annual rental income.
- Real estate's consistency with the diversity of the Fund's investment sectors, as in the summary of strategies to be followed by the Fund in order to achieve its objectives.
- Strategic fit of the real estate with respect to the investment allocation strategy by sectors.
- Any change in the market's conditions which affects the Fund's investments.
- Prior to taking any action, the Fund Manager will seek to appraise the relevant real estates by two independent appraisers. However, such appraisers shall be the key members in the Saudi Authority for Accredited Valuers.

1.7. Fund Investment Risks:

Fund Investment involves moderate risks. And thus, investment in the Fund is only suitable for persons who can afford the complete or partial loss of their investment. The below factors describe the risks that could negatively affect the Fund's investments and consequently affect the Fund's net asset value and investment returns. It is important that prospective investors review and understand these risk factors before making an investment in the Fund. In all cases, it should be noted that the below risks are not exclusive; however, they are examples of the risks that might face the Fund.

1.7.1. Summary of the Key Risks involved in Fund Investment:

1.7.1.1. Fund-Related Risks:

1.7.1.1.1. Nature of Investment Risks: Fund Investment requires commitment as described in these Terms and Conditions with no assurances of realization of returns on the invested capital. There will be no assurances that the Fund will be able to realize positive returns on its investments in a timely manner, if at all. The Fund may not be able to sell or dispose of its assets. In addition, if it was decided to dispose of the assets by sale, the Fund may not be able to sell such assets at a price perceived by the Fund Manager to represent a fair value thereof or within the timeframe desired by the Fund. Accordingly, the Fund may never be able to realize any returns on its assets.

1.7.1.1.2. Limited Experience Risks: The Fund Manager has limited experience in managing real estate investment traded funds. In addition, the REIT Regulations have only been recently issued; therefore, the Fund Manager may have to spend considerable time and effort to ensure that the Fund complies with the regulatory requirements in force issued by CMA and Tadawul. In this case, this may have a negative impact on the Fund's operations, its financial position and the returns to the unitholders.

1.7.1.1.3. Liquidity Risks: Listing the Fund's units on the Saudi Stock Exchange (Tadawul) shall not be taken as implying that there will be an active liquid market for the units or that it will develop or, if it does develop, that it will be maintained as it is. If a market of high liquidity is not developed, the liquidity and trading price of the units could be adversely affected. In addition, if such a market does not develop, relatively small transactions may have a significant impact on the prices of units, and transactions including a large number of units may be difficult to execute at a stable price. A limited number of units/unitholders may result in reduced levels of liquidity with respect to such units, which may adversely affect: (1) an investor's ability to realize revenues on some or all of its investment; and/or (2) the price at which such units are traded in the market. In addition, a large number of units may be issued to a limited number of investors, which would adversely affect the market's liquidity.

1.7.1.1.4. Price Changes Risks: There are many factors that may negatively affect the market price of units. Such factors include the general movement in local and international stock exchange and real estate markets, prevailing and anticipated economic conditions, profit rates, financing costs, investors' trends, and general economic conditions. In addition, the units may be subject to price fluctuations. Furthermore, the lack of liquidity may have an adverse effect on the units' market value. Accordingly, the purchase of such units is only suitable for investors who can bear the risks associated with such investments.

1.7.1.1.5. Risks of trading at a price less than the market value: The units may be traded at a price less than the value at which they were offered. In addition, the unitholders may not be able to retrieve the full value of their investment. The units may be trade at a price less than their value for various reasons, including unexpected market conditions, deterioration in investors' perceptions of the merits of the Fund's investment strategy and investment policy, or excess of supply over demand with respect to the units.

1.7.1.1.6. Distributions Fluctuation Risks: Although the Fund is required, in accordance with the relevant regulations, to distribute at least 90% of its net profits to the unitholders, there are no guarantees regarding the amounts of the actual distributions that the Fund will make to the unitholders. In addition, the Fund may be unable to make any distributions due to unforeseeable events that lead to an increase in costs (including capital expenditures in the case

of large scale urgent renovation works) or a decrease in revenues (such as in the case of uncollected annual rents). Furthermore, the Fund's inability to make annual distributions to unitholders may expose the Fund to certain crises that would adversely affect its financial performance.

1.7.1.1.7. Risks of Substantial Rise in Sale of Units: Subsequent sales by the unitholders of a substantial number of units may significantly reduce the unit's trading price. Furthermore, any rumors that such sales might occur could significantly and adversely affect the market price of the units and the return to unitholders.

1.7.1.1.8. Underlying Value Reflection Risks: The traded market price of the units may not reflect the value of the underlying investments of the Fund. Stock exchanges, including Tadawul, may experience extreme fluctuations in prices and volume of transactions from time to time. This, in addition to the economic, political and other conditions, may have a significant and adverse effect on the unit's price. As the Fund is publicly traded, the unit's price may be influenced by a number of factors, including but not limited to: (a) emergence of misleading and false news or rumors by unofficial sources, (b) occurrence of fluctuation in distributions as mentioned in paragraph 1.7.1.6 above. Since many factors are beyond the Fund's control and some factors are relevant to the Fund and its operations, such factors may generally affect the real estate investment or the share markets. In addition, such factors may affect the Fund's investments and returns.

1.7.1.1.9. Distribution and Financing Risks: Distribution requirements and financing restrictions, under the REIT Regulations, may limit the Fund's ability and flexibility to grow through acquisitions. The Fund is required to annually distribute to the unitholders at least 90% of its net profits (not including disposition proceeds). In addition, in order to maintain the Fund's status as a real estate investment traded fund, the Fund's financing rate shall not exceed 50% of its total asset value. As a result, the Fund has a limited ability to make improvements to its property or achieve growth through acquisition of additional properties, which may affect the Fund's investments and returns.

1.7.1.1.10. Unit liquidity risks: Except for the Fund's termination at the expiry of its term, unitholders will only be able to realize returns on their investment through trading of units in the market and annual distributions from net profits. Although the units will be tradable, the liquidity of units in real estate investment traded funds may be less than the market liquidity of shares of listed companies. It is possible that there may not be a liquid market for the units and the unitholders may have difficulty in selling the units at the quoted market price and/or the prevailing net asset value per unit, or otherwise. Furthermore, the CMA has the right to suspend or limit trading in the Fund's units. Any suspension or limitation on trading in the Fund's units may affect the unitholders' ability to realize returns on their investment.

1.7.1.1.11. Underlying Asset Liquidity Risks: Real estate assets are considered as illiquid assets compared to other assets. Therefore, real estate assets may be difficult or impossible for the Fund to sell for a particular price at any particular time and obtain a return. The Fund's portfolio consists of real estate assets. It may be difficult for the Fund to sell its real estate assets without a discount (particularly at times of market downturn and specifically those assets that are liquidated as large real estate assets), especially if the Fund is forced to dispose of its assets within a short period of time. This may reduce the value of the units and adversely impact the Fund's performance and the return to unitholders.

1.7.1.1.12. Value Reduction Risks: If the Fund decides to increase its size in the future, it may require further financing by issuing units in return for in-kind contributions or rights offering. This may lead to the reduction of the units of the existing unitholders and reduction of their voting rights together with the percentage that their units represent of the Fund's total capital.

1.7.1.1.13. No Assurance of Investment Returns Risks: There is not any assurance that the Fund will succeed in generating returns for its investors, and the nature of transactions described in these Terms of Conditions. It is possible that the units may be subject to reduction or that investors might lose some or all of the capital they invested in the Fund. There will be no assurance that returns will be achieved from the Fund.

1.7.1.1.14. **Market Conditions Change Risks:** The future performance will largely depend on changes in the supply and demand conditions of the real estate sector. Such conditions may be affected by regional, local, economic and political conditions, and increased competition which lead to declination in the value of real estates, limited availability of funds, mortgage, increase in mortgage rates, and fluctuations of supply and demand. Therefore, these changes could have a significant adverse impact on the Fund's performance as a result of the decrease in the rental income or the Fund's net asset value.

1.7.1.1.15. **Risks of Reliance on Key Personnel:** The Fund's success depends on the capabilities of the Fund Manager, the Real Estate Advisor, the Financial Advisor, the Real Estate Services Manager and a limited number of other individuals in order to develop and implement the Fund's investment policies. If any of these entities cannot continue to provide its services to the Fund, the Fund Manager shall find another entity of equal or better efficiency to replace the said entity. The inability of any service provider to continue to provide its services may adversely affect the Fund's performance.

1.7.1.1.16. **Regulatory Risks:** If the laws, statutes, regulations, instructions, or the tax, real estate and environmental laws and statutes changed, such change may result in taking some measures that would, in any manner, affect the Fund's performance or cause the Fund to incur losses, which may adversely affect the Fund's unit price.

1.7.1.1.17. **Operating History Risks:** The Fund has no operating history upon which potential investors may evaluate the performance of the Fund or the Fund Manager. In addition, the nature of the Fund's future investments and the risks associated therewith may substantially differ from the investments and strategies previously undertaken by the Fund Manager. Therefore, this may adversely affect the Fund's investments and returns.

1.7.1.1.18. **Conflict of Interests risks:** A conflict of interests may arise between the Fund Manager or the concerned parties and the Fund's unitholders during the management of the Fund. Any conflict of interests will reduce the Fund Manager's ability to objectively perform its duties. Therefore, this may adversely affect the Fund's investments and performance.

1.7.1.1.19. **Income Fluctuation risks:** This includes the risks of default in payment by lessees or delay in payment, collection, or contractual obligations or maintenance expenses to be fulfilled by the lessees, or the loss or damage of warehouses, which leads to fluctuations in distributions. Therefore, this will affect the Fund's profits and/or the appraisal of its assets, which may adversely affect the price of its units.

1.7.1.1.20. **Political Fluctuations and Economic Risks:** Given that the Fund is concentrating its investments in the Kingdom, it is expected that the Fund's performance will be closely related to the economic and political conditions in the region. Such conditions may have negative effects on the real estate market and the prices of the Kingdom's real estate. In addition, the Fund's performance will be more volatile than that of the more diversified Funds in terms of the geographical spread. This volatility may affect the Fund's profits and/or the appraisal of its assets, which may negatively affect the price of its units.

1.7.1.1.21. **Zakat and Fees Imposition Risks:** Application of the White Land Tax Law may, directly or indirectly, affect the real estate subject of the Fund's investment. This may result in taking some measures that may affect the Fund's performance or cause it to incur losses. In addition, in case of establishment of a company affiliated to the Custodian in favor of the Fund, in order to obtain financing, such Company may incur zakat burdens. Therefore, this may affect the Fund's profits and/or the appraisal of its assets, which may negatively affect the price of its units.

1.7.1.1.22. **Risks of Investment outside the Kingdom:** International investment, outside the Kingdom, involves many risks. Such risks include exchange rate, political and economic fluctuations, increase of costs incurred by the investor and information security risks. The Fund Manager will seek to engage in investments of statutory, regulatory, and supervisory requirements that are at least similar to those in force by the Kingdom of Saudi Arabia. However, if any of the aforementioned events occurred, this may affect the Fund's profits and/or the appraisal of its assets, which may negatively affect the price of its units.

1.7.1.1.23. Exchange Rate Risks: The Fund's main currency is Saudi Riyals. However, the investments managed through the Fund may be undertaken in other currencies. Any change in the exchange rate of such currencies may adversely affect the value and price of the Fund's units.

1.7.1.1.24. Risks of Inequality in Information Access: The Fund will offer up to 57.14% of its units to the owners of the current real estates as an in-kind contribution. Such owners are the Ejzala Trade and Real Estate Investment Company, the Enwan Al Khaleej Company for Real Estate Investment and the Tanami Arabia Company. Pursuant to the nature of the real estate business, it is possible that a number of other investors have relations with companies of a different level. Consequently, risks arise from acquisition of the current owners of real estates and some or all of the aforementioned investors of material information that the Fund Manager may not be aware of or may not realize its significance. In addition, the said parties may have the ability to interpret information in a timely manner, while the Fund Manager and other investors may not have the ability to do so.

1.7.1.2. Risks Related to the Fund's Assets:

1.7.1.2.1. Real Estate Investments Risks: Investment in the Fund's units is subject to certain risks associated with the ownership of real estate related assets and the real estate industry in general. The value of the Fund's investments may be negatively affected by a number of factors, e.g.: declination in the value of real estates, illiquidity of an investment, risks related to regional and local economic conditions, natural disasters, increases in financing costs, financial condition of lessees, increases in real estate taxes, changes in land zoning laws and increase in competition. All of these factors may adversely affect the Fund's investments and returns.

1.7.1.2.2. Appropriate Investments Availability Risks: The Fund Manager has selected the Fund's investment on the date of these Terms and Conditions, and investors will not have an opportunity to evaluate the relevant economic, financial and other information regarding future investments. In addition, there can be no assurance that the Fund Manager will be able to identify future investments that achieve the Fund's investment objectives. Furthermore, the business of identifying and structuring investments suitable for the Fund is highly competitive. Therefore, this may adversely affect the Fund's investments and returns.

1.7.1.2.3. Real Estate Development Risks: While it is not intended that a large portion of the Fund's assets will be in the form of real estate development projects, the Real Estate Development Sector in the Kingdom is subject to several risks. The risks of involvement in building and marketing a new real estate project include, but are not limited to:

1.7.1.2.3.1. delays in completing work in a timely manner;

1.7.1.2.3.2. cost overruns;

1.7.1.2.3.3. inability to conclude lease contracts at the target levels; and

1.7.1.2.3.4. force majeure resulting from factors beyond the Fund's control and specifically relevant to the contracting sector.

In addition, commencement of new projects involves other risks. Such risks include receipt of governmental approvals and permits for land zoning and occupancy, and other approvals, and real estate development costs of projects that are not pursued to completion. The successful completion of such projects will have a direct and significant impact on the value of the units. However, any failure to complete a project could affect distributions to investors and the Fund's net asset value.

1.7.1.2.4. Increase in Construction Costs Risks: Construction costs of a real estate project may exceed expectations for various reasons. Such reasons include, but are not limited to, delays due to industrial disputes, disputes with sub-contractors, increase in the cost of building materials, equipment and labor, inclement weather and unforeseen problems and circumstances. If possible, cost overruns will be mitigated by entering into lump sum fixed time and price construction contracts with contractors, provided that such contracts include appropriate provisions for contingencies. Therefore, this may affect the Fund's investments and returns.

1.7.1.2.5. Infrastructure Risks: With respect to the real estates under development, the REIT will be relying on the Government and the competent municipality for providing all the necessary infrastructure to the development site, including sewage, electricity, water and roads. If the Government and the competent municipality do not complete the infrastructure projects in a timely fashion or as currently expected, this could reduce the Fund's ability to complete or operate the real estates. In addition, this could negatively affect the Fund's performance due to the delay in operation of the real estates as planned, which would reduce the levels of distributions to unitholders.

1.7.1.2.6. Financing risks: The assets of the Fund may be financed, which may adversely affect the income earned by the Fund or may result in a loss of the capital. It is expected that any facilities granted to the Fund will have a significant effect on the increase or decrease of the Fund's asset value. Borrowing causes random changes in the Fund's asset value or may cause the Fund to lose an amount of its investment. Resorting to financing creates an opportunity for increasing returns; however, at the same time, it involves a high financial risk. In addition, financing may increase the Fund's exposure to other factors, such as rising costs of financing and downturns in the economy. Moreover, the Fund's assets may be pledged to a lender, for the interest of the Fund, and such lender may claim the assets upon an event of default in payment by the special purpose entity, the Fund Manager or the Fund.

1.7.1.2.7. Risks of Actions taken by Competitors: The Fund competes with other owners, operators and real estate developers in the Kingdom of Saudi Arabia, some of which may own real estates similar to those owned by the Fund's within the same scope. If the Fund's competitors lease commercial or residential places similar to those owned or will be owned by the Fund or if the competitors sell assets similar to the Fund's real estates at a value equals to or less than the Fund's appraisals for comparable assets, the Fund may be unable to lease or sell its commercial and residential places at suitable prices or advantageous terms or to sell such places at all. This will result in increasing the Fund's expenses through incurring additional expenses for maintaining of the real estate. Also, the Fund will not be able to obtain a fixed income from the real estate. And thus, the level of distributions to unitholders will decrease.

1.7.1.2.8. Risks of Inability to Exit the Fund Investments under Good Terms: The Fund will dissociate itself of its real estates and other assets when the Fund Manager believes that it is the appropriate time to sell. The Fund's ability to dispose of real estates on good terms depends on factors beyond its control. Such factors include competition from other sellers and availability of financing solutions that attract potential purchasers. If the Fund is unable to dispose of its assets on favorable terms, then its financial condition, the operations' results, the cash flow and the ability to make distributions to the unitholders could be adversely affected.

1.7.1.2.9. Counterparty default and credit risks: The Fund may be exposed to credit risks of parties with whom it conducts business. In addition, the Fund may bear risk of settlement default in payment. Furthermore, the Fund may, in certain circumstances, be subject to the risks of a counterparty's failure to fulfill contractual obligations, including the landowners, the lending banks, and the contractors. Any default by a third party in its contractual obligations or payments due to the Fund could reduce the Fund's target income, and thus the distributions to unitholders.

1.7.1.2.10. Risks of the Lessee's Inability to fulfill Lease Obligations: The Fund's results may be adversely affected if a significant number of the Fund's lessees are unable to fulfill their lease obligations. In addition, if a lessee resorts to the bankruptcy, insolvency or similar laws, this lease contract may be terminated, which would result in reduction of cash flow to the Fund. In the event of a significant number of violations of obligations and/or lessee's bankruptcies, the Fund's cash flow and ability to make distributions to the unitholders may be adversely affected.

1.7.1.2.11. Lease Contract Termination Risks: Lease contracts with current or future lessees may be terminated if either party violates the signed contract, which results in termination of the lease contract. In this case, the cash flow and the Fund's ability to make distributions to investors may all be adversely affected, if the Fund fails to promptly re-lease the real estates.

1.7.1.2.12. Risks of possible Inability to renew Lease Contracts or Re-Lease Spaces upon Expiration of the Lease Contracts: The Fund will derive most of its income from leases received from the lessees of the real estates. Accordingly, the Fund's financial condition, results of operations, cash flow and its ability to make distributions to the investors may be adversely affected if it fails to promptly re-lease the real estates or renew lease contracts, or if

the rental rates upon renewal or re-leasing are significantly lower than the target rates. If a lessee experiences a downturn in its business or other type of financial distress, then it may be unable to make timely rental payments or renew its lease contract. Furthermore, the Fund's ability to lease the space and the leases that it collects are impacted, not only by the lessee's demand, but also by a number of other real estates it has to compete with to attract lessees.

1.7.1.2.13. Risks of Uninsured Losses: The Fund will carry commercial liability, property and other types of insurance covering all the property that it owns and manages in the types and amounts that it believes are adequate and appropriate given the relative risks applicable to the real estate, at an adequate cost of coverage, together with application of good industry practices. In addition, certain losses, such as those due to terrorist acts, windstorms, floods or seismic activity, may be insured subject to certain limitations, including policy limits. Accordingly, the Fund may incur material losses that exceed insurance proceeds and may not be able to continue to obtain insurance coverage at commercially reasonable rates. If the Fund experiences a loss that is uninsured or that exceeds its insured limits with respect to one or more of the real estates, then the Fund may lose the capital invested in the damaged real estates, as well as the anticipated future revenue from those real estates. In addition, any such losses may adversely affect its financial condition, the operations' results and the cash flow, and thus the Fund's ability to make distributions to the unitholders.

1.7.1.2.14. Real Estate Appraisals Risks: The Fund Manager may use internal appraisals in several contexts in relation to the Fund for the purposes of appraisal of a specific real estate within the Fund's portfolio, in addition to the appraisal prepared by independent appraisers. The appraisals performed by the Fund Manager will only be for the purpose of valuating a specific real estate and are not a precise measure of the value that may be obtained upon sale of such real estate. Ultimate realization of the market value of a real estate depends to a great extent on negotiations between the seller and the purchaser. However, such negotiations may be affected by economic and other conditions beyond the control of the Fund and the Fund Manager. Such conditions include, but are not limited to, general market conditions. If the Fund decides to liquidate its assets, the realized value may be more or less than the estimated appraisal of such assets. In addition, in periods of economic fluctuations, in which there is a perceived greater uncertainty as to value estimates and fewer comparable transactions against which to measure value, the difference between the concluded value for a real estate asset and the ultimate market value for that asset may increase. Moreover, relative uncertainty as to cash flows in a distressed market may adversely affect the accuracy of real estate value estimates, and thus negotiations between the buyer and the purchaser, which affect the returns to the unitholders.

1.7.1.2.15. Real Estate Expropriation Risks: Certain government authorities in the Kingdom are entitled to expropriate real estates for the public benefit (for example, the construction of roads and public utilities). In practice, the purchase price of a real property is usually equal to market value. In case of expropriation, a real estate is acquired after a period of notification not specified by law as it is adopted pursuant to a specific law. Although compensation may be paid, there is a risk that the compensation would not be adequate compared to the size of investment, lost profit or increase in the value of investment. If the expropriation risk materializes, the value of the distributions to the unitholders and the value and trading price of the units may decline. In addition, the unitholders may lose all or part of their invested capital.

1.7.1.2.16. Risks of Incompliance with the Relevant Laws: The Fund may become unqualified as a real estate investment traded fund under the REIT Instructions. This would have a negative impact on the trading liquidity of their units, which may adversely affect the value of their investment. The requirements for maintaining the status of a real estate investment traded fund were not tested. In addition, there may be changes subsequently introduced (including changes in interpretation) to the requirements for maintaining the status of a real estate investment traded fund. Prospective investors should note that there is no guarantee that the Fund will, following its election to become a real estate investment traded fund, remain a real estate investment traded fund or continue to maintain such status (whether by reason of failure to satisfy regulatory requirements or otherwise). If the Fund fails to meet any of the regulatory requirements to maintain its status, the Capital Market Authority may suspend trading of the units or cancel the Fund's listing. The inability to maintain the Fund's listing on the Saudi Stock Exchange (Tadawul) may adversely impact the marketability, liquidity and value of the units.

1.7.1.2.17. **Fund Asset Impairment Risks:** Investments relevant to the ownership of real estates and/or lease thereof and/or development of their operations and/or redevelopment thereof will experience various risks. Such risks include, but are not limited to, risks relevant to the local economic climate in general, local real estate conditions, changes in the levels of supply and demand relevant to real estates, various uninsured or uninsurable risks, natural disasters, government regulations and decisions, changes in real estate taxes, changes in rates of returns and availability of housing loans, which would make selling or refinancing real estates unfeasible or unpractical. This is in addition to the potential liabilities relevant to disposition of assets and other factors beyond the Fund Manager's control. All of these factors may cause declination in the value of the Fund's assets.

1.7.1.3. Other Risks:

1.7.1.3.1. **Legal, Tax and regulatory Risks:** The information herein is based on the laws existing at the time of issuing these Terms and Conditions. Legal, tax, zakat and regulatory changes in the Kingdom, or otherwise, may occur during the Fund Term. Such changes may have an adverse effect on the Fund, its investments, or unitholders. Currently, no taxes are being assessed on investment funds in the Kingdom. However, there is no assurance that the current tax law in force in the Kingdom of Saudi Arabia will not change.

1.7.1.3.2. **Government and Municipality Approvals Risks:** The Fund may fail to achieve its investment objectives in case any required municipal approval or consent is denied or not granted on acceptable terms. In such case, the Fund may not be able to complete its investment or may not be able to complete the development of its real estates.

1.7.1.3.3. **Saudization Risks:** The Saudi Government requires employment of a high percentage of nationals in development of the Kingdom's real estate sector (Saudization). It is unclear at this point to what extent the Fund and its investments will be required to implement Saudization policies. Saudization may require appointment of additional employees or provision of additional training; however, these other costs may result in increasing the operating costs than originally anticipated, which would be deducted from the Fund's net income; thus reducing the net profits available to be distributed to unitholders.

1.7.1.3.4. **Third Party Litigation Risks:** The activities of the Fund's assets are subject to the risks of becoming involved in litigation with third parties. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would be borne by the Fund. And thus, this would reduce net assets and reduce distributions to the unitholders.

1.7.1.3.5. **Risks of Liability and indemnification Specification:** The Terms and Conditions specify the circumstances under which the Fund Manager, its shareholders, managers, officers, employees, agents and affiliates, and Fund board members will be held liable to the Fund and the unitholders. As a result, the unitholders' right to recourse against the Fund Manager and take procedures against is limited in certain cases compared to cases where such provisions are not stipulated. In addition, the Fund may be liable for certain claims, losses, damages and expenses of the Fund Manager, Custodian, Developers, Real Estate Managers, and their respective officers, directors, employees and affiliates, members of the Shariah Board and members of the Fund's Board of Directors for certain claims, losses, damages and expenses arising out of their activities on behalf of the Fund. However, such person should have acted in good faith and in a manner reasonably believed to be in the best interests of the Fund and was neither grossly negligent nor involving fraud nor willful misconduct. Such indemnification obligations may significantly impact returns to the unitholders.

1.7.1.3.6. **Risks of Forward-looking Statements:** These Terms and Conditions may contain forward-looking statements relating to future events or the Fund's future performance or its target assets. In some cases, forward-looking statements can be identified by terminology such as "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "plans," "projects," "should," "will," or the opposite of such terms or other similar terminology. These statements are only predictions. In evaluating these statements, various factors, including the risks outlined herein, should be specifically considered. Such factors may cause actual events or results to differ materially from any forward-looking statement contained herein.

1.7.1.3.7. Risks of Concentration on the Real Estate Sector: The Fund may invest in concentrated assets or in a particular sector, e.g.: residential, commercial, office and/or warehousing real estate sectors. If the Fund concentrates its investments in one sector, this may expose the Fund to the risk of economic downturns to a greater extent than if the Fund's investment assets included numerous assets in other sectors. As a result, such downturns may have a material adverse effect on the Fund's financial condition, the operations' results, the cash flow, and the ability to make distributions to the investors.

1.7.1.3.8. Risks of Concentration by Geographical Location: The Fund intends to commence its investments by purchasing a number of real assets most of which are located in the Kingdom's Eastern Province. Since that most of the Fund's assets are concentrated in the Eastern Province, the Fund may be exposed to the risk of economic downturns to a greater extent than if the Fund's assets were diversified across more other geographical locations. As a result, any downturns in the Eastern Province may have a material adverse effect on the Fund's financial condition, the operations' results, the cash flow, and the ability to make distributions to the investors.

1.7.2. Fund Investment does not provide any assurance that investment will be profitable or that the investors will not incur any losses. And thus, each potential unitholder shall take the aforementioned factors into consideration prior to purchasing any units in the Fund. In addition, unitholders shall bear sole responsibility in the event of any material loss resulting from the purchase of units in the Fund, unless such loss is caused by fraud, negligence or misconduct by the Fund Manager in accordance with the Real Estate Investment Funds Regulations.

1.8. Fund Subscription

1.8.1. Subscription Period

Subscription to the Fund shall start on the 2nd of Dhu Al-Qaeda 1438 AH, corresponding to the 25th of July 2017 for Saudi nationals and GCC nationals residing in the Kingdom of Saudi Arabia and non-resident foreigners, without prejudice to the Law of Real Estate Ownership by Non-Saudis. Subscription shall end on the 11th of Dhu Al-Qaeda 1438 AH, corresponding to the 3rd of August 2017 (A period of eight business days). Subscription forms can be submitted to the Fund on any working day during the subscription period by submitting a copy of the Terms and Conditions and the Fund subscription form. Submission shall be made after signing the said documents by the unitholder, depositing the amount of subscription, and enclosing a proof of depositing the amount in the Fund's account with Alinma Bank as described in paragraph 1.10.1. The said documents shall be submitted either in person or through the e-mail IR@musharaka.co. Each subscriber in the Fund shall have an active investment portfolio, as the units subject of subscription in Musharaka REIT will be directly listed in the subscriber's own investment portfolio at a licensed financial institution. If the targeted amount, i.e. Fund's capital, is not fully collected during the said period, the Fund Manager may extend the closing date for one additional month. Such extension shall take place after obtaining the approval of the Fund's Board of Directors and notification of the CMA. If the capital is not collected after the extension period, the subscriptions and profits, in case of investment of subscriptions during the subscription period, shall be refunded without deduction.

The Fund Manager shall be entitled to reject any subscription if the subscriber fails to meet the requirements in accordance with the Terms and Conditions, or to fill out the required data in the application form and sign it, or to fulfill the required subscription amount. In addition, the Fund Manager may reject any subscription if the subscriber meets the definition of a banned person as indicated in the definitions list hereof. In addition, the subscription of any investor will be rejected in case of failure to deposit the amount of subscription in the subscriptions account within the subscription period. All the rejected amounts will be refunded without deduction of any expenses within 15 business days after declaration of the allocation.

The Fund Manager intends to offer 88,000,000 (eighty-eight million) units at a price of SAR 10 per unit. Such units are classified into 50,290,000 units as in-kind contributions from real estate owners, 2,500,000 units as cash contributions from the Fund Manager, and 35,210,000 units as public subscriptions.

Subscribers	Number of Units	Units Value	Percentage from Total Asset Value	Subscription Method
Ejzala Trade and Real Estate Investment Company	21,350,000 units	SAR 213,500,000	24.26%	In-kind
Tanami Arabia Company	2,550,000 units	SAR 25,500,000	2.89%	In-kind
Enwan Al Khaleej Company for Real Estate Investment	26,390,000 units	SAR 263,900,000	29.9%	In-kind
Musharaka Capital Company	2,500,000 units	SAR 25,000,000	2.84%	Cash
Public	35,210,000 units	SAR 352,100,000	40.11%	Cash

1.8.2. Minimum Subscription Level in the Fund

The minimum subscription level in the Fund is 1000 (one thousand) units at an amount of SAR 10,000. The unitholder's purchase of any of the Fund's units shall be deemed as an acknowledgment by the unitholder that he is aware of and accepts the Fund's Terms and Conditions. The sold units of the Fund will be registered at the Depository Center. The minimum number of the Fund's unitholders is 50 investors. In addition, the minimum level of public ownership is 30% of the Fund's capital.

1.8.3. Maximum Subscription Level in the Fund

The maximum subscription level in the Fund is 4,400,000 units at SAR 44,000,000.

1.8.4. Capital Increase Mechanism

The Fund's capital increase mechanism shall be through acceptance of cash subscriptions in the Fund in exchange for tradable priority right issuances as applicable to the listed companies, in accordance with the regulatory controls and procedures issued in implementation of the Companies Act. In this case, existing unitholders shall have priority to participate in any offering of such rights. In addition, the Fund may increase its capital through in-kind subscriptions; such increases shall not be deemed as an offering for priority rights.

1.9. Legal Contracts, Procurement, Operation and Resale:

In order to perform its duties in the investment of the Fund's assets, the Fund Manager will carry out all the legal procedures relevant to sale, purchase, mortgage, lease and maintenance on behalf of the Fund and the unitholders. Below is a table showing all the legal agreements and contracts performed by the Fund Manager on behalf of the Fund:

Nature of Contract	Second Party	Date of Contract
Custodian's contract	Alinma Investment	31-01-2017
Auditor's contract	Allied Accountant Professional Services	08-08-2022
Shariah Board's contract	Shariyah Review Bureau in Bahrain	30-01-2017

1.10. Allocation Mechanism

1.10.1. Subscriptions Account:

The Fund Manager shall, in its capacity as the sole body authorized to receive applications and amounts of subscription in the Fund, open a bank account with the Alinma Bank. Such account shall be named “Subscriptions Account of Musharaka REIT”. The Fund Manager will deposit subscription amounts in the said account immediately after receipt thereof. Such account shall be managed and operated by the appointed Custodian in conformity with the relevant laws and regulations.

1.10.2. Declaration of Allocation:

The Fund Manager shall submit to the CMA, within 10 business days of the closing date, a statement of the offering’s results. In addition, the Fund Manager will publish such results on its website. The subscribers will be informed about the allocation of units through the websites of both the Fund Manager and the CMA. Such declaration shall be made no later than 15 business days from the closing date.

1.10.3. The Schedule below indicates the Subscription, Allocation and Investment Dates:

Statement	Expected time limit
Subscription Period	8 business days from the offering date
Extension of the subscription period (in case of failure to collect the target amount)	One calendar month as of the closing date
Preparation of a statement on the offering results to the CMA	10 business days as of the closing date mentioned in paragraph 1.8.1
Declaration of allocation of units to subscribers	10 business days as of the closing date mentioned in paragraph 1.8.1
Signing the final purchase agreement, and registering the real estates in the name of the Custodian’s company in favor of the Fund, in addition to signing lease contracts	30 business days as of the closing date mentioned in paragraph 1.8.1
Refunding excess amounts	15 business days after the declaration of the allocation

1.10.4. General Allocation Mechanism:

The Fund Manager intends to offer 35,210,000 units to the public due to contribution of some real estate owners with in-kind shares equivalent to 50,290,000 units, and the Fund Manager’s subscription by a cash share equivalent to 2,500,000 units, which complete the total number of units forming the Fund, i.e. 88,000,000 units, at SAR 880,000,000.

Within 10 business days of the closing date, the Fund Manager will notify each investor of the approval of the subscription application or its rejection if the subscription amount is not transferred within the determined time limit. If the subscription application is approved, confirmations shall be sent to applicants stating the approved subscription amount. Such confirmations will be sent to the mobile number mentioned in the client’s subscription form submitted to the Fund Manager. If there are any excess amounts after the allocation, such amounts shall be refunded together with the relevant subscription fee to the investment account of the investor with Musharaka Capital Company set out in the subscription form. Such refund shall take place within 15 business days of the declaration of allocation (while deducting any incurred bank fees or currency exchange fees).

Pursuant to paragraph 1.8.1 regarding the in-kind subscription and subject to completing the requirements for registration and listing as shown below, the units shall be allocated following the closing date in accordance with the following mechanism:

- In case the total subscription amount (including in-kind subscriptions) is less than the target amount of SAR 880 million, then all the subscription amounts shall be refunded to the subscribers (without any deduction) within 15 business days of the closing date.

(b) In case the total subscription amount (including in-kind subscriptions) is more than the target amount of SAR 880 million, then the units shall be proportionately allocated as follows:

1. In accordance with paragraph 1.8.1, holders of in-kind units (owners of real estate units) shall have priority to subscribe in Musharaka REIT.
2. Public subscriptions shall be dealt with and allocated as follows:
 - a. 1,000 (one thousand) investment units shall be allocated to each investor.
 - b. In case of an unallocated surplus of units, the remaining offered units shall be allocated on a pro rata basis. All subscription amounts together with the relevant subscription fees of the unallocated units shall be refunded to the subscribers without deduction within 15 days after the declaration of allocation.

If the number of public subscribers is more than 35,210 subscribers, units fewer than the minimum subscription level may be allocated. And thus, the Fund Manager cannot ensure allocation of the minimum subscription level in Musharaka REIT amounting to 1,000 (one thousand) investment units. Investors in Musharaka REIT shall waive the Pre-emption Right. Accordingly, any real estate owned by the Fund shall be sold in accordance with the Fund's investment strategy after obtaining the approval of the Fund's Board of Directors.

1.11. Service Fees, Commissions and Management Fees

Below is a summary of the main fees payable by the Fund and the unitholders to the Fund Manager and other advisors and service providers:

Type of Charges and fees / Expenses	Amount / Percentage	Basis of Calculation	Collection Method	Payment Time
Subscription Fees	1%	Of the investor's total subscription amount	Of the amount of subscription in the Fund	Paid once upon subscription - payable to the Fund Manager
Management fees	1.2% p.a. of the total assets value after deducting all accrued fees and expenses.	Proportionally to the number of days lapsed since launching the Fund	Based on the fund's total assets after deducting all accrued fees and expenses.	Every six months - payable to the Fund Manager
Registration fees	1. SAR 50,000 in exchange for setting up a unitholders' register, plus SAR 2 per investor up to SAR 500 thousand. 2. SAR 400,000 p.a. in exchange for managing the unitholders' register.	1. A lump sum 2. A lump sum based on the Fund's capital	Of the Fund's total assets	1. Before listing and trading the Fund's units 2. At the end of the year
Listing fees	1. SAR 50,000 in exchange for initial listing of the Fund's units. 2. Fees of listing the Fund's units: 0.03% of the Fund's market value at a minimum of SAR 50 thousand and a maximum of SAR 300 thousand.	1. A lump sum 2. 0.03% of the Fund's market value at a minimum of SAR 50 thousand and a maximum of SAR 300 thousand.	Of the Fund's total assets	1- Before listing and trading the Fund's units. 2- Annually
Custody fees	SAR 100,000 per annum	An annual lump sum payable by the Fund	Of the Fund's total assets	Paid once at the end of the year
Transaction fees	Up to 1% of the real estate's value	Once upon purchase/sale of the real estate	Of the Fund's total assets	After completion of the deal - payable to the Fund Manager

Chartered Accountant's fees	SAR 75,000 per annum	An annual lump sum payable by the Fund	Of the Fund's total assets	Every six months
Financial Advisor's fees	2%	Of the amount of financing obtained by the Fund Manager	Deducted from the financing amount obtained by the Fund	After obtaining financing
Real Estate Manager's fees	Up to 7% per annum	Of the total leases of the real estate to be managed thereby. With respect to the current real estates, no fees are payable to the Real Estate Manager, as every lessee will manage the real estate it leases.	Of the Fund's total assets	Every six months
Shariah Board's fees	SAR 33,000 per annum	An annual lump sum payable by the Fund	Of the Fund's total assets	Every six months
Board Members Remunerations	SAR 80,000 per annum	SAR 5,000 per meeting only payable to the independent members - up to 8 meetings annually	Of the Fund's total assets	After the meeting of the Board of Directors
Commission fees	2.5% of the real estate's value	Once upon purchase of the real estate - payable to the brokers	Of the Fund's total assets	After completion of the deal
Other expenses	Up to 0.25% p.a. of the Fund's total assets	Proportionally to the number of days lapsed since launching the Fund	Of the Fund's total assets	Every six months
Regulatory fees	SAR 7,500 per annum	An annual lump sum payable by the Fund to CMA	Of the Fund's total assets	Once at the end of the year

*** The Fund Manager assures that no other expenses not included in the above table will be deducted.**

The Fund Manager shall, to the best of his knowledge and belief, take all the necessary steps in favor of the unitholders while exerting reasonable due diligence. The Fund Manager and its directors, officers, employees, agents, advisors, affiliates, relevant parties, along with the Custodian, each developer and real estate manager, the Shariah Board and the members of the Fund's Board of Directors shall not be liable to the Fund or any unitholder for any loss suffered by the Fund that arises out of any acts by any of the aforementioned parties in connection with the management of the the Fund affairs. However, in this case, any of the aforementioned parties seeking to rely on the provisions of this clause must have acted in good faith and in a manner reasonably believed to be in the best interests of the Fund. In addition, the acts performed by such parties shall not involve gross negligence, fraud or willful misconduct in accordance with the concluded agreements and contract and the performance standards followed in the field of each party.

1.12. Appraisal of the Fund's Assets

The Fund Manager obtained the appraisal results prepared by four appraisers who valued the real estates to be acquired. Such appraisers are RE/MAX - Real Estate, Olat Development Co. Ltd., Abdulkarim Al Busair Office for Real Estate Appraisal, and Salem Ghazi Al Harbi Office for Real Estate Appraisal. All appraisers are members in the Saudi Authority for Accredited Valuers. The said real estates are:

1.12.1. Ejzala's Compound I: Located in Qurtubah district in the city of Al-Khobar, built over an area of 29,486.73 m². Such compound contains 101 residential villas having two different styles in terms of their design and area. The first style of villas is built over an area of 220 m² per villa, whereas the second style of villas is built over an

area of 210 m² per villa. All villas are composed of two floors and contain 3 bedrooms. The following table includes a summary of the results of real estate appraisal and the average final amount for appraisal:

Appraiser	Appraisal	Appraisal Date
RE/MAX - Real Estate	SAR 162,095,000	07-05-2017
Salem Ghazi Al Harbi Office for Real Estate Appraisal	SAR 165,872,229	08-05-2017
Abdulkarim Al Busair Office for Real Estate Appraisal	SAR 156,562,710	11-06-2017
Final Appraisal (average of appraisal results)	SAR 161,509,980	

1.12.2. Al-Baraka Warehouses: Six warehouses located in Al Mashael District, the Sulai Municipality, Riyadh City. The warehouses are built over an area of 29,955.49 m². The warehouses are leased by the the Advanced Supplies Company Limited, owner of the FLOW carriers; as it is the exclusive carrier for the IKEA Company. The following table includes a summary of the results of real estate appraisal and the average final amount for appraisal:

Appraiser	Appraisal	Appraisal Date
RE/MAX - Real Estate	SAR 91,619,000	01-06-2017 AD
Olat Development Co. Ltd.	SAR 89,500,000	29-05-2017 AD
Final Appraisal (average of appraisal results)	SAR 90,559,500	

1.12.3. Radisson Blu Hotel Apartments: They are located in Olaya District in Al-Khobar City near King Saud Road (Al Qishla) from its western side. The apartments are built over an area of 3,798.08 m². These are four interconnected and closed compounds consisting of 92 fully furnished hotel apartments. Radisson Blu Company is operating the real estate for the period of ten years. The following table includes a summary of the real estate appraisal and the average final amount for appraisal:

Appraiser	Appraisal	Appraisal Date
RE/MAX - Real Estate	SAR 85,908,000	07-05-2017
Olat Development Co. Ltd.	SAR 86,100,000	29-05-2017
Final Appraisal (average of appraisal results)	SAR 86,004,000	

1.12.4. Seashore Residential Compound: It is located in Al Aziziyah neighborhood in Al-Khobar city near the desalination station. The compound is built over an area of 38,121.50 m². It is a residential compound that contains 112 residential units; 76 villas and 36 apartments that are fully furnished. The compound also contains recreational

and service facilities for the residents. It has been recently built and will be operated and leased when the Fund starts operation. The following table includes a summary of the real estate appraisal and the average final amount for appraisal:

Appraiser	Appraisal	Appraisal Date
RE/MAX - Real Estate	SAR 147,587,500	07-05-2017
Salem Ghazi Al Harbi Office for Real Estate Appraisal	SAR 162,798,847	13-05-2017
Final Appraisal (average of appraisal results)	SAR 155,193,173	

1.12.5. Pearl Residential Compound: It is overlooking Prince Sultan Bin Fahd Bin Abdulaziz Street in Al-Rakah neighborhood in Al-Khobar city. The compound is built over an area of 22,500 m². It is composed of 233 fully furnished units. The compound contains all the services needed by the residents, including sports and health facilities for men and women. The real estate is leased to the Enwan Al Khaleej Company for Real Estate Investment. The following table includes a summary of the real estate appraisal and the average final amount for appraisal:

Appraiser	Appraisal	Appraisal Date
RE/MAX - Real Estate	SAR 377,780,000	18-05-2017
Salem Ghazi Al Harbi Office for Real Estate Appraisal	SAR 380,562,000	06-06-2017
Final Appraisal (average of appraisal results)	SAR 379,171,000	

1.12.6. Fund Units Appraisal Method:

After obtaining the approval of the Fund’s Board of Directors, the Fund Manager shall value the Fund’s assets based on the appraisals prepared by two independent appraisers and members in the Saudi Authority for Accredited Valuers. Under existing arrangements, as at the date of the Fund’s listing, the accredited appraisers shall value the assets owned by the Fund, including the usufruct rights. The Fund Manager shall be entitled to change or appoint the Fund’s appraiser without any prior notice to the unitholders. This procedure shall be taken if the appraiser has not renewed its membership at the Saudi Authority for Accredited Valuers or if the appraiser is no longer independent from the Fund or is no longer having the required integrity and experience. The new appraiser shall be a main member at the Saudi Authority for Accredited Valuers. In addition, the new appraiser shall have experience, integrity and knowledge of the real estate activity and the project’s location. The appraiser shall be appointed by the Fund Manager subject to its responsibilities to the unitholders. In addition, prior to purchasing or selling any of the Fund’s real estate assets, the Fund Manager shall obtain the appraisal of the real estate asset by two appraisers meeting the above-mentioned requirements. The method of valuing the real estates shall be based on the real estate’s location, surrounding facilities and services, and availability of the real estate’s infrastructure. Moreover, the appraisal shall depend on analysis of the variables relevant to the real estate, e.g.: ease of access to the real estate, the location’s surroundings, the municipal services in the surrounding area, the supply and demand variables with respect to the sector or the real estate itself, the reputation of the area, and the main streets near the real estate. The real estate’s value shall be calculated by adopting the average appraisal of the appraisers’ reports.

The net asset value of one unit in the Fund shall be calculated by deducting the total liabilities of the Fund, including any finance liabilities under banking facilities, fees and expenses payable by the Fund during the relevant period, from

the Fund's total assets, and the output shall be divided by the number of the Fund's units for the same period. The result shall be the indicative value of the Fund's units.

The value of the Fund's total assets is the sum of all real estate assets, cash, receivables and the market value of all investments together with the current value of any other assets owned by the Fund.

The net assets of the Fund shall be owned by the unitholders. In addition, the Fund Manager and the Custodian shall not have any interest in the Fund's assets. Moreover, the creditors of the Fund Manager and the Custodian shall not have any entitlement to the Fund's assets.

1.12.7. Number and timing of Appraisal

The Fund Manager shall value the Fund's assets by appointing two independent appraisers, who are main members at the Saudi Authority for Accredited Valuers. Such appraisal shall be performed at least every six months and when the Fund Manager deems it necessary. Such day shall be called the "Appraisal Day". The Fund Manager may postpone the appraisal of the Fund's assets after obtaining the approval of CMA, in accordance with Article (22) of the Real Estate Investment Funds Regulations. Such postponement shall take place when the real estate appraiser delays in preparation of the reports or when any accident or incident occurs to the real estate asset which prevents the appraiser from preparing the report. In case of discrepancy between appraisals of the Fund's assets prepared by both appraisers, the average of the submitted appraisals shall be adopted.

1.12.8. Announcement of the Unit Price

The Fund Manager shall announce the net asset value of each unit upon publication of the initial and annual financial statements. The net asset value of each unit shall be announced on the websites of both the Fund Manager and the Saudi Stock Exchange (Tadawul). Such announcement shall be made within 10 days as of the appraisal date. In addition, such announcement shall also be included in the report provided to the unitholders.

1.13. Profit Distribution Policy

The Fund Manager shall make cash distributions at least once a year. Such distributions shall be made at the beginning of the fiscal year, within the first quarter thereof, to the unitholders at no less than 90% of the Fund's net profits. The Fund Manager will seek to increase the number of distributions within the year, so that they become monthly distributions. The net amounts remaining from the Fund's investments after making distributions may be reinvested by the Fund Manager in existing or new investments as described in Paragraph 1.6.3 (Investment Concentration Policy).

1.14. Trading of the Fund's Units

The Fund's units shall be registered at the Depository Center and traded through the orders entry system determined by the Saudi Stock Exchange (Tadawul).

The Fund is a closed-end traded fund, and thus, the unitholders are not entitled to request from the Fund Manager to retrieve the value of their units. However, unitholders can directly trade and sell in Tadawul during its business days without referring to the Fund Manager. The Fund's units shall be traded in the same way as trading the units of REITs in the Saudi Stock Exchange (Tadawul).

Purchase of any of the Fund's units by unitholders shall be considered an acknowledgment of perusal and approval of the Fund's Terms and Conditions.

1.15. Suspension of Trading and Cancellation of Listing

- (a) The CMA may suspend trading of Musharaka REIT's units or cancel its listing at any time, as it deems appropriate, in any of the following cases:
1. If the CMA deems it necessary to protect the unitholders or to maintain a regular market;
 2. If the Fund Manager or the Custodian materially fail, as per the CMA's opinion, in its commitment with the law and its executive regulations;

3. If the liquidity requirements, specified in subparagraphs (2/a) and (2/b) of paragraph (b) of Clause (4) of the REIT Instructions, are not met; or
 4. If the CMA believes that the size of the Fund's operations or assets is inadequate for continuous trading of the Fund's units in the market.
- (b) The Fund Manager may request from the CMA, in writing, to temporarily suspend trading in the REIT's units or to cancel listing thereof. However, such request shall include the reasons of the suspension or cancellation request. The CMA may either accept or reject the request or accept it under certain conditions and restrictions, as it deems appropriate.

1.16. Fund's Termination

The Fund shall be terminated in the following cases: (a) expiration of the Fund's term, (a) Fund's achievement of its objectives and purposes for which it was launched. (c) In addition, the Fund may be terminated after obtaining the Fund's Board of Directors and CMA, in any of the following cases:

1. The Fund Manager shall inform the CMA and the unitholders if the liquidity requirements, specified in subparagraphs (2/a) and (2/b) of paragraph (b) of Clause (4) of the REIT Instructions, are not met within (12) months from the date of the CMA's notification of failure to meet such requirements.
2. In case of any change in the laws, regulations or other regulatory requirements or any material changes that adversely affect the conditions of the real estate market in the Kingdom of Saudi Arabia, and the Fund Manager deems that as a reasonable ground for the Fund's termination.
3. In case of sale of all the Fund's assets and distribution of returns.
4. If the required amount was collected; however, the real estate's ownership was not fully transferred.
5. When the Fund Manager desires to terminate the Fund for another reason after sending a prior notice to the CMA.

Each termination case requires the approval of the Fund's Board of Directors and the CMA. The unitholders and the CMA will be notified within thirty (30) days of the occurrence of a termination case. If the Fund is terminated for any of the above-mentioned reasons, the listing of the units will be cancelled and a schedule for liquidation will be announced within (60) days from the termination date. This shall be announced on the websites of both the Fund Manager and the CMA. Afterwards, the Fund Manager shall appoint a liquidator. The liquidator shall terminate the Fund's work while distributing its assets to the unitholders through sale of the owned real estate assets and distribution of the proceeds to the unitholders proportionally to their shares in the Fund, taking into account the unitholders' interests. The Fund Manager may act as the liquidator after obtaining the approval of the Fund's Board of Directors.

1.17. Fund's Board of Directors

The Fund shall be managed by a Board of Directors composed of at least three members and a maximum of eleven members. The membership of Board members shall not be more than five years. Such membership may be renewed for similar terms. One-third of the members of the Board shall be independent members and, in all cases, they shall not be less than two members, whichever is more. The Board's membership term shall commence as of the date of obtaining the CMA's approval on launching the Fund. The Fund Manager shall be entitled to change the members during the Fund's term after obtaining the CMA's approval, and then notify the unitholders of such change. The Fund's Board of Directors shall meet at least twice annually in order to supervise the Fund's commitment with all the regulations and to approve the Fund's plans, review workflow reports, and approve the main contracts. The Fund's Board of Directors shall be responsible for supervising the Fund in order to achieve the best interest of the unitholders.

1.17.2. Members of the Fund's Board of Directors

The Fund's Board of Directors will consist of the following persons:

a. Mr. Ibrahim Fahad Al-Assaf (Fund's Board Chairman)

Mr. Al-Assaf has an experience of 25 years during which he has occupied some leading positions in the financial and investment planning fields. In addition, he managed a number of successful investments at both the local and regional levels and has extensive experience in the real estate investment sector. Mr. Ibrahim Al-Assaf holds a Master's degree in Business Administration (Banking and Financing) from King Fahd University of Petroleum and Minerals and a

Bachelor's Degree in Accounting from the same university. Mr. Al-Assaf is currently the Chief Executive Officer of Musharaka Capital Company.

b. Dr. Jassem Shaheen Al Rumaihi (Independent Member)

Dr. Jassem Al Rumaihi has more than 30 years of practical and academic experience in the financial, accounting and administrative fields. In addition, he has experience in the fields of financial and strategic planning, corporate governance and project management.

Dr. Al Rumaihi holds a PhD in Accounting from the University of Dundee in the United Kingdom, a Master's degree in Accounting from the University of Missouri in the United States of America and a Bachelor of Science in Accountancy from King Saud University. Dr. Jassem Al Rumaihi is the Founder and current CEO of the Razan Knowledge Holding Company. He was also the Deputy Chief Executive Officer of Mizat Al Khaleej Holding Company.

c. Mr. Ahmed Ismail (Independent Member)

Mr. Ahmed Ismail has over 23 years of experience in the Saudi banking sector and financial companies. In addition, he has occupied leading positions such companies. Moreover, Mr. Ahmed is specialized in the credit and business development sector. Mr. Ahmed Ismail holds a Master's degree in Business Administration from the University of Hull in the United Kingdom and a Bachelor's degree in Industrial Management from King Fahd University of Petroleum and Minerals. Mr. Ismail is currently the Chief Executive Officer of Remas Consultancy. He also was the CEO of the Saudi company of Global Investment House from 2008 to 2010. Moreover, he was appointed in 2007 as the General Manager of Corporate Finance Department at the Saudi Hollandi Bank. In 1992, he was appointed as the General Manager of Credit Department at Samba Financial Group.

The Fund Manager acknowledges that all of the Fund's Board members meet the qualification requirements. It is required that such members: (a) are not bankrupt or subject to any bankruptcy or insolvency claims; (b) have not previously committed any violation involving fraud or an act breaching honesty and integrity; and (c) have the required skills and expertise. In addition, the Fund Manager acknowledges that each independent Board member meets the definition of an independent Board member as mentioned in the glossary of terms used in the CMA's regulations and rules.

Remuneration of the Fund's Board of Directors

The independent members of the Fund's Board shall be entitled to a remuneration of SAR 5,000 per meeting. The non-independent members shall not receive any remuneration. It is expected that the total remunerations of the Board's members will reach SAR 80,000 (Eighty thousand Riyals) per year, if eight meetings were held per annum.

Responsibilities of the Fund's Board of Directors

The powers and responsibilities of the Fund's Board shall include but are not limited to:

1. Ensuring that the Fund Manager carries out its responsibilities in a manner that would achieve the interest of the unitholders in accordance with the Fund's Terms and Conditions, the Regulations' provisions and the Shariah Board's decisions;
2. Approving all material contracts, decisions and reports involving the Fund, including but not limited to Approving custody, marketing, appraisal, real estate assets' purchase contracts;
3. Approving the Fund's Terms and Conditions and any amendments thereto;
4. Taking decisions regarding any transaction that involves conflict of interests, which shall be disclosed by the Fund Manager;
5. Approving the appointment of the Chartered Accountant nominated by the Fund Manager.
6. Meeting at least twice per year with the Compliance Officer at the Fund Manager, and reporting the anti-money laundering and terrorism financing to such officer in order to ensure that the Fund Manager adheres to all applicable rules and regulations.

7. Ensuring that the Fund Manager discloses all material information to the unitholders and other stakeholders;
8. Working in good faith to achieve the interests of the Fund and unitholders, including the liability of Fund's Board members before the unitholders;
9. Having sincerity and giving due care and diligence.
10. Reviewing the Fund's periodic reports in order to follow-up the work progress.

Any vacant position of an independent board member shall be occupied within 90 days from the resignation date. In addition, any vacant position of any non-independent member shall be occupied by the date of the following board meeting , in case the number of board members were less than three.

1.17.3. Other Funds managed by the Fund's Board Members

Member Name	Ibrahim Al-Assaf	Jassem Al Rumaihi	Ahmed Ismail
Fund			
Musharaka Saudi Equity Fund	Yes	Yes	Yes
Musharaka Murabahat & Sukuk Fund	Yes	No	Yes
La Perla Fund	Yes	Yes	Yes
Al Majdiah 1 st Real Estate Fund	Yes	No	No
Al Khoyool Alarabia Residential Fund	Yes	No	Yes
La Perla Fund 2	Yes	No	Yes

1.18. Voting and Unitholders' Meeting Policy

1.18.2 Voting

Unitholders are entitled to exercise all rights associated with their units including, but not limited to, the right to vote at unitholder meetings, the priority rights, and the acceptance of in-kind contributions in respect of increasing the Fund's capital. In addition, the approval of the Fund's unitholders shall be obtained in relation to any proposed fundamental change to the Fund. The Fund Manager shall obtain the CMA's approval on such changes. Changes shall be deemed as "fundamental changes" in the following cases:

- Important changes in the Fund's nature or objectives;
- Changes that may have an adverse and material effect on the unitholders or their rights with respect to the Fund;
- Changes that have an impact on the Fund's risk position; and
- Increase of the Fund's capital.

1.18.3 Unitholders' Meeting Policy

1. The Fund Manager may, on its own initiative, call the unitholders for a meeting.
2. The Fund Manager shall call the unitholders for a meeting within (10) days from receiving such written request from the Custodian.
3. The Fund Manager shall call the unitholders for a meeting for conducting discussions and obtaining their approval on the decisions relevant to any proposed fundamental changes to the Fund, as described in the glossary list of these Terms and Conditions.

4. The Fund Manager shall call the unitholders for a meeting by announcing the invitation on its website and the Tadawul's website, and by sending a notice to all unitholders and the Custodian giving (a) a minimum of (10) ten days' notice and (b) a maximum of (21) twenty-one days' notice before the meeting's date. The announcement and notice shall specify the date, place and time of the meeting and the proposed agenda. The Fund Manager shall at the same time as sending a notice to unitholders regarding any meeting, provide a copy of any such notice to the CMA.
5. The Fund Manager shall call the unitholders for a meeting within (10) ten days of receiving a written request from one or more unitholders who individually or collectively hold at least 25% of the value of the Fund's units.
6. The quorum required to conduct a meeting of the unitholders shall be the number of unitholders holding collectively at least 25% of the value of the Fund units.
7. If the quorum set out in paragraph (6) above is not met, the Fund Manager shall call for a second meeting by announcement on its website and the Tadawul's website and shall send a notice in writing to all unitholders and the Custodian giving not less than (5) days' notice before the second meeting. The second meeting shall be deemed as valid regardless of the percentage of units' ownership represented in the meeting.
8. Every unitholder shall be entitled to appoint a proxy to represent such unitholder at a each unitholders meeting.
9. Each unitholder shall be entitled to cast one vote at the unitholders' meeting for each unit owned by such unitholder on the meeting date.
10. Unitholder meetings and deliberations thereof and voting on decisions may be conducted through modern technology means in accordance with the controls set out by the CMA.
11. A decision shall be enforceable with the approval of unitholders owning (50%) of the total Fund's units who attend the meeting either in person, proxy or via modern technology means.

1.18.4 Unitholders' Rights

- (a) Unitholders shall be entitled to exercise all the rights associated with their units including, but not limited to, the right to vote at the unitholders' meetings, the priority rights, and the acceptance of in-kind contributions in respect of increasing the Fund's capital.
- (b) Unitholders who individually or collectively hold at least (25%) of the value of the Fund's units shall be entitled to call for unitholders meetings.
- (c) Unitholders shall be entitled to vote on decisions relevant to any proposed fundamental changes to the Fund, as described in the glossary list of these Terms and Conditions
- (d) Every unitholder shall be entitled to appoint a proxy to represent such unitholder at a unitholders' meeting.
- (e) Unitholders shall be entitled to obtain complete, clear, correct and non-misleading information as required in Article (8) of REITs Instructions.
- (f) Unitholders shall be entitled to receive reports every six months maximum as set out in Article (23) of the Real Estate Investment Funds Regulations.
- (g) Unitholders shall be entitled to peruse, at no charge, the Fund's initial and annual financial statements as set out in Article (24) of the Real Estate Investment Funds Regulations and sub-paragraphs (G) and (H) of Article (8) of REITs Instructions.
- (h) Unitholders shall be entitled to receive annual distributions, so that the profits distributed to the unitholders shall not be less than (90%) p.a. of the Fund's net profits.

1.19. Fund Manager

1.19.2 Fund Manager Name

Musharaka Capital Company

1.19.3 Fund Manager Address

Musharaka Capital Company - Prince Turki Bin Abdul Aziz Street

P.O. Box: 712 Al-Khobar 31952

Tel.: +966 (13) 8817990

Fax: +966 (13) 8818205

www.musharaka.sa

IR@musharaka.co

1.19.4 Fund Manager License

Musharaka Capital Company (“Musharaka”), a Saudi closed joint stock company established under the Decision of the Saudi Ministry of Commerce and Industry No. (73/S) on 29-03-1435 AH, corresponding to 30-01-2014. It is a legal person authorized by the Authorized Persons Regulation under the CMA license No. 27-13169 on 18-12-1434 AH corresponding 23/10/2013 - to engage in the activity of managing investment funds, advising, arranging, and dealing as a principal with respect to the securities business.

1.19.5 Services provided by the Fund Manager and its Employees

1. Developing the Fund’s structure and managing and operating it together with rendering portfolio management services for the Fund;
2. Determining the policies, provisions and regulations that govern the Fund’s operations in accordance with the objectives set out herein;
3. Setting out the decision-making procedures to be followed upon performance of the Fund’s activities;
4. Complying with all the laws, regulations and instructions in force in the Kingdom of Saudi Arabia relating to the Fund’s business;
5. Ensuring the legality and validity of all contracts concluded for the benefit of the Fund and committing with all the controls, decisions and standards issued by the Shariah Board;
6. Announcing any third party appointed to perform any activities relevant to the Fund;
7. Informing the CMA of any material event or development that might affect the Fund’s business; and
8. Appointing real estate developers and advisors and companies specialized in management and operation of real estates.

The Fund Manager intends to provide the Fund with management services through its employees licensed by the CMA. Such services shall include, for example, confirming the validity of data, settlements and conformity assurance, keeping client registers, keeping the Fund’s registers, maintaining the systems, and issuing reports. However, the Fund Manager shall be entitled, at its sole discretion, to delegate or assign its powers or responsibilities or enter into a sub-contract in this regard with an affiliate or a licensed person in order to carry out such services in the Kingdom of Saudi Arabia. Regardless of delegation of one or more parties or affiliates, the Fund Manager shall remain responsible for the Fund’s management; in addition to arranging and maintaining its assets. The Fund Manager shall be responsible for the Fund’s management, the maintenance of its assets and for its management services. The Fund Manager shall remain responsible before the unitholders upon appointment of an affiliate or any other party for performance of the said activities.

The Fund Manager shall be liable for any losses incurred by the Fund as a result of the Fund Manager’s gross negligence or deliberate misconduct.

1.19.6 Potential conflicts of interest between the Fund’s Board members and the Fund Manager

The Fund Manager declares that there is no current activity, business or other significant interest of the Fund’s board members or the Fund Manager that may conflict with the Fund’s interests.

1.19.7 Material conflicts of interest

In the future, the Fund Manager may invest in the IPO Funds managed thereby. The Fund Manager shall disclose such conflict of interest to the Fund’s Board of Directors in order to obtain its approval. This shall be disclosed in the annual report as set out in Paragraph 1.24. In addition, the Fund Manager declares that there is no current material conflict of interest which may have any impact on the Fund Manager in carrying out its duties towards the Fund. Moreover, all of the Fund’s transactions are supervised by its Board of Directors and are fully disclosed to the unitholders.

1.19.8 Delegation of Third Parties

The Fund did not delegate a third party to a responsibility or a power relevant to the Fund’s business.

1.19.9 Fund Manager’s Investment in Musharaka REIT

The Fund Manager intends to invest in the Fund at SAR 25,000,000 (twenty-five million Riyals) by owning cash units in the Fund upon offering and opening for subscription or at any subsequent stage upon reopening of subscription. This shall be disclosed in the annual report of the Fund’s Board of Directors published on the Fund Manager’s website and the CMA’s website.

1.20. Custodian

An agreement for provision of custody services to Musharaka REIT has been concluded with the Alinma Investment Company on the 31st of January 2017. Under such agreement, the Alinma Investment Company acts as the Fund's Custodian. The Alinma Investment is licensed by the CMA to provide custody services. The Custodian will keep all the important papers and documents relevant to the Fund, including but not limited to title deeds, investment decisions, important and material contracts relevant to the Fund's operations and business, minutes of the Fund's board meetings, appraisal reports, performance reports and financial reports.

The Custodian shall separate the Fund's assets from its own assets or the assets of its other clients. The Fund's assets shall be registered in the name of a Special Purpose Entity (SPE) to be established for this purpose. Such company shall be affiliated to the Custodian. The Fund's assets shall be deemed as a joint property of the unitholders.

The Custodian may delegate one or more third parties or any of its affiliates to act as a sub-custodian for any real estate investment traded fund for which it serves as a Custodian. The Custodian shall pay the fees and expenses of any sub-custodian from its own resources.

A Sub-Custodian outside the Kingdom may be delegated to have custody of the Fund's investments abroad. However, this Sub-Custodian must be established, licensed and supervised by a regulatory body in accordance with regulatory standards and requirements that are at least similar to those applied by the CMA. In addition, such sub-custodian shall be delegated under a written contract.

The real estate assets of the real estate investment traded fund may be registered in the name of a company affiliated to an entity licensed to provide loans that provided the Fund with a loan, as a guarantee for the loan.

1.20.2 Custodian Address

Head Office - Riyadh

Kingdom of Saudi Arabia - P.O. Box: 66333 Riyadh 11576

Al Anoud Tower 2, 20th Floor, King Fahad Road, Olaya District

Tel: +966 (11) 2799299

8004413333

Fax: + 966 (11) 2185900

www.alinmainvestment.com

1.20.3 Responsibilities of the Custodian

- a. Keeping the Fund's paperwork, documents and other supporting documents;
- b. Keeping detailed and accurate records of changes made to the assets' ownership;
- c. Undertaking to separate the Fund's assets from any other assets owned or relevant to the Custodian under the requirements of Chapter VII of the Authorized Persons Regulation and to take the necessary measures to achieve this purpose;
- d. Providing the Fund Manager or any person appointed by the Fund Manager any of the following upon request within two business days:
 1. Copies of the documents proving the assets' ownership;
 2. Copies of the Company's Articles of Association and commercial register of the Special Purpose Entity and any decisions or amendments made in this regard from time to time;
 3. Copies of any documents received by the Custodian under registration of the assets' ownership in the name of the Special Purpose Entity; and
 4. A balance sheet of the banking transactions performed through the accounts of the Special Purpose Entity;
- e. Providing the Fund manager with a copy of any document relevant to the asset immediately upon receipt thereof from third parties;
- f. Fully cooperating with the auditors and other fund's advisors and the Fund Manager;
- g. Ensuring performance of purchase and sale operations in Tadawul;
- h. Sending a report of the profits and collecting the due profits;
- i. Sending reports of sale and purchase operations and a statement of the portfolio and the investment account and the performed operations on a daily basis;

- j. Following-up with Tadawul in order to verify the validation of sale and purchase operations;
- k. Providing services during the trading hours and working hours pertaining to requesting reports or operations on the portfolio or the investment account;
- l. Transferring amounts or real estate's title deeds as per the request of the Fund Manager or any person appointed by the latter pursuant to the written instructions received by the Custodian from the Fund Manager;
- m. Keeping all the documents set out in Article (11) of the REIT Regulation; and
- n. Opening a bank account for the Fund Manager with a local bank.

1.20.4 Cases of terminating the agreement

- a. Written mutual agreement;
- b. Based on the sole discretion of either party; or
- c. Material violation by either party.

The agreement may be automatically terminated upon materialization of any of the termination cases set out in the agreement concluded with the Custodian.

1.21. Chartered Accountant

The Fund Manager will appoint Allied Accountant Professional Services as an independent chartered account of the Fund's accounts. Allied Accountant Professional Services shall review the Fund's financial statements on an annual basis.

Address: 3810 King Faisal Road, Yarmouk District, Al-Khobar 34422-7063, Kingdom of Saudi Arabia

Tel: +966 (11) 416 9361

Fax: +966 (11) 416 9349

1.22 www.rsmksa.com Financial Statements

- The Fund Manager will constantly prepare the preliminary and annual financial statements, according to the accounting standards issued by Saudi Organization for Certified Public Accountants (SOCPA), until the end of its term.
- The Fund's preliminary and annual financial statements must be prepared by a Chartered Accountant licensed to work in the Kingdom, and he must be independent from the Fund Manager or any of its subsidiaries.
- The Fund's Board must approve the preliminary and annual financial statements and they must be signed by a member authorized by the Fund's Board.
- The preliminary and annual financial statements must be submitted to the CMA once approved by the Fund's Board of Directors.
- The Fund Manager shall announce the preliminary and annual financial statements via the electronic applications specified by the CMA, once being approved. These statements should not be published or sent to the unitholders before being announced.
- The Fund Manager must provide the CMA with the preliminary financial statements after being audited according to the accounting and auditing standards issued from the SCOPA, and it must notify the unitholders about the financial statements once approved within a period not exceeding twenty five (25) days from the end of the fiscal period covered in such statements.
- The Fund Manager must provide the CMA with the audited annual statements according to the accounting and auditing standards issued from the SCOPA once approved within a period not exceeding forty (40) days from the end of the fiscal year covered in such statements.
- The preliminary and annual financial statements must be provided via e-mail and /or hard copy, at the request of the unitholders without any charges.
- The preliminary and annual financial statements must be posted on the Saudi Stock Exchange's website (Tadawul) and the Company's website.
- The first audited annual financial statements must be issued after the first fiscal year ending on the 31st of December 2017, and the first fiscal year must not be less than (6) six months and not more than (18) eighteen months.

1.23 Conflict of Interests

The Fund Manager acknowledges that it exerts due diligence to avoid any conflict of interests that may arise between the interests of the Fund Manager or the concerned parties and the interests of the Fund shareholders. The Fund Manager also seeks to handle any case of conflict of interests that may arise during the Fund's work in the manner that serves the interests of the Fund Manager and the unitholders; and that is by giving priority to the Fund's

shareholders interests over the interests of the Fund Manager or the relevant parties, and no investors shall take privileges over other investors in the same fund. The Fund Manager will exert its best efforts to resolve any conflict of interests that may arise; and in case of any potential conflict, the Fund manager is committed to disclose it to the Fund's Board of Directors to make a decision in this regard. Upon request, the investors will be notified with the procedure taken to address the conflict of interests. The Fund Manager also acknowledges that there are no current conflict of interests between it and any relevant party at Musharaka REIT until the preparation date of the Terms and Conditions contained herein. It must be noted that the real estate's lessee that has been appointed as the Real Estate Manager is the Three Palm Trees Hotel Company, which is an affiliate to the same owner of the Ejzala Trade and Real Estate Investment Company property, i.e. the real estate's seller.

1.23.2 Transactions with Relevant Parties

The Fund Manager is committed in its dealings with the relevant parties to apply the same conditions, which the Fund Manager applies with various stakeholders in terms of making a choice that will benefit the Fund and the unitholders without any differentiations or preferential terms. The Fund Manager must make sure that such transactions are conducted based on purely commercial and professional basis. The Fund Manager is committed to immediately report any current or potential cases of conflict of interests to the Fund's Board, and to disclose them on the Fund Manager's website, the Tadawul's website and in the Board's annual statement. The Fund Manager will also work on handling any future case of conflict of interests with the relevant parties that may not apply the conditions applied by the Fund Manager on various parties.

1.23.3 Fund Manager

The Fund Manager may implement a set of transactions that may result in conflicts of interest. Hence, the Fund Manager may work as an advisor or participates in other funds, companies or accounts, through which it may have investments similar to the Fund's objectives. The Fund Manager may provide similar services to other parties; provided that it does not adversely affect its provided services. In addition, the Fund Manager needs to take its duties towards the Fund into consideration and it must do its best to settle any disputes in a fair manner. On the other hand, the Fund Manager may determine the investment opportunities to be acquired or sold for the Fund's benefits, and therefore, the Fund Manager is entitled to obtain the applicable commission or part thereof in this case.

The interests of the Non-independent Fund's Board members, the Fund Management and the Fund Manager's partners may conflict with the Fund's interests. This will be disclosed on the Fund Manager's website and the Tadawul's website and through the annual Fund's Board of Directors report, and these websites will also disclose any transactions that may cause conflicts of interest for the unitholders. The Fund Manager will exert its utmost effort to avoid such conflict in interest, and if not possible, it will be committed to cancel what has been agreed upon with the relevant parties according to the contractual relationship between them.

1.24 Disclosure and Reporting to Unitholders

The Fund Manager is committed to disclose the following to the CMA and the unitholders without any delay:

- Any substantial progress included in its activity and is not available to the public that may affect the Fund's assets, liabilities, or financial position, or the general path of its work; or any change that may have an impact on the Fund's position or leads to the voluntary withdrawal of the Fund Manager from its position. This may reasonably lead to a change in the listed unit price, or have a significant impact on the Fund's ability to meet its liabilities related to the debt instruments.
- The Fund Manager will declare any fundamental changes occurring to the Fund on its website and on the CMA's website within a maximum period of 10 days from the effective date of this change.
- Any deal to purchase, sell, mortgage or lease an asset for a price equals to or more than 10% of the Fund's total assets value according to the latest inspected financial statements or the annual audited financial statements, whichever is more recent.
- Any loss equals to or more than 10% of the Fund's total assets value, according to the latest inspected preliminary financial statement or the latest annual audited financial statements, whichever is more recent.
- Any change in the membership of the Fund's Board of Directors or the Fund committees.
- Any disputes, including any lawsuit, arbitration or brokerage, if the disputed or claimed amount equals to or more than 5% of the Fund's net assets, according to the latest inspected initial financial statement or the latest annual audited financial statements, whichever is more recent.
- Increase or decrease in the Fund's net assets equal to or more than 10% of the net assets, according to the latest inspected initial financial statement or the latest annual audited financial statements, whichever is more recent.

- Any deal between the Fund and any relevant party, or any arrangement, under which the Fund and a relevant party will invest in any project, asset, or authority that provides finance, if this deal or arrangement equals to or more than 10% of the Fund's net returns, according to the latest annual audited financial statement.
- Total Fund revenues, according to the latest annual audited financial statements.
- Any interruption in any of the Fund's basic activities is equal to or more than 10% of the Fund's total returns, according to the latest annual audited financial statement.
- Any change in the chartered accountant.
- Any change in the board members or the Fund's committee.
- Assigning an alternative custodian.
- The issuance of a sentence, decision, declaration or an order from a court or a judicial authority whether in the first instance or appeal, which may adversely affect the Fund's usage of any part of its assets with a total value of more than 5% of the Fund's net assets, according to the latest inspected preliminary financial statements or the last annual audited financial statement, whichever is more recent.
- Any proposed change in the Fund capital.
- The Fund Manager will prepare and submit annual reports to unitholders, which include the following information:
 - Assets invested by the Fund.
 - Assets targeted to be invested by the Fund.
 - The ratio of the leased and non-leased real estates to the total owned real estates.
 - Comparison chart that covers the Fund's performance during the last three years or (since the Fund's inception date) stating:
 - a. The Fund's net assets value at the end of each fiscal year.
 - b. The Fund's net assets value for each unit at the end of each fiscal year.
 - c. The Fund's highest and lowest net assets value for each unit for every fiscal year.
 - d. The number of units issued at the end of each fiscal year.
 - e. The income distribution for every unit.
 - f. The rate of the expenses incurred by the Fund.
 - Any fundamental changes during the period that affected the Fund's performance must be disclosed clearly;
 - The annual Fund's Board of Directors report; provided that it will contain, for example but not limited to, the discussed topics and the decisions issued in this regard, including the Fund's performance and the extent of its achievement of its objectives;
 - A statement about the special commission obtained by the Fund Manager during the period, while clearly stating them and the method for making use of them;
 - A performance record that covers the following:
 - a) The total returns for one year, 3 years and 5 years (or since its inception)
 - b) The total annual returns for each year of the past ten fiscal years (or since its inception).
 - c) A chart showing the compensations for the services, commissions or fees incurred by the Fund from other parties throughout the year. The total expenses rate must also be clearly disclosed; in addition to disclosing if there are any conditions in which the Fund Manager will be exempt of any fees or reductions.
 - Clarity, correctness and completeness of the disclosed information:
 - a) Any disclosure made by the Fund Manager must be complete, clear, correct and not misleading, and to be published via the media indicated in Real Estate Investment Funds Regulation and the REITs instructions;
 - b) If the Fund Manager finds that disclosing a matter required to be disclosed under the REITs instructions may lead to causing an unjustified damage, and that the lack of disclosure in this matter may lead to misleading the unitholders concerning the facts and circumstances that must be known to evaluate the relevant securities, the Fund Manager may submit a request to exempt it from such a disclosure or to delay it. In this case, the Fund Manager must discreetly submit to the CMA a statement of the relevant information and the reasons for not disclosing such information at this time. The CMA may approve or reject the exemption or delay request; if the CMA approves the request, it may at any time commit the Fund Manager to disclose any relevant information related to the exemption or delay;
 - c) All the information and substantial developments stated in this clause are confidential until they are disclosed. The Fund Manager is prohibited to disclose such information - before being announced - to bodies not obligated to maintain the information's confidentiality and protection. The Fund Manager is also required to take all necessary steps to avoid leakage of any information and substantial developments before announcing them, according to the REITs instructions.

- The Fund Manager must identify the extent of its need to publish a public notice to address any rumors regarding any substantial developments; and the CMA shall obligate the Fund Manager to do as it deems fit.
- The Fund Manager must make preliminary financial reports available to the public, without charge, within (25) days of the end of the reporting period, and that is at the locations and using the means defined in the Fund's Terms and Conditions on the Fund Manager's website and the Tadawul's website.
- The Fund Manager must make the annual financial reports available to the public, without charge, in a period not exceeding (40) days of the end of the reporting period, that is at the locations and using the means defined in the Fund's Terms and Conditions on the Fund Manager's website and the Tadawul's website.

1.25. Other Information

1.25.2 Service Providers

1.25.2.1 Financial Advisor

It is the Musharaka Capital Company. The Fund is expected to utilize the Financial Advisor's capabilities throughout the Fund term. The Financial Advisor's main role is to arrange the financing needed by the Fund with the financiers, which is compatible with Shariah controls adopted by the Shariah Board.

1.25.2.2 Real estate consultant

The Fund will deal with several bodies with long real estate experience to offer their real estate opportunities that matches the Fund's investment strategy. Afterwards, the Fund will appoint these bodies to make a due diligence study for the real estates to be acquired by the Fund before making a purchase decision.

1.25.2.3 Real Estate Manager

The Fund will appoint several companies specialized in providing real estate services as real estate managers depending on the nature and location of the real estate intended to be acquired in the future. The Real Estate Manager's role is to provide the Fund with management and operation services for real estates and establishments, including lease management, accounting, reporting, marketing, sales, operation and maintenance services. Since the Fund intends to acquire real estates with high occupancy rate in the future, it is intended for the real estate to be managed by a specialized real estate manager, as the selection standards will be applied upon it by the Fund Manager. Among these standards, to name a few: (A) Have experience, integrity and sincerity, (B) Have good reputation, and (c) It should not be charged with any previous court orders or a bankruptcy or insolvency claims. The Fund Manager may appoint the real estate's lessee or one of its subsidiaries or representatives as a Real Estate Manager. The Real Estate Manager will handle all the real estate management work as one of its main responsibilities in the same lease contract, and the Fund Manager will periodically supervise the real estate. As the case with the Fund's current real estate, the Fund Manager will appoint each lessee as a Real Estate Manager without calculating any fees in exchange for managing the real estate, according to the lease contract signed with it and for the same period; noting that the Fund Manager is fully entitled to terminate the management and lease contract in case the Real Estate Manager / lessee did not apply all the agreement's terms and conditions. In case the Fund's Board of Directors was not satisfied with the Real Estate Manager's performance, it will be replaced another one with higher efficiency.

1.25.2.4 Shariah Advisor

The Shariyah Review Bureau was appointed as the Fund's Shariah Advisor. It is a company specialized in providing Shariah audit and review services, and it is member in the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) authorized by the Central Bank of Bahrain to provide Shariah advisory services. The Shariah Board has appointed the Sheikh Mohammed Ahmed Al-Sultan as a sole specialist in charge of reviewing the Fund's Shariah standards and the Fund's documents; in addition to ensuring the Fund's compliance with the **Shariah Board standards** as shown in Annex (2) of the Terms and Conditions herein. It is also authorized to review all the Fund operations and investments, conduct an annual audit to the Fund, review the contracts and agreements, and monitor the implementation of the Shariah Board standards, in order to assure the Fund's Board of Directors that the Fund

operations and investments are compliant with the Shariah Board standards; provided that Shariah Advisor's fees will be paid from the Fund's assets.

Sheikh Mohammed Ahmed Al-Sultan

He has 10 years of experience as a Shariah and Academic Advisor in the Islamic banking industry. Sheikh Mohammed leads the work group of the Shariah Advisory Department in the Bureau due to his prolific knowledge in jurisprudence and Islamic financing. He has experience in redesigning the traditional products, and restructuring investment funds, and his experience also extends to the banking and insurance sector, while guaranteeing fast approval process and allocation of unique, practical and functional solutions in Fatwa management. Sheikh Mohammed Ahmed Al-Sultan holds the global Master's degree in Jurisprudence and Jurisprudence principles from the Ahsan Al Uloom University in Pakistan, and a Bachelor degree in Islamic Science from Dar Al Uloom University in Pakistan supervised by the famous scholar Mufti Muhammad Taqi Usmani. The Shariah Committee's fees are (SAR 33,000) SR annually, i.e. thirty-three thousand Saudi riyals, to be calculated and paid annual on 2 installments every 6 months and is paid from the total Fund's assets.

1.25.2.5 Zakat & VAT

The fund manager undertakes to register the fund with the Zakat, Tax and Customs Authority within the regulatory period. He also undertakes to submit the information and data declaration required by the Zakat, Tax and Customs Authority for the purposes of examining and reviewing the declarations within the statutory period and to provide the assigned unit owners with publishable information necessary to calculate the zakat base. By notifying the Zakat, Tax and Customs Authority of the expiry of the fund within the statutory period for that. You can also view the regulations and rules related to investment funds issued by the Zakat, Tax and Customs Authority through the website: (<https://zatca.gov.sa/ar/Pages/default.aspx>).

1.25.2.6 Anti-Money Laundering and Counter-Terrorism Financing

In a continuous attempt to comply with the CMA's laws, regulations, circulars, and instructions, the anti-money laundering and counter-terrorism financing laws, and other relevant regulations and laws, the Fund Manager will take all necessary procedures to enable it to obtain complete and correct information about any client, his financial positions and investment objectives; given that such information will be handled with strict confidentiality. Furthermore, the Fund will not open anonymous accounts or with fake or unreal names, nor will open accounts for people who are banned to be dealt with, according to the CMA instructions.

1.25.2.7 Complaints

The Fund Manager shall adopt a concept focusing on client satisfaction, accepting recommendations and committing to solve problems whenever they arise. Complaints will be documented properly and handled promptly and fairly while maintaining their strict confidentiality.

The complaint handling policy is available in Arabic language, while the "Client Complaint Form" is available in both Arabic and English languages on the Fund Manager's website and you can obtain it from the Fund Manager's office.

Complaint Filing Methods:

- a) Delivered by hand to the Investors Relations Unit in Musharaka Capital Company, on the following address:
Prince Turki Bin Abdulaziz Road, Tananmi Tower, 8th floor.
- b) By mail to the Investors Relations Unit with P.O Box No. 712, Al-Khobar 31952, Kingdom of Saudi Arabia
- c) By fax through filing the "Client Complaint" form and send it to the Investors Relations Unit on the Fax no. +966 (13) 8818205.
- d) By e-mail through filling the "Client Complaint" Form found on the website www.musharaka.sa and sending it via e-mail to ir@musharaka.co
- e) You will receive a response for the complaint within (7) business days starting from the complaint receipt date by Investors Relations Unit.
- f) The client must fill in all the data of the "Client Complaint" form, including the approved signature of the Fund Manager.

- g) It is necessary to use the complaint form approved by the Fund Manager, and the complaint will not be considered or responded thereto unless the form is used.
- h) Kindly use a single method from the methods/means mentioned above to send the complaint form and do not send it in more than one means; to avoid duplications, so that the Fund Manager will be able to respond as soon as possible without delay.
- i) In case the complainant (client) is still not satisfied with the Fund Manager's response , he is entitled to raise the complaint to the following levels:
1. First Level
Chief Executive Officer- Musharka Capital Company
Telephone: +966138817990 - ext. 111
Fax: +966138818757
E-mail: ceo@musharaka.co
 2. Second Level
The CMA, in case it was difficult to settle the complaint or the client did not receive any response within (7) business days starting from the complaint receipt date by Investors Relations Unit.
The complaint can be filed directly via the CMA's website or send the complaint to the CMA's postal address: P.O Box no. 87171, Riyadh 11642.
The complaint can also be filed through its delivery to the complaints reception employees at the CMA head office on the following address:
Riyadh, King Fahad Bin Abdulaziz Road, Faisaliah Tower, 10th floor, Investors Complaints Department, and you can send the complaints on the Fax no. +966112797004 Ext. 7066
The subscriber is entitled to send the complaint to the Committee for the Resolution of Securities Disputes after 90 calendar days from filing the complaint to the CMA, unless the CMA notified the complainant that it is permissible to file it after the end of the period.

1.25.2.8 Regulatory Body

The Fund is under the supervision of the CMA, given that the Fund Manager is an individual authorized by the CMA under license no 27-13169 on 18-12-1434 AH.

1.25.2.9 Fund Currency

The Fund is evaluated in Saudi Riyals, and the subscription fees will be converted for any subscriber paying in any currency other than the Saudi Riyals at the exchange rate prevailing at the time, and the subscriber shall bear the conversion expenses.

1.25.2.10 Units Characteristics

The Fund Manager will issue a limited number of investment units in the Fund of the same categories, where each one of them represents an equal individual common interest in the Fund. Every investor owns indivisible interest in the Fund assets proportioned to the units he owns. The Fund Manager is entitled to exercise all the rights related to real estate investments or any other investments existing in the Fund's portfolio, including the right to vote in the assemblies' meetings. All units are evaluated with a specific currency, which is the Saudi Riyal.

1.25.3 Additional Information Requirements for Certain Types of Funds

1.25.3.1 By-laws of Musharaka REIT (Special Purpose Entity)

By-laws of
Musharaka RIET
(A Special Purposes Entity)

These By-Laws are approved on Thursday, 26/12/1442 (corresponding to 5/8/2021) in respect of the Special Purposes Entity (**the Entity**) established and licenced under the Rules for Special Purposes Entities issued by the Board of the Saudi Capital Market Authority (**the Authority**) pursuant to its Resolution Number 4-123-2017 dated 9/4/1439 edited Number 1-7-2021 dated 1/6/1442 (**the Rules for Special Purposes Entities**), by Musharaka Capital, a A closed joint company - licensed by the Saudi Capital Market Authority, license No. 27- 13169, with its registered office at Khobar – prince Turki Road – Adeer Tower; having as its business activity Dealing, managing, arranging, advising, custody in securities business, in its capacity as the fund manager of Musharaka REIT fund, which takes the form of the special purposes entity (**the Fund**).

WHEREAS, Musharaka Capital has decided to establish the Entity as follows.

1. NAME

The name of the Entity is Musharaka RIET.

2. CUSTODIAN

Alinma Investment Company, A closed joint company, and having its registered office at Riyadh City - King Fahd Road - Al Anoud Tower, and its business activity is Dealing as principal and agent, undertaking, managing, arranging, advising and custody in securities business under the license of the Capital Market Authority No. 09134-37 dated 23/04/1430.

3. REGISTERED OFFICE

The Registered Office of the Entity is at Kingdom of Saudi Arabia - Khobar – prince Turki Road – Adeer Tower. The Registered Office of the Entity may not be transferred to any other place except with the approval of the Authority.

4. PURPOSE AND ACTIVITY

4.1 The purpose of the Entity is to issue investment units.

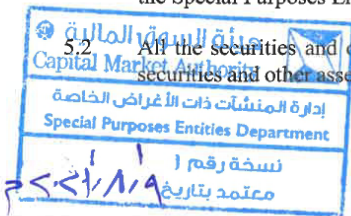
4.2 The Entity shall not engage in any activity other than the following:

- (a) issuing of investment units.
- (b) ancillary activities necessary to achieve its purposes.
- (c) The activities stipulated in the terms and conditions of the fund that takes the form of the special purposes entity, and these By-laws.

5. SHAREHOLDERS

5.1 The holders of the investment units issued by the Special Purposes Entity shall be the Shareholders of the Special Purposes Entity, according to the register of unitholders.

5.2 All the securities and other assets of the Fund shall be registered in the name of the Entity, these securities and other assets are jointly owned by the holders of the investment units issued by the Entity.



5.3 Other than losing his\her investment in the Entity or part of it, the unitholder shall not be liable for the debts and obligations of the Entity.

6. CAPITAL

The capital of the Entity is 880,000,000 eight hundred and eighty million Saudi riyals, divided into 88,000,000 eighty-eight million units, each having a nominal value of 10 ten Saudi riyals.

7. FUND MANAGER

7.1 The Fund Manager shall manage the business of the Entity and carry out its day-to-day affairs, and shall have all powers and authorities, except where stipulated in the Rules for Special Purposes Entities and the Investment Funds Regulations or the Real Estate Investment Funds Regulations or in these By-Laws that it shall be for others, including (without limitation):

- (a) to represent the Entity before the Authority, all notary publics, judicial authorities, Government and private entities and others;
- (b) to negotiate any contracts or other documents to be entered into by the Entity, and executing such contracts and documents in the name of the Entity, in order to obligate the Entity to the terms of such contracts and documents;
- (c) to appoint and remove the Entity's agents or legal advisors.

7.2 The Fund Manager may delegate any of his/her authorities to any person, including (without limitation) any of the authorities specified in Article 7.1 above or the authorities stipulated in the Rules for Special Purposes Entities and the Investment Funds Regulations or the Real Estate Investment Funds Regulations, and shall bear the responsibility for such delegation.

7.3 The fund manager must enable all concerned parties to perform their duties towards the fund that takes the form of the special purposes entity, in order to comply with all provisions that apply to them in accordance with the Rules for Special Purposes Entities and the Investment Funds Regulations or Real Estate Investment Funds Regulations. For example, but not limited to: the Custodian, the Fund Operator, and the Auditor.

8. DIRECTORS

8.1 Directors of the Entity are the Directors of the Fund.

8.2 The provisions stated in the Investment Funds Regulations or the Real Estate Investment Funds Regulations shall apply to Directors.

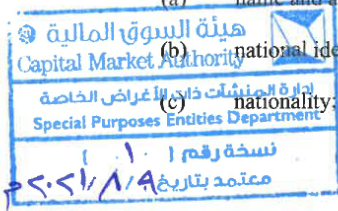
9. REGISTER OF DIRECTORS

9.1 The Entity shall maintain a register of Directors in which it shall enter the following details in relation to each Director:

(a) name and address;

(b) national identification number, Iqama number or passport number, as appropriate;

(c) nationality;



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- (d) occupation (if any);
- (e) date of appointment;
- (f) location of residence; and
- (g) date of removal or resignation

9.2 The pages of the Directors' register shall be numbered sequentially. No page may be deleted nor any erasure or revision made to the information contained therein.

10. DECISIONS MAKING

This section includes decisions-making process regarding the Special Purposes Entity that are not included in these By-laws, the Rules for Special Purposes Entities or the Investment Funds Regulations or the Real Estate Investment Funds Regulations, such decision shall be made by the Fund Manager as per the terms and conditions of the REIT without prejudice to the provisions of the Rules for Special Purposes Entities and the Investment Funds Regulations or the Real Estate Investment Funds Regulations books and records

10.1 The Fund Manager shall be responsible for ensuring that the books and records are maintained properly without prejudice to the provisions of the Investment Funds Regulations or the Real Estate Investment Funds Regulations.

10.2 The books and records must be kept at the Registered Office of the Entity or such other place in the Kingdom of Saudi Arabia as the Fund Manager may determine, and shall always be available for inspection.

11. SETTLEMENT AND INSOLVENCY

Subject to the provisions of the Rules for Special Purposes Entities, the Special Purposes Entity is subject to the Bankruptcy Law and its Implementing Regulations.

12. TERMINATION OF A SPECIAL PURPOSES ENTITY

The Special Purposes Entity shall cease to exist with the end of the purpose for which it was established for in accordance with Article 54 of the Rules for Special Purposes Entities.

13. LAW AND ARBITRATION

13.1 These By-Laws are subject to the laws and regulations of the Kingdom of Saudi Arabia, in particular the Rules for Special Purposes Entities and the Investment Funds Regulations or Real Estate Investment Funds Regulations.

13.2 Unless otherwise agreed upon, any dispute, controversy, or claim arising out of or in connection with these By-Laws shall be settled amicably. In the event that any such dispute cannot be resolved amicably and unless otherwise agreed upon, any party may submit the matter to the Committee for the Resolution of Securities Disputes for the issuance of a decision in accordance with the relevant procedures, with no prejudice to the parties of the dispute's right to arbitration as agreed upon.



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14. GERNRAL PROVISIONS

- 14.1 Unless otherwise specified in these By-Laws, all notices to be served pursuant to these By-Laws shall be in the form of letters, e-mails, or shall be delivered by hand against a written acknowledgement of receipt at the registered office of the Entity.
- 14.2 These By-Laws has been drafted and signed in Arabic and English. In case of conflict between the two versions, the Arabic version shall prevail.
- 14.3 These By-Laws have been signed in two (2) copies in Arabic and English.
- 14.4 References in these By-Laws to years or months shall be made to Gregorian years or months.

IN WITNESS WHEREOF, these By-Laws were signed by the Fund Manager or by its duly authorised representatives on the day and year detailed above.

Musharaka Capital

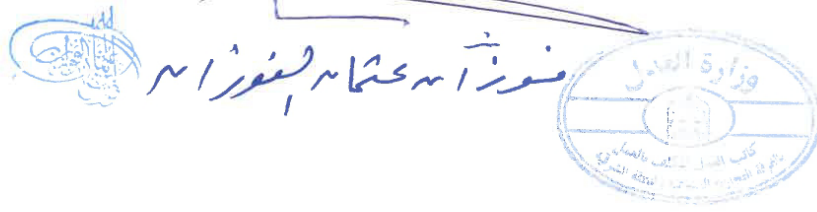
By: _____

Ibrahim AlAssad

Ibrahim ALASSAD
CEO



تم اعتمادہ بموجب ماضیہ لیسٹریٹور. ۴۳۶۶۳۰ نی ۳/۱/۲۰۲۳ھ
کے نائبین لیسٹریٹور لیسٹریٹور لیسٹریٹور



1.26 Amendments to the Terms and Conditions

The Terms and Conditions contained herein remain valid until amended by the Fund Manager; provided that they are approved by the Fund's Board of Directors, the unitholders, the CMA and the Shariyah Review Bureau, and the unitholders will be notified about the important amendments made to the Terms and Conditions (30) business days the enforcement of such amendments.

In case any of these amendments contain essential changes according to the definition contained in the glossary of these Terms and Conditions, it is necessary to obtain the approval of the unitholders, whose ownership represents more than (50%) of the total units, whose holders attended the unitholders meeting, whether in person, by proxy or by a modern means of communication.

1.27 Applicable Law

The Fund's Terms and Conditions are subject to the Saudi applicable regulations and the rules and instructions issued by the CMA from time to time. The Fund Manager agrees that these Terms and Conditions along with other fund documents are in conformity with the provisions of the Real Estate Investment Funds Regulation, and compatible with REITs instructions issued by the CMA in the Kingdom of Saudi Arabia. They also contain complete, correct and fair disclosure of all substantial facts related to a closed-end real estate investment traded fund offered as a public offering.

2- Annex (1) (Financial Statement Summary)

Type of Charges and fees / Expenses	Amount / Percentage	Basis of Calculation	Collection Method	Payment Time
Subscription Fees	1%	Of the investor's total subscription amount	Of the amount of subscription in the Fund	Paid once upon subscription - payable to the Fund Manager
Management fees	1.2% p.a. of the total assets' value after deducting all accrued fees and expenses.	Proportionally to the number of days lapsed since launching the Fund	Of the Fund's total assets' value	Every six months - payable to the Fund Manager
Registration fees	1. SAR 50,000 in exchange for setting up a unitholders' register, plus SAR 2 per investor up to SAR 500 thousand. 2. SAR 400,000 p.a. in exchange for managing the unitholders' register.	1. A lump sum 2. A lump sum based on the Fund's capital	Of the Fund's total assets	1. Before listing and trading the Fund's units 2. At the end of the year
Listing fees	1. SAR 50,000 in exchange for initial listing of the Fund's units. 2. Fees of listing the Fund's units: 0.03% of the Fund's market value at a minimum of SAR 50 thousand and a maximum of SAR 300 thousand.	1. A lump sum 2. 0.03% of the Fund's market value at a minimum of SAR 50 thousand and a maximum of SAR 300 thousand.	Of the Fund's total assets	1. Before listing and trading the Fund's units 2. Annually
Custody fees	SAR 100,000 per annum	An annual lump sum payable by the Fund	Of the Fund's total assets	Paid once at the end of the year
Transaction fees	Up to 1% of the real estate's value	Once upon purchase/sale of the real estate	Of the Fund's total assets	After completion of the deal - payable to the Fund Manager
Chartered Accountant's fees	SAR 75,000 per annum	An annual lump sum payable by the Fund	Of the Fund's total assets	Every six months
Financial Advisor's fees	2%	Of the amount of financing obtained by the Fund Manager	Deducted from the financing amount obtained by the Fund	After obtaining financing
Real Estate Manager's fees	Up to 7% per annum	Of the total leases of the real estate to be managed thereby. With respect to the current real estates, no fees are payable to the Real Estate Manager, as every lessee will manage the real estate it leases.	Of the Fund's total assets	Every six months
Shariah Board's fees	SAR 33,000 per annum	An annual lump sum payable by the Fund	Of the Fund's total assets	Every six months
Board Members Remunerations	SAR 80,000 per annum	SAR 5,000 per meeting only payable to the independent members - up to 8 meetings annually	Of the Fund's total assets	After the meeting of the Board of Directors

Commission fees	2.5% of the real estate's value	Once upon purchase of the real estate - payable to the brokers	Of the Fund's total assets	After completion of the deal
Other expenses	Up to 0.25% p.a. of the Fund's total assets	Proportionally to the number of days lapsed since launching the Fund	Of the Fund's total assets	Every six months
Regulatory fees	SAR 7,500 per annum	An annual lump sum payable by the Fund to CMA	Of the Fund's total assets	Once at the end of the year

3- Annex (2) (Shariah Board Standards)

a) Shariah Standards for the Fund Manager's Fes

- The Fund Manager may receive fees from the investor in exchange for its subscription; because they are compensations for legitimately calculated benefits, whether it was a lump sum or a discounted rate of the purchased unit value; provided that such fees are stated in the Fund's Terms and Conditions.
- It is permissible for the Fund Manager to deduct incentives for the performance, which are additional charges imposed by the Fund Manager to the investor, if the profit rate exceeds a particular agreed limit; as it is part of the fees leading to its knowledge and does not lead to dispute; provided that the rate shall be determined and known to the investor in the Fund's Terms and Conditions.

b) Shariah Standards for Fund Management and Marketing

- The Fund Manager must exert its best effort and diligence in investing the Fund's money using the best practices for the investors' benefit.
 - The Fund Manager must invest the Fund's money for the purpose upon which the Fund has been established and it may not invest in what is not stated in the Fund's Terms and Conditions unless after notifying the investors.
 - The Fund Manager may provide an expected profit rate from the subscription in the Fund based on the market study; provided that this occurs as a matter of approximation and prediction.
 - The Fund Manager must fully disclose all the expenses charged to the Fund.
 - All the documents handled in the Fund, such as contracts and other forms, must not be prejudice to the Shariah principles, laws and standards.
 - All the Fund agreements must be submitted to the Shariah Board to be reviewed and approved before being signed by other parties.
-
- The Fund Manager is not allowed to enter into any contracts resulting in paying or accruing usurious interest and he may take legal procedures to obtain his entitlements.

c) Shariah Standards for Fund Assets' Rental and Sale

- The Fund invests its money in legally permissible real estate projects, which are not related to usurious interests
- The Fund is prohibited from collecting any usurious interests, if any party is delayed in paying its obligations, and the Fund may take the necessary legal actions to receive its entitlements.
- The Fund Manager may lease real estates; provided that they will not be leased to a party that practices legitimately prohibited activities, such as leasing on usurious banks.
- The Fund Manager is not allowed to not invest in real estates, in which the lessees' activities are focused on the following prohibited activities:
 - Gambling
 - Alcohol Sale and production
 - Tobacco production.
 - Weapon Manufacturing
 - Prostitution
 - Drugs
 - Commercial insurance and usurious financing institutions
 - Any other activities determined by the Shariah Board
- The Fund Manager may invest in real estates leased to companies or people that do not meet the above standards including banks, insurance companies, gambling and alcohol ...etc.; provided that the lease collected from these bodies will not represent more than 5% of the total leases collected from the real estate; taking the following into consideration:
 - The income collected from such bodies is donated to charities after the Shariah Board's approval.

- If the Fund Manager can replace the lessee who performs an incompatible activity with another lessee practicing an activity compatible to the Shariah controls and provisions without causing any financial or legal damage, he should replace the lessee after giving him a written 3-month notice.
- If the above-mentioned procedure will result in financial or legal damage for the Fund, in that case the lessee will remain in his position until the end of the lease term and the contract will not be renewed.
- If the Fund Manager invests in a real estate that does not have any lessees, or if all the lessees' activities were compatible to the Shariah controls and provisions, the Fund Manager will not be allowed to lease the real estate to a lessee whose activity is incompatible to the Shariah controls and provisions, even if the income of this lessee is less than 5% of the total collected leases.

4- Annex (3) (Example on the Mechanism for Calculating Fees, assuming that the Fund size is 100 million Saudi riyals, and the return is 10%, whereas the investment value is 100,000 Saudi riyals)*

Fees and Expenses	Value in Saudi Riyal
Fund Size	100,000,000
Number of Outstanding Units (units)	10,000,000
Annual Rental Income	10,000,000
Total Assets	110,000,000
Subscription Money	100,000
Subscription Fee (%1)	1,000
Number of allocated Units (units)	10,000
Management Fee 1.2%	1,320,000
Custody Fee	100,000
External Auditor Fee	75,000
Shariaa Committee Fee	33,000
Registration and Listing Fees	800,000
Property Manager Fee (7% of rental income)	700,000
Regulatory Fee	7,500
Board of Directors Compensation	80,000
Other Expenses 0.25%	275,000
Total Fees and Expenses	3,390,500
Fund's Net Asset Value	106,609,500
Unit's Net Asset Value	10.66

***Subscription Amount is not included in the expenses and fees.**

*** The Real Estate Manager Fees assuming, they are 7% of the collected lease (They are not applicable to the Fund's current real estates).**

*** The Fund Manager acknowledges that these amounts are discretionary based on the contractual agreements as shown in paragraph 1.9, and the actual expenses will be mentioned in the Fund's annual financial report.**

4- Annex (4) (First half 2023 Financial Disclosure)

30 June 2023	
Rental Revenue	52,165,275
Unrealised gain on investments at fair value through profit or loss (FVTPL)	81,400
Gain on recognition of investment in finance lease	0
Finance income	628,013
Other income	160,000
Total income	53,034,688
Depreciation	15,342,935
Fund management fee	9,197,801
Other operating expenses	12,213,353
Reversal for expected credit losses	14,995,195
Finance costs	28,755,538
Net assets attributable to unit holder	799,904,867
Per unit value	9.09
Dividends per unit	0.07

Disclaimer: This is translated version of the original terms & conditions issued in Arabic language and is only meant to assist the users with barriers to understanding with regards to Arabic language. This version holds no legal value and the original version in Arabic stands as an official document. Musharaka Capital, its employees, and directors hold no responsibility in the unlikely event of any translation errors. In case of any discrepancy between the Arabic and the English translated version, the original Arabic version shall prevail.