



Terms and Conditions for the Size Increase of

## Riyad REIT

### صندوق "الرياض ريت"

A Closed-Ended Real Estate Traded Fund listed in the Saudi Capital Market (CMA)



Riyad Capital

Fund Manager

Issued in November 2016 on the Fund's Listing in the Saudi Stock Exchange

The registration and listing of Riyad REIT units have been approved by the Capital Market Authority (CMA) on 08.02.1438H, corresponding to 08.11.2016 and the Terms and Conditions have been updated on 16.11.2023.

**Current Capital of the Fund: SAR 500,000,000**

**Current Size of the Fund: SAR 690,000,000**

**Target Capital of the Fund: SAR 1,633,000,010**

**Target Size of the Fund: SAR 1,753,000,000**

**Number of Offered Units: 121,697,101 new units**

**Number of Offered Units against In-kind Subscriptions: 93,326,791 new units**

**Number of Offered Units against Cash Subscriptions: 28,370,310 new units**

**Target Offering Price: SAR 9.31**

## **Important Notice**

**These Terms and Conditions contain detailed information related to Riyadh REIT (the “Fund”) and offering its units for increasing the Fund's capital from the current capital of the Fund -SAR 500,000,000- to the Fund’s target capital of SAR 1,633,000,010. Therefore, the investors will be treated when purchasing the Fund's units to have relied only on the information in these Terms and Conditions. Copies of the same are available on the website of the Saudi Capital Market Authority ([www.cma.org.sa](http://www.cma.org.sa)), the website of Riyadh Capital ([www.riyadcapital.com](http://www.riyadcapital.com)), and the website of the Saudi Stock Exchange (“Tadawul”) ([www.tadawul.com.sa](http://www.tadawul.com.sa)).**

**Potential investors should read these Terms and Conditions entirely before purchasing the Fund's units. Investment in the Fund involves some medium -level risks. Therefore, it may not be suitable for all investors. Investors should be ready to accept the risks related to investing in the Fund, as described in Article 2.7 of these Terms and Conditions.**

**These Terms and Conditions have been prepared by Riyadh Capital (“Fund Manager”), a closed joint stock company with paid-up capital of SAR 500,000,000, and registered under Commercial Register No. 1010239234, a capital market institution licensed by the Capital Market Authority of the Kingdom of Saudi Arabia (“CMA”) in 2008 under License No. 07070-37. These Terms and Conditions have been prepared in accordance with the provisions of the Real Estate Investment Funds Regulations issued by CMA under Decision No. 1-193-2006 dated 16.09.1427H (corresponding to 15.07.2006) under the Capital Market law promulgated by Royal Decree No. M/30 dated 02.06.1424H (corresponding to 31.07.2003 ) (“Real Estate Investment Funds Regulations”).**

**These Terms and Conditions contain the information that have been submitted in compliance with the requirements of registration, offering and listing of units in the Saudi Market in accordance with the Real Estate Investment Funds Regulations.**

**Riyadh REIT was listed on 13.11.2016. The Fund capital increase has been approved by CMA on Wednesday, 28.02.2018 and by unitholders on Sunday, 18.03.2018. These Terms and Conditions have been prepared for investors’ considerations of investment in the Fund through subscription to the units to increase the Fund's capital as stipulated under these Terms and Conditions. These Terms and Conditions shall not be used for any other purpose.**

**The Fund Manager is fully responsible for the accuracy of information mentioned in these Terms and Conditions and confirms, based on available information and having conducted reasonable and possible investigations, that no facts have been implied or omitted in these Terms and Conditions, which may render any data therein misleading. The investors should not consider the opinions of the Fund Manager on this information as a recommendation for purchase of units in the real estate investment traded fund.**

**CMA shall not be liable for the contents of these Terms and Conditions and makes no warranties in connection with the accuracy or completion of the information therein. In addition, CMA shall not be liable for any financial loss arising from any item in or any reliance on these Terms and Conditions.**

**Potential investors should consult their authorized representatives, including accountants and legal consultants, in legal, Zakat and all other matters related to the real estate investment traded fund or investing therein.**

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### Fund Manager's Acknowledgments

- 1) The Fund Manager acknowledges that the Terms and Conditions of Riyadh REIT have been prepared in accordance with the Real Estate Investment Funds Regulations issued by CMA.
- 2) The Fund Manager acknowledges that, having conducted all reasonable investigations and to the best of its knowledge and belief, there are no other facts the non-inclusion of which in this document may render any representations herein misleading, and CMA and the Saudi Stock Exchange do not accept any liability for the contents of these Terms and Conditions.
- 3) The Fund Manager acknowledges that property is free of any regulatory violations that prevent or may prevent the utility or operation of the property, and that the property is technically sound and free of any major engineering imperfection or defects that may prevent or preclude the utility or operation of the building or may, in turn, cause expensive repairs or fundamental changes thereto.
- 4) The Fund Manager also acknowledges that there is no direct or indirect conflict of interest between:
  - The Fund Manager
  - The Manager(s) of Real Estates related to the Fund
  - The Owner(s) of Real Estates related to the Fund
  - The Tenant(s) of real estate assets the returns of which account for 10% or more of the annual rental returns of the Fund
- 5) The Fund Manager acknowledges that all transactions with related parties have been regularly and legally carried out on appropriate and fair commercial terms, and will have no negative impact whatsoever on the Fund's performance and owners.
- 6) The Fund Manager acknowledges that all Fund Board Members: have not been an object of any actions of bankruptcy or insolvency or any bankruptcy or liquidation proceedings, have not committed any fraudulent or anti-honor acts or acts that involve a fraudulent intention and have not committed any violation that involves fraud or an action against integrity or honesty, and have necessary skills and experience that qualify them to be Board Members of the Fund.
- 7) The Fund Manager acknowledges that the two Independent Members are corresponding to the definition of the Independent Member as stated in the Glossary of defined terms used in the CMA regulations and rules, and that this will also apply to any independent member appointed by the Fund Manager throughout the Fund Term.
- 8) The Fund Manager acknowledges that there is no business activity or any other interest of importance of the Board Members of the Fund Manager "Riyad Capital" that may be in conflict with the Fund's interests.
- 9) The Fund Manager acknowledges that it has not granted any commissions, discounts, brokerage fees or any cash or non-cash consideration to any parties of or outside the Fund other than those stated in the Terms and Conditions.
- 10) The Fund Manager acknowledges that there are no conflicts of interest which may affect the Fund Manager's fulfillment of its duties towards the Fund.
- 11) The Fund Manager acknowledges that there are no other fees other than those stated in the Table of Charges and Fees in Paragraph (2.9) of these Terms and Conditions.
- 12) The Fund Manager acknowledges that the Fund will only be listed on completion of the transfer of the property in favor of the Fund. In the event of non-completion of this process during the period stated in Paragraph (2.8) of these Terms and Conditions, amounts of subscription will be refunded in full to the investors.
- 13) The Fund Manager acknowledges that no Board Member may have a direct or indirect interest in the business and contracts made in favor of the Fund.
- 14) The Fund Manager acknowledges that all contracts and agreements that are related to the Fund, and which may affect the investors' decisions to subscribe to the Fund, have been disclosed and there are no contracts and agreements other than those stated in these Terms and Conditions.

- 15) The Fund Manager acknowledges that the unit holders have the right to vote on the matters that are referred to them in the unit holders' meetings. In addition, the consent of the majority unit holders holding more than 50% of the number of the units that have attended the meeting must be obtained in connection with any fundamental change of the Fund, including as follows:
- An important change of the objectives or nature of the Fund
  - A change that may have a negative material impact on the unit holders or their rights with regard to the Fund
  - A change that has an impact on the risk profile of the Fund
  - Any increase of the Fund's capital
- 16) The Fund Manager acknowledges that it will take all necessary steps in the best interest of the unit holders to the best of its knowledge and belief with due care and diligence, and the Fund Manager, its directors, officials, employees, agents and consultants, subsidiaries, the Custodian, the Sharia'a Consultant and the Fund Board of Directors will exert reasonable care and effort and act in good faith in order to realize the interests of the unit holders. However, the Fund may encounter any loss of any kind because of any unintentional act by the said parties with regard to their management of the Fund. Then, these parties shall not be liable for such loss, provided that they have acted in good faith, which is proven in the absence of any action, decision or communication that indicate the prior awareness of the negative consequences of doing such an action in the manner that is believed to be best serving the interests of the Fund and that such an action does not involve gross negligence, fraud or willful misconduct.
- 17) The Fund Manager acknowledges that all Terms and Conditions and information that may affect the decision of subscription to the Fund and its investors have been disclosed.
- 18) The Fund Manager acknowledges that the property owners and tenants are not object to attachment or sequestration of their properties or accounts.
- 19) The Fund Manager acknowledges that it shall not act as a principal.
- 20) The Fund Manager acknowledges that the main activities of the potential tenants of the real estate assets are sound and are able to fulfill their obligations.

## Fund Guide

<p><b>Name of the Fund</b></p>	
<p><b>Fund Manager</b></p> <p>Riyad Capital Head Office 2414 AlShohada District, Unit 69 Riyadh 13241-7279 Kingdom of Saudi Arabia Tel: +966920012299 <a href="http://www.riyadcapital.com">www.riyadcapital.com</a></p>	
<p><b>Recipients</b></p> <p>Riyad Capital Head Office 2414 AlShohada District, Unit 69 Riyadh 13241-7279 Kingdom of Saudi Arabia Tel: +966920012299 <a href="http://www.riyadcapital.com">www.riyadcapital.com</a></p>	
<p><b>Recipients</b></p> <p>Riyad Bank 2414 AlShohada District, Unit 69 Riyadh 13241-7279 Kingdom of Saudi Arabia Tel: +966920002470 <a href="http://www.riyadbank.com">www.riyadbank.com</a></p>	
<p><b>Recipients</b></p> <p>Al Rajhi Bank Head Office Al Olaya P.O. Box: 87171 Riyadh 11642 Kingdom of Saudi Arabia Tel: +966114603333 <a href="http://www.alrajhibank.com">www.alrajhibank.com</a></p>	
<p><b>Recipients</b></p> <p>Al Ahli Bank Head Office Al-Baghdadiyah P.O. Box: 12978 Jeddah 21483 Kingdom of Saudi Arabia Tel: +966920001000 <a href="http://www.alahli.com">www.alahli.com</a></p>	

<p><b>Recipients</b></p> <p>Banque Saudi Fransi  Head Office Al Maazer  P.O. Box: 1290 Riyadh 11431  Kingdom of Saudi Arabia  Tel: +966920000576  <a href="http://www.alfransi.com.sa">www.alfransi.com.sa</a></p>	
<p><b>Saudi Capital Market Authority (CMA)</b></p> <p>CMA Headquarters  King Fahad Road  P.O. Box: 87171  Riyadh 11642  Tel: +966112053000  <a href="mailto:info@cma.org.sa">info@cma.org.sa</a></p>	
<p><b>Saudi Stock Exchange (Tadawul)</b></p> <p>King Fahad Road - Al Olaya 6897  Unit No. 15  Riyadh 12211-3388  Kingdom of Saudi Arabia  Tel: +966 11 218 9999  Fax: +933 11 218 9133  <a href="http://www.tadawul.com.sa">www.tadawul.com.sa</a></p>	
<p><b>Auditor</b></p> <p>PKF Al Bassam &amp; Al Nembr Allied Accountants  Al Bandariya Center, 408  Prince Faisal bin Fahad Rd., Al Bandriya District  P.O. Box: 11557  Al-Khobar, 31952  Kingdom of Saudi Arabia  Tel: +966115333206  <a href="http://www.pkf.com">www.pkf.com</a></p>	
<p><b>Property Valuers</b></p> <p>ValuStrat  Riyadh  Kingdom of Saudi Arabia  Tel: +966112935127  <a href="https://valustrat.com">https://valustrat.com</a></p>	

<p>JLL  P.O. Box: 2091  Riyadh 12211  Kingdom of Saudi Arabia  Tel: +96611 2180303  <a href="http://www.jll-mena.com">www.jll-mena.com</a></p>	
<p>Barcode Company Ltd.  P.O. Box: 8832  Riyadh 11492  Kingdom of Saudi Arabia  Tel: +96611 4000111  <a href="http://www.barcode-sa.com">www.barcode-sa.com</a></p>	
<p>Knight Frank  King Abdulaziz Road  Riyadh, Kingdom of Saudi Arabia  Tel: 00966 112 890 776  <a href="http://www.knightfrank.com">www.knightfrank.com</a></p>	
<p><b>Development Projects Manager</b></p>	
<p>Service Design Co.  Prince Mohammed Ibn Abdulaziz Road  Riyadh, Kingdom of Saudi Arabia  Tel: 00966114652276  <a href="http://www.sdtconsultant.com">www.sdtconsultant.com</a></p>	
<p><b>Engineering Consultant</b></p>	
<p>Noon National Contracting and Construction  Al Olaya Road  Riyadh, Kingdom of Saudi Arabia  Tel: 0096692000898  <a href="http://www.nnc.sa.com">www.nnc.sa.com</a></p>	



<p><b>Legal Consultant</b></p> <p>Mohammed Ibrahim Al Ammar Legal Consultants (In cooperation with King &amp; Spalding LLP) Kingdom Road, 20th Floor King Fahad Road P.O. Box: 14702 Riyadh 11434 Kingdom of Saudi Arabia Tel: +966114669400</p>	
<p><b>The Custodian</b></p> <p>KASB Capital Al Muroug District, Al Olaya Highway Opposite Al Aziza Mall P.O. Box: 395737 Riyadh 11375 Kingdom of Saudi Arabia Tel: 00966112079979 <a href="http://www.kasbcapital.sa">www.kasbcapital.sa</a></p>	
<p><b>Property Managers</b></p>	
<p>Trust Partners King Faisal Road P.O. Box: 332 Dammam 31411 Tel: 5335 834 013</p>	
<p>Sama Real Estate Al Olaya St. P.O. Box: 55231 Riyadh 11534 Tel: +966114650222</p>	
<p>Star Link Real Estate Prince Sultan St., P.O. Box 020179 Jeddah 21413 Tel: 12 6605675966+</p>	

### Specific Definitions:

“**Management Fees**” means the management fees paid by the Fund to the Fund Manager, equal to 1.2% of the net asset value of the Fund (as defined in these Terms and Conditions). The management fees will be calculated and paid on a semiannual basis by the end of each Gregorian calendar half.

“**Dealing Fees**” means the dealing fees paid by the Fund to the Fund Manager at 1% of the purchase or sale price of each real estate asset that is purchased or sold by the Fund in return of the Fund Manager making necessary verification, negotiating the terms of purchase or sale and completing the process. The dealing fees will be paid after completion of the purchase or sale of each real estate asset.

“**Custodian Fees**” means the fees paid by the Fund to the Custodian in the amount of SAR 100,000 annually. The custody fees will be calculated and paid on a semiannual basis by the end of each calendar half.

“**Net Asset Value of the Fund**” means the total asset value of the Fund less any fees or charges due and payable by the Fund.

“**Custodian**” means a capital market institution licensed by CMA of whom the real estate assets of fund are registered under his name.

“**Economies of Scale**” means the availability of a base of wider scale to bear and distribute such costs and charges and, hence, give the Fund a preferential negotiation position with different service providers of the Fund.

“**General Authority of Zakat and Tax**” means the General Authority of Zakat and Tax of the Kingdom of Saudi Arabia (formerly known as Zakat and Income Tax Department).

“**Sharia’a Committee**” means the Sharia’a Committee affiliated to the Fund Manager.

“**Unit**” means any unit of the Fund.

“**New Units**” means 121,697,101 new units that will be offered to increase the Fund capital from SAR 500,000,000 to SAR 1,633,000,010.

“**Remaining Units**” means the units that are not subscribed to under the offering subject matter of these Terms and Conditions.

“**Fund Capital**” means the total amounts of subscriptions of the unit holders in the Fund.

“**Fund Size**” means the total amounts of subscriptions of the unit holders in the Fund in addition to the total loans payable by the Fund.

“**Subscription Request**” means the request whereby the investor has become a unit holder in the Fund.

“**Offering**” means the public offering for sale of the units in accordance with these Terms and Conditions.

“**Related Party**” means either:

- a) The Fund Manager;
- b) The Custodian;
- c) The Development Company;
- d) The Real Estate Manager;
- e) Any valuer appointed by the Fund to assess the Fund's assets;
- f) The Auditor of the Fund;
- g) The Fund's Board Members;
- h) Any unit holder whose ownership exceeds (5%) of net assets of the real estate investment traded fund;
- i) Any person affiliate to or having control of any of the persons named above or any executive directors or employees of any such parties above.

“**Business Day**” means any day on which banks are open for doing business in Kingdom of Saudi Arabia.

“**Capital Market Institution Regulations**” means the regulations that bear the same name issued by CMA under Decision No. 1-83-2005 dated 21.05.1426 H, corresponding to 28.06.2005, as amended or re-enacted and enforced from time to time.

“**Real Estate Investment Funds Regulations**” means any of the regulations that bear the same name, as issued by CMA under Decision No. (1-193-2006) dated 19.06.1429H (corresponding to 15.07.2006) as amended, re-enacted or supplemented from time to time.

“**Public Unit Holder**” means any unit holder that is not: (a) Any unit holder of five percent (5%) or more of the Fund units; (b) the Fund Manager and its subsidiaries; and (c) A Board Member of the Fund.

“**Subscription Amount**” means the amount that a unit holder contributes to when subscribing to the Fund offering.

“**Kingdom**” means the Kingdom of Saudi Arabia.

“**Unit Holder**” means any investor that invests or owns one or more of the Fund units.

“**Fund Manager**” means Riyadh Capital.

“**Fund Term**” means the term of the Fund, being 99 Gregorian years.

“**Allocation Eligible Persons**” means the unit holders registered in the register of unit holders in the Fund with the Securities Depository Center by the end of the second trading day preceding the date of the unit holders’ meeting to be held for Approval of Capital Increase and Approval of the Terms and Conditions for Increase of Fund Size.

“**Allocation Effective Date**” means the end of the second trading day preceding the date of the unit holders’ meeting to be held for Approval of Capital Increase and Approval of the Terms and Conditions for Increase of Fund Size.

“**Target Offering Price**” means the price that is equal to the average closure price of 30 trading days of the Fund Units preceding the date of CMA approval of the increase of Fund capital of SAR 9.31 per unit.

“**Eligible Investors**” means the investors who are entitled to subscribe to the Fund under relevant laws.

“**Companies Law**” means the Saudi Companies Law, promulgated by Royal Decree No. m/6 of 1385 H, as amended under Saudi Royal Decree No. M 3/1437 dated 28.01.1437 H.

“**Fiscal Year**” means the period from 1 January to 31 December of each calendar year.

“**Lease Revenues**” means the total revenues generated from lease contracts.

“**Operating Revenues**” means the total revenues generated from the property’s operation contracts.

“**Net Lease Income**” means the total revenues of property lease less all costs of lease, including the management, maintenance and marketing of the property.

“**Net Income of Operation**” means total revenues of operation less all operating costs of the Real Estate.

“**Total Annual Revenue of the Property (s)**” means total revenues of lease and revenues of operation divided by the purchase value of the property or the target construction cost of the Real Estate.

“**Net Annual Revenue of the Real Estate(s)**” means net income of lease and net income of operation divided by the purchase value of the Real Estate or the target construction cost of the Real Estate.

“**Subsequent Subscription Period**” means any extension of the subscription period in the Fund for 5 business days.

“**Subscription Period**” means the period of investors’ subscription in the Fund with cash subscriptions for 10 business days (14 calendar days), starting from [01.04.2018], corresponding to [15.07.1439 H] through [12.04.2018], corresponding to [26.07.1439 H].

“**Net Profits of the Fund**” means the periodical profits generated from the operation and lease of the property after administrative, banking and general deductions, depreciation, financial costs and tax withholdings, and excluding capital gains or losses generated from the sale of real estates or other investments. Net profits exclude all charges, expenses and costs related to the projects under construction, which are capitalized on the costs of projects until their development is complete, including a share of the management fees in the value of under construction projects calculated as follows (value of projects under construction / net asset value of the Fund \* management fees)

“**Fund**” means Riyadh REIT.

“**SAR**” means Saudi Arabian Riyal, the official lawful currency of the Kingdom of Saudi Arabia.

“**Riyad Capital**” means the Fund Manager, a “capital market institution” under License No. 07070-37 issued by CMA.

“**Terms and Conditions**” means these Terms and Conditions.

“**Special-Purpose Vehicle**” means the company that is incorporated by the Fund Custodian to retain ownership of the Fund assets.

“**Listing Date**” means the date of listing of the Fund units in Saudi Stock Exchange.

“**Tadawul**” means the Saudi Stock Exchange.

# Riyad REIT

## Terms and Conditions

### 1. Introduction:

This document contains (“**Terms and Conditions**”) the terms and conditions of Riyadh REIT (“**Fund**”), a closed-ended real estate investment traded fund established in the Kingdom of Saudi Arabia (“**Saudi Arabia**” or “**Kingdom**”) under the Real Estate Investment Funds Regulations issued by CMA, and managed by Riyadh Capital (“**Riyad Capital**” or “**Fund Manager**”), being an “capital market institution” under CMA License No. 07070-37. The Fund is listed in Saudi Arabian Riyals and traded in the Saudi Stock Exchange (Tadawul) subject to the consent of the Saudi Capital Market.

### 2. Terms and Conditions:

#### 2-1 Fund Name and Type

Name of the Fund is “Riyad REIT”. It is a closed-ended real estate investment traded fund established in the Kingdom of Saudi Arabia under the Real Estate Investment Funds Regulations.

#### 2-2 The Fund Manager Head Office

Name: **Riyad Capital**  
Address: 2414 Al Shohada District, Unit 69  
  
Riyadh 13241-7279  
  
Riyadh 3712-12331 Kingdom of Saudi Arabia  
Website: [www.riyadcapital.com](http://www.riyadcapital.com)

#### 2-3 Fund Term:

The Fund Term is 99 Gregorian years starting from the date of listing of the units in Saudi Stock Exchange (“**Listing Date**”) and making it available for trading (“**Fund Term**”). The Fund Term is renewable for any further duration at the discretion of the Fund Manager after obtaining the consent of CMA.

#### 2-4 Fund objectives:

The main investment objective of the Fund is to secure a current income to unit holders by investing in constructively-developed real estates that generate periodical lease income with main presence in the Kingdom of Saudi Arabia. The Fund intends to finance the costs of acquisition and operation through the subscription amounts and Sharia'a-compliance finance in addition to returns from the Fund's investments.

#### 2-5 Purpose and Investment objective of the Fund:

The purpose and investment objectives of the Fund is to acquire constructively-developed real estates that can generate a periodical lease income and distribute a periodical annual income to the unit holders of at least 90% of net profits of the Fund during the Fund Term within 90 calendar days of each calendar year, except for capital gains arising from the sale of property assets that will be reinvested in additional assets in the best interests of the unit holders. In this concern, if the cash amounts resulting from the said profits exceed 25% of the total asset value of the Fund according to the latest audited financial statements, the Fund Manager will invest the said profits during a period not exceeding six months from the date of sale of the real estate asset. If no appropriate opportunity of investment is identified within the said period, the amounts that are more than 25% of total asset value of the Fund will be distributed to the investors within 30 business days from the end of the said six-month period.

## **2-6 Summary of Fund Strategies:**

The main goal of the Fund is to achieve stable and growable cash distributions to unit holders by investing in constructively-developed real estates that can generate an operating lease income and distribute periodical cash amounts to unit holders. The Fund intends to achieve growth of distributions through (a) re-investing the retained income of feasible real estate investment assets having distributed at least 90% of net profits of the Fund annually during the Fund Term within 90 calendar days of each Gregorian year, except for the capital gains generated from the sale of real estate assets that will be reinvested in additional assets in the best interest of the unit holders (subject to Paragraph 2.5 above), (b) potential increase of capital arising from the improvement of return levels, and (c) optimal utilization of the unexploited real estate. In addition, the Fund targets to increase value and returns by improving the net operating income by partially reducing expenses by capitalizing on the concept of economies of scale (as defined in the Definitions above). The Fund intends to follow active management approach with regard to multi-tenant real estates with different rental durations. The Fund collaborates with experience houses and strategic partners in real estate operation and lease seeking to achieve utmost returns of the Fund and continually occupy the real estate in the best interest of the Fund and unit holders.

### **Description of the Types of Real Estate Assets to be Invested by the Fund**

The Fund Manager will acquire and sell the real estate assets that follow the Fund's investment strategy. It is targeted to acquire and retain a real estate investment portfolio comprising of different sectors such as hotel, office and commercial sectors all over and outside the Kingdom (subject to the restrictions on investment in real estates outside the Kingdom) by adopting a variety of strategies, including:

- Acquisition of Feasible Income-Generating property;
- Acquisition of income-generating optimally non-operated or unleased real estates:

The Fund will invest primarily in constructively-developed real estates assets that can generate a periodical lease income. However, it may have minor investments in real estate development projects secondarily by a percentage not exceeding 25% of the total value of the fund's assets, according to the last audited financial statements, whether real estates are owned by it or not, or to restore or re-develop such real estates, provided that the Fund investments shall be at least 75% of the total value of the Fund assets in constructively-developed real estates assets that can achieve a periodical lease income according to the latest audited financial statements, and

(b) the Fund shall not invest in Idle lands. The current investment portfolio of the Fund consists of the following properties:

- Izdhar Center
- Vivienda Hotel, Musa Ibn Nussir street
- Fursan Commercial & Hotel Towers
- Almutamiz Center
- The Residence Commercial & Hotel Building
- Shati Commercial, Office and Hotel Tower
- Ascott Cornich Al-Khobar
- Ascott Tahlia Hotel, Jeddah

Investment concentration policies

The Fund will carry out its investments in line with these Terms and Conditions. The Table below indicates to the percentages of the Fund's investments in terms of the total value of the Fund's assets:

Type of Investment	Allocation Percentage
Real estate investments (income-generating assets) in the hotel, office or commercial sectors (excluding those located in Makkah or Medina).	of at least 75% of the total value of the Fund assets and up to 100% of the total value of the Fund's assets, according to the latest audited financial statements.
<ul style="list-style-type: none"> <li>- Real estate development activities (excluding those located in Makkah or Medina)</li> <li>- Murabaha transactions and other short-term investments. These investments can be carried out with the Fund Manager or any bank supervised by SAMA, including Riyadh Bank.</li> <li>- The shares of real estate companies and real estate funds listed in the Saudi Stock Exchange.</li> </ul>	<p>do not exceed 25% of the total value of the Fund's assets according to the latest audited financial statements. The Fund may invest more than the percentage stated in Murabaha transactions and other short-term investments.</p> <p>If the Fund sells any of its real estate assets. And the proceeds of sale give rise to the cash amounts, Murabaha transactions and other short-term investments exceeding 25% of the total value of the Fund's assets according to the latest audited financial statements, the Fund Manager must determine an appropriate chance for investing the surplus within a period not exceeding 6 months from the Real Estate sale</p>



<ul style="list-style-type: none"> <li>- Publicly or privately offered investment funds managed by the Fund Manager or any other investment fund manager supervised by CMA, including Money Market, trading and real estate funds.</li> <li>- Real estate investments outside the Kingdom of Saudi Arabia</li> </ul>	<p>date. If this is not determined, the Fund Manager will distribute the surplus exceeding 25% of the total asset value of the Fund to the investors within 30 days from the end of the said 6-month period.</p>
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### Borrowing Powers

The Fund Manager may, on behalf of the Fund, obtain Sharia'a-compliant finance. The percentage of finance shall not exceed (50%) of the total value of the Fund's assets according to the latest audited financial statements. The actual percentage of finance depends on (a) the considerations related to the arrangement of obtained finance, and (b) the prevailing market conditions.

### Ways of Investing the Available Cash of the Fund

The Fund may invest available cash amounts in Murabaha and other short-term investments, provided that the percentage of such investments does not exceed 25% of the total value of the Fund's assets according to the latest audited financial statements. The Fund may invest an amount in excess of the stated percentage in Murabaha transactions and other short-term investments if the proceeds of the Fund from the sale of any its real estate assets subject to the table stated in (2.6) "Summary of Fund Strategies" and "Investment Concentration Policies".

These investments can be carried out with the Fund Manager or any bank supervised by SAMA, including Riyad Bank. The Fund can also invest in publicly or privately offered investment funds managed by the Fund Manager or any other investment fund manager supervised by CMA, including Money Market, Trading and Real Estate Funds listed in the Saudi Stock Exchange.

### Investment Decision-Making

#### Real Estate Markets Study:

The Fund will rely on the Fund Managers' Asset Management Department and outsourced consultants to conduct a periodical assessment of the most attractive sectors in the real estate market. The Fund Manager will continually monitor the patterns and cycles in the real estate investment market in addition to the market fundamentals and the sector's properties to capitalize on the available opportunities in the real estate market and preserve the Fund objectives on the long run.

#### **Purchase of Real Estates:**

Pursuing new opportunities in the real estate market, the Fund Manager will keep on studying the real estate market for determining and effectively carrying out

opportunities. This process goes through many phases from finding, sorting, assessing to adoption and implementation of opportunities.

**Disposition of Real Estates:**

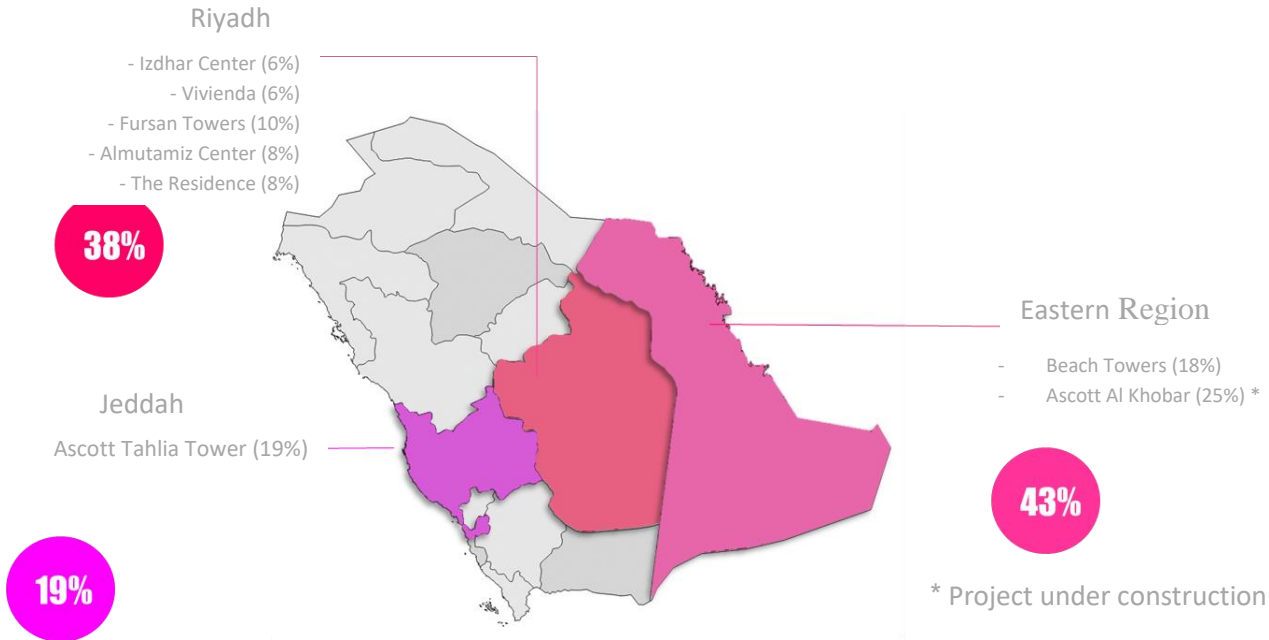
The Fund intends to retain the ownership of real estates in general on the long run. The Fund Manager will assess the real estate related to the Fund on the valuation day (twice annually on 30 June and 31 December of each financial year and any other times as determined by the Fund Manager) and propose certain strategies, including the Real Estate sale strategies. This will follow analysis and detailed study taking into consideration the following elements:

- a) The sale price of the potential income
- b) The strategic proportionality of the Real Estate within the general investment portfolio
- c) The strategic proportionality of the Real Estate within the investment allocations strategy per sector
- d) Any change of the market conditions that have an impact on the Fund's investments

Before any disposition, the Fund Manager will seek to obtain a valuation of the related Real Estate from two independent property valuers accredited by the Saudi Authority for Accredited Valuers.

Assets of the Fund before the capital increase:

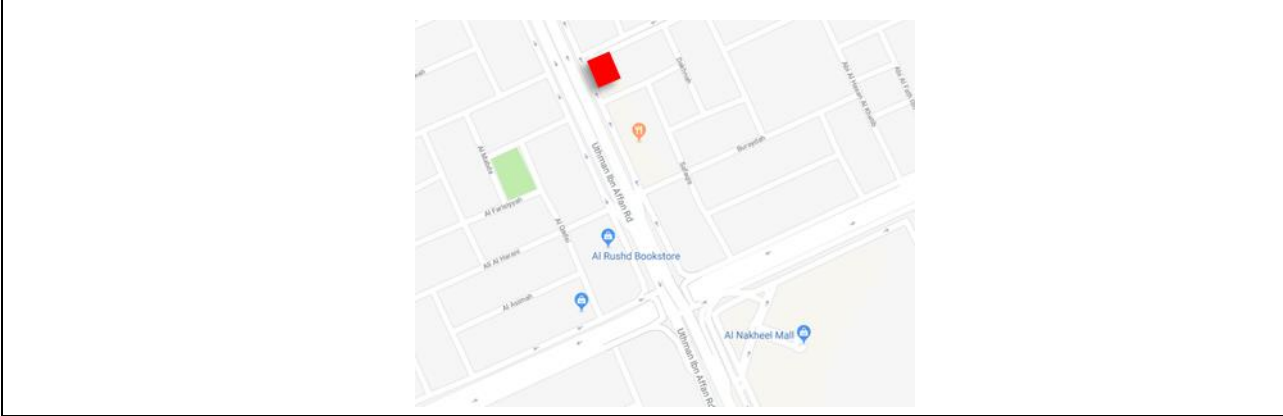
Current Geographic Distribution of the Fund before the capital increase



Information about the Fund's Real Estates				
Owner's Name	Riyad REIT			
Property's Name	Izdhar Center			
Type	Commercial			
Location	Othman Ibn Affan Road, Al Izdhar District, Riyadh			
Utility	Commercial			
Land Space	2,506 sq. m.			
Building Space	6,431 sq. m.			
Number of Floors and Units	Ground Floor + Commercial Mezzanine (7 Show rooms) + 2 Office Floors (17 Offices)			
Property's Building Year	2015			
Real Estate's Age	Two years			
Number of Lease and Operation Contracts	17 lease contracts			
Real Estate's Purchase Value	SAR 38,000,000			
Details of Lease and Operation Contracts				
Major Tenants and Operators	Opal Medical Company (accounting for 32.3% of total lease revenues, expiring on April 2026) Al Nahdi Pharmacy (accounting for 16.3% of total lease revenues, expiring on February 2021) Khafif Trading Co. Ltd. (accounting for 13.7% of total lease revenues, expiring on March 2021)			
Number and Terms of Lease Contracts	<b>Terms of Contracts</b>		<b>Number of Contracts</b>	
	Lease contracts of which the remaining period exceeds five years		1 (accounting for 32.3% of total rents)	
	Lease contracts with remaining periods ranging from one to four years		13 (accounting for 60.7% of total rents)	
	Lease contracts the remaining period of which is less than a year		3 (accounting for 7.0% of total rents)	
Average remaining period of the contracts	3.7 years			
Current Operational Performance		Target Operational Performance		
	(2017)	(2018)	(2019)	(2020)
Total Lease Revenues	3,419,482SAR	3,524,000SAR	3,524,000SAR	3,524,000SAR
Net Lease Income	3,234,679SAR	3,301,000SAR	3,301,000SAR	3,301,000SAR
Occupancy Percentage of the Commercial Part	94%	100%	100%	100%
Total Operating Revenues	None	None	None	None
Net Operating Income	None	None	None	None
Occupancy Percentage of the Hotel Component	None	None	None	None
Net Lease and Operating Income	3,234,679SAR	3,301,000SAR	3,301,000SAR	3,301,000SAR
Total Annual Revenue of the Real Estate	9.00%	9.27%	9.27%	9.27%

<b>Net Annual Revenue of the Real Estate</b>	8.51%	8.69%	8.69%	8.69%
<b>Previous Years' Rent and Operation</b>	<b>Year</b>		<b>Rent</b>	
	2016		3,207,524SAR	
	2015		None	

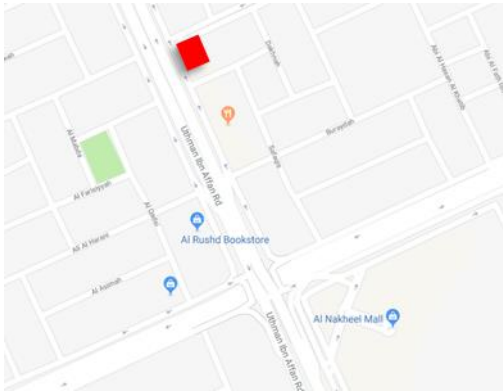
**Real Estate's Location Map**



Information about the Fund's Real Estates				
Owner's Name	Riyad REIT			
Property's Name	Vivienda - Musa Ibn Nussir			
Type	Commercial			
Location	Riyadh Al Olaya District, Musa Ibn Nussir St.			
Utility	Hotel			
Land Space	2,800 sq. m.			
Building Space	4,279 sq. m.			
Number of Floors and Units	Two hotel floors (12 hotel villas and an administrative building)			
Property's Building Year	2015			
Real Estate's Age	Two years			
Number of Lease and Operation Contracts	1 lease contract			
Real Estate's Purchase Value	41,000,000 SAR			
Details of Lease and Operation Contracts				
Major Tenants and Operators	Furas Investment and Real Estate Development Co. (accounting for 100% of total lease revenues, expiring on April 2032)			
Number and Terms of Lease Contracts	<b>Terms of Contracts</b>	<b>Number and Terms of Lease Contracts</b>		
	Lease contracts of which the remaining period exceeds five years	1 (accounting for 100% of total rents)		
	Lease contracts with remaining periods ranging from one to four years	0		
	Lease contracts the remaining period of which is less than a year	0		
Average remaining period of the contract	14.7 years			
Current Operational Performance		Target Operational Performance		
	(2017) <sup>1</sup>	(2018)	(2019)	(2020)
Total Lease Revenues	SAR 2,435,616	SAR 3,500,000	SAR 3,500,000	SAR 3,500,000
Net Lease Income	SAR 2,435,616	SAR 3,500,000	SAR 3,500,000	SAR 3,500,000
Occupancy Percentage of the Commercial Part	100%	100%	100%	100%
Total Operating Revenues	None	None	None	None
Net Operating Income	None	None	None	None
Occupancy Percentage of the Hotel Component	None	None	None	None
Net Lease and Operating Income	SAR 2,435,616	SAR 3,500,000	SAR 3,500,000	SAR 3,500,000
Total Annual Revenue of the Real Estate	5.94%	%8.54	%8.54	%8.54
Net Annual Revenue of the Real Estate	5.94%	%8.54	%8.54	%8.54
Previous Years' Rent and Operation	<b>Year</b>		<b>Rent</b>	
	2016		None	

	2015	None
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**Real Estate's Location Map**



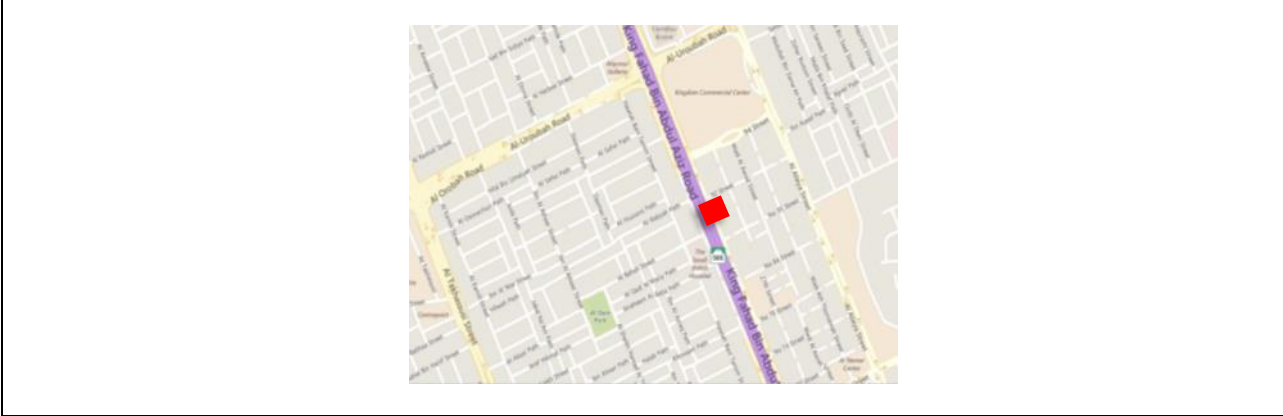
(1) The property was purchased in April 2017 and the returns do not reflect the entire fiscal year.

Information about the Fund's Real Estates				
Owner's Name	Riyad REIT			
Property 's Name	Fursan Towers			
Type	Commercial			
Location	Riyadh, Al Olaya Road, King Fahad Road			
Utility	Hotel and Commercial			
Land Space	1,740 sq. m.			
Building Space	5,903 sq. m.			
Number of Floors and Units	First Tower: ground floor + Commercial Mezzanine (2 Show rooms) + 8 Office Floors (14 Offices) Second Tower: 8 hotel floors (hotel apartments)			
Property 's Building Year	2002			
Real Estate's Age	15 years			
Number of Lease and Operation Contracts	15 lease contracts			
Real Estate's Purchase Value	53,000,000SAR			
Details of Lease and Operation Contracts				
Major Tenants and Operators	Fursan Travel and Tourism Co. (accounting for 59.4% of total lease revenues, expiring on February 2018) Alhamra Palace Hotel (accounting for 17.9% of total lease revenues, expiring on July 2019) Leena (accounting for 3.6% of total lease revenues, expiring on March 2018)			
Number and Terms of Lease Contracts	Terms of Contracts	Number and Terms of Lease Contracts		
	Lease contracts of which the remaining period exceeds five years	0		
	Lease contracts with remaining periods ranging from one to four years	1 (accounting for 17.9% of total rents)		
	Lease contracts the remaining period of which is less than a year	14 (accounting for 82.1% of total rents)		
Average remaining period of the contract	1.2 years			
Current Operational Performance		Target Operational Performance		
	(2017)	(2018) <sup>1</sup>	(2019) <sup>1</sup>	(2020) <sup>1</sup>
Total Lease Revenues	SAR 4,969,813	4,957,000SAR	4,957,000SAR	4,957,000SAR
Net Lease Income	SAR 4,647,454	4,597,000SAR	4,597,000SAR	4,597,000SAR
Occupancy Percentage of the Commercial Component	96%	96%	96%	96%
Total Operating Revenues	None	None	None	None
Net Operating Income	None	None	None	None
Occupancy Percentage of the Hotel Component	None	None	None	None
Net Lease and Operating Income	SAR 4,647,454	4,597,000SAR	4,597,000SAR	4,597,000SAR
Total Annual Revenue of the Real Estate	9.38%	9.35%	9.35%	9.35%



<b>Net Annual Revenue of the Real Estate</b>	8.77%	8.67%	8.67%	8.67%
<b>Previous Years' Rent and Operation</b>	<b>Year</b>		<b>Rent</b>	
	2016		4,610,000SAR	
	2015		4,610,000SAR	

**Real Estate's Location Map**

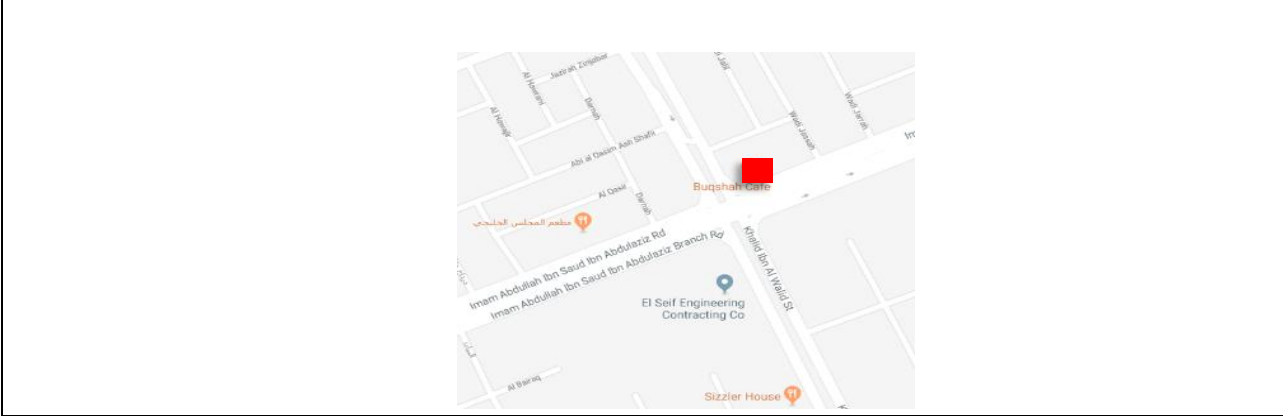


(1) The Fund Manager currently studies the strategy for restructuring, restoring and developing the entire building into showrooms and hotel apartments.

Information about the Fund's Real Estates				
Owner's Name	Riyad REIT			
Property 's Name	Almutamiz Center			
Type	Commercial			
Location	Imam Saud bin Abdulaziz Road. Intersection with Khalid ibn Al Walid St., Ghernata District, Riyadh			
Utility	Commercial			
Land Space	4,630 sq. m.			
Building Space	7,149 sq. m.			
Number of Floors and Units	Ground Floor + Commercial Mezzanine (12 Show rooms) + 2 Administrative Floors (32 Offices)			
Property 's Building Year	2015			
Real Estate's Age	3 years			
Number of Lease Contracts	16 lease contracts			
Real Estate's Purchase Value	SAR 85,358,000			
Details of Lease and Operation Contracts				
Major Tenants and Operators	Tadress Co. (accounting for 19.3% of total lease revenues, expiring on July 2029) Sanam Co. (accounting for 11.5% of total lease revenues, expiring on February 2025) Magrabi Optical (accounting for 13.7% of total lease revenues, expiring on November 2020)			
Number and Terms of Lease Contracts	<b>Terms of Contracts</b>		<b>Terms of Contracts</b>	
	Lease contracts of which the remaining period exceeds five years		7 (accounting for 52% of total rents)	
	Lease contracts with remaining periods ranging from one to four years		7 (accounting for 31% of total rents)	
	Lease contracts the remaining period of which is less than a year		2 (accounting for 17% of total rents)	
Average remaining period of the contract	5.3 years			
Current Operational Performance		Target Operational Performance		
	(2017)	(2018)	(2019)	( 20 20)
Total Lease Revenues	SAR 6,817,101	SAR 7,224,000	SAR 7,224,000	SAR 7,224,000
Net Lease Income	SAR 6,323,856	SAR 6,788,000	SAR 6,788,000	SAR 6,788,000
Occupancy Percentage of the Commercial Part	85%	90%	90%	90%
Total Operating Revenues	None	None	None	None
Net Operating Income	None	None	None	None
Occupancy Percentage of the Hotel Component	None	None	None	None
Net Lease and Operating Income	SAR 6,323,856	SAR 6,788,000	SAR 6,788,000	SAR 6,788,000
Total Annual Revenue of the Real Estate	7.99%	8.46%	8.46%	8.46%

<b>Net Annual Revenue of the Real Estate</b>	7.41%	7.95%	7.95%	7.95%
<b>Previous Years' Rent and Operation</b>	<b>Year</b>		<b>Rent</b>	
	2016		6,753,870SAR	
	2015		6,204,709SAR	

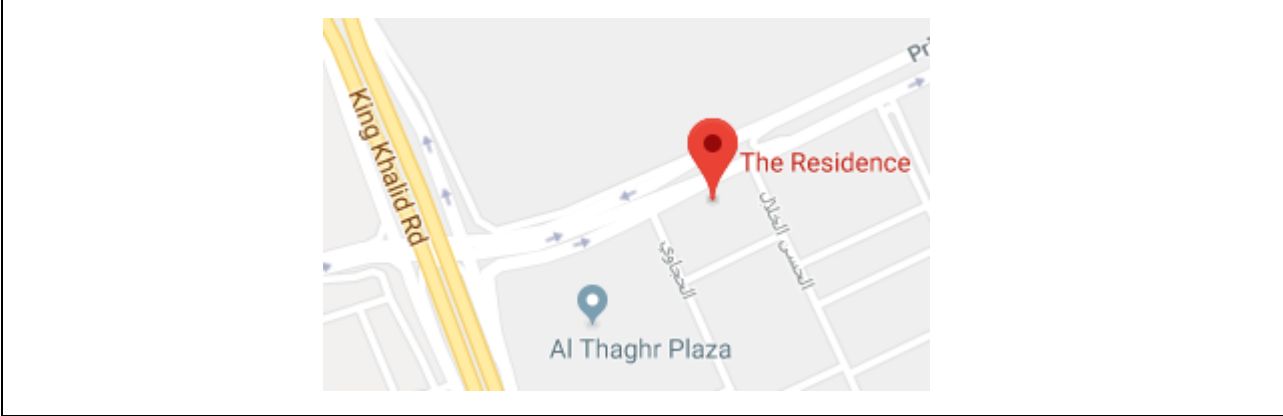
**Real Estate's Location Map**



Information about the Fund's Real Estates				
Owner's Name	Riyad REIT			
Property 's Name	The Residence			
Type	Commercial			
Location	Riyadh - Hettin District, Prince Saud bin Mohammed bin Meqren St.			
Utility	Commercial and Hotel			
Land Space	15,000 sq. m.			
Building Space	15,352.54 sq. m.			
Number of Floors and Units	Commercial Component: Ground Floor + Mezzanine + First Floor (Commercial) (11 Units) Hotel Component: Two hotel floors (32 hotel villas and 3 administrative buildings)			
Property 's Building Year	2017			
Real Estate's Age	Year			
Number of Lease and Operation Contracts	6 lease contracts - 1 operation contract			
Real Estate's Purchase Value	SAR 136,363,000			
Details of Lease and Operation Contracts				
Major Tenants and Operators	Morood Investment Company (accounting for 35.0% of total lease revenues, expiring on October 2027) Restaurant Franchises Co. (accounting for 17.4% of total lease revenues, expiring on September 2032)			
Number and Terms of Lease Contracts	Terms of Contracts		Number of Contracts	
	Lease contracts of which the remaining period exceeds five years		2 (accounting for 52.4% of total rents)	
	Lease and operation contracts with remaining periods ranging from one to four years		3 (accounting for 22% of total rents)	
	Lease and operation contracts the remaining period of which is less than a year		1 (accounting for 25.6% of total rents)	
Average remaining period of the contract	6.8 years			
Current Operational Performance		Target Operational Performance		
	(2017) <sup>1</sup>	(2018)	(2019)	( 2020)
Total Lease Revenues	SAR 3,128,225	SAR 6,450,000	SAR 6,450,000	SAR 6,450,000
Net Lease Income	SAR 2,920,641	SAR 5,900,000	SAR 5,900,000	SAR 5,900,000
Occupancy Percentage of the Commercial Component	77%	100%	100%	100%
Total Operating Revenues <sup>2</sup>	0%	SAR 12,900,000	SAR 18,200,000	SAR 19,100,000
Net Operating Income	0%	SAR 5,100,000	SAR 7,300,000	SAR 7,700,000
Occupancy Percentage of the Hotel Component	0%	47%	65%	66%
Net Lease and Operating Income	SAR 3,500,000	SAR 11,000,000	SAR 13,200,000	SAR 13,600,000
Total Annual Revenue of the Real Estate	2.29%	14.19%	18.08%	18.74%

<b>Net Annual Revenue of the Real Estate</b>	2.14%	8.07%	9.68%	9.97%
<b>Previous Years' Rent and Operation</b>	<b>Year</b>		<b>Rent</b>	
	2016		None	
	2015		None	

**Real Estate's Location Map**

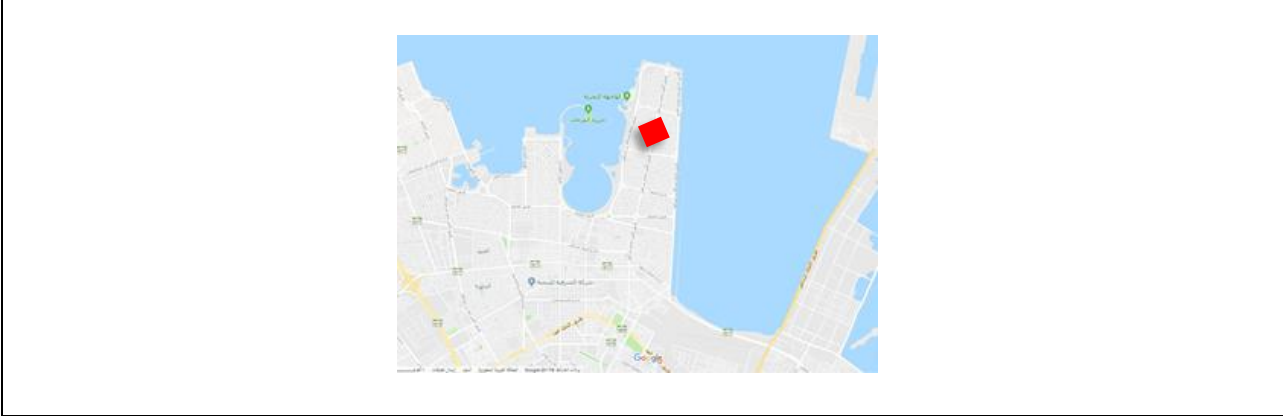


- (1) The annual return does not reflect the annual return of the entire year due to the real estate's purchase in May 2017.
- (2) It is targeted to open Braira Hettin Resort & Villas, a part of The Residence Project, during Q1 2018 after the Hotel's qualification.

Information about the Fund's Real Estates				
Owner's Name	Riyad REIT			
Property's Name	Beach Towers			
Type	Commercial			
Location	Al Shati District, Dammam City			
Utility	Commercial and Hotel			
Land Space	6,300 sq. m.			
Building Space	14,927 sq. m.			
Number of Floors and Units	Two Towers: Commercial GF (6 Show rooms) + 5 Office Floors (38 Offices). Third Tower: 6 Hotel Floors			
Property's Building Year	2015			
Real Estate's Age	3 years			
Number of Lease and Operation Contracts	29 lease contracts			
Real Estate's Purchase Value	SAR 97,000,000			
Details of Lease and Operation Contracts				
Major Tenants and Operators	Boudl Company for Hotels and Resorts (accounting for 50% of total lease revenues, expiring on February 2031) Gulf Training Centre (accounting for 6.6% of total lease revenues, expiring on February 2020) Al-Jaafari Contracting (accounting for 6.3% of total lease revenues, expiring on April 2020)			
Number and Terms of Lease Contracts	Terms of Contracts		Number of Contracts	
	Lease contracts of which the remaining period exceeds five years		1 (accounting for 50% of total rents)	
	Lease contracts with remaining periods ranging from one to four years		22 (accounting for 40.1% of total rents)	
	Lease contracts the remaining period of which is less than a year		6 (accounting for 9.9% of total rents)	
Average remaining period of the contract*	6.8 years			
Current Operational Performance		Target Operational Performance		
	(2017)	(2018)	(2019)	(2020)
Total Lease Revenues	SAR 7,892,049	8,458,000SAR	8,458,000SAR	8,758,000SAR
Net Lease Income	SAR 7,214,456	7,867,000SAR	SAR 7,978,000	SAR 8,278,000
Occupancy Percentage of the Commercial Component	91%	96%	96%	96%
Total Operating Revenues	None	None	None	None
Net Operating Income	None	None	None	None
Occupancy Percentage of the Hotel Component	None	None	None	None
Net Lease and Operating Income	SAR 7,214,456	7,867,000SAR	SAR 7,978,000	7,867,000SAR
Total Annual Revenue of the Real Estate	8.14%	8.72%	8.72%	8.98%

<b>Net Annual Revenue of the Real Estate</b>	7.44%	8.11%	8.22%	8.47%
<b>Previous Years' Rent and Operation</b>	<b>Year</b>		<b>Rent</b>	
	2016		7,336,255SAR	
	2015		0	

**Real Estate's Location Map**

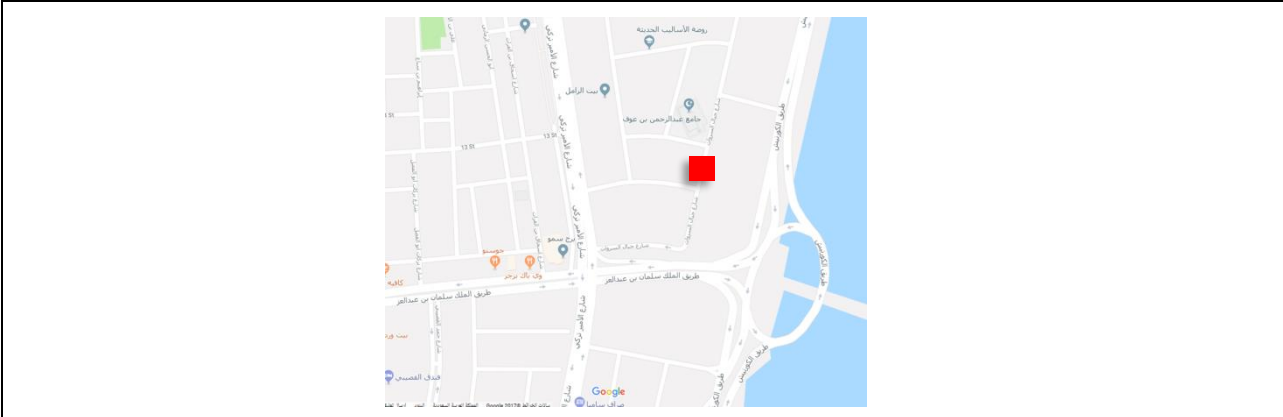


Information about the Fund's Real Estates				
Owner's Name	Riyad REIT			
Property's Name	Ascott - Cornich Al-Khobar			
Type	Commercial			
Location	Al Khobar - Al Yarmouk District - Prince Turkey Road.			
Utility	Hotel and Commercial			
Land Space	2,800 sq. m.			
Building Space	24,453 sq. m.			
Number of Floors and Units	18 floors			
Property's Building Year	2018			
Real Estate's Age	Under construction			
Number of Lease and Operation Contracts	1 operation contract			
Target Building Cost of the Real Estate <sup>1</sup>	SAR 174,000,000			
Details of Lease and Operation Contracts				
Major Tenants and Operators	Ascott International Co. (term of contract: 25 years from operation date)			
Number and Terms of Operation Contracts	<b>Terms of Contracts</b>	<b>Number of Contracts</b>		
	Lease contracts of which the remaining period exceeds five years	1 (accounting for 100% of total operation)		
	Lease and operation contracts with remaining periods ranging from one to four years	0		
	Lease and operation contracts the remaining period of which is less than a year	0		
Average remaining period of the contract	25 years			
Current Operational Performance		Target Operational Performance		
	(2017)	(2018) <sup>2</sup>	(2019)	(2020)
Total Lease Revenues	None	SAR 650,000	SAR 1,300,000	SAR 1,300,000
Net Lease Income	None	SAR 650,000	SAR 1,300,000	SAR 1,300,000
Occupancy Percentage of the Commercial Component	None	100%	100%	100%
Total Operating Revenues	None	SAR 7,600,000	SAR 29,600,000	SAR 38,400,000
Net Operating Income	None	SAR 4,500,000	SAR 17,600,000	SAR 21,400,000
Occupancy Percentage of the Hotel Component	None	30%	55%	70%
Net Lease and Operating Income	None	SAR 5,150,000	SAR 18,900,000	SAR 22,800,000
Total Annual Revenue of the Real Estate	None	4.74%	17.76%	22.82%
Net Annual Revenue of the Real Estate	None	2.96 %	10.86%	13.10%
	<b>Year</b>		<b>Rent and Operation Amount</b>	



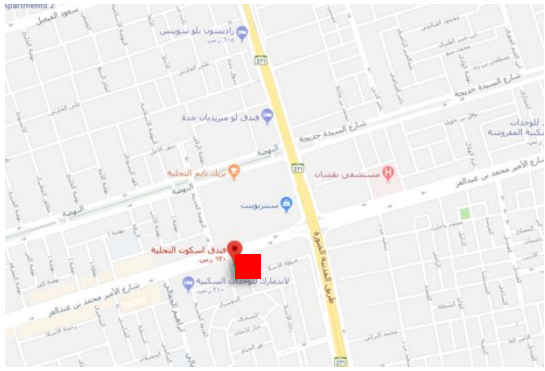
<b>Previous Years' Rent and Operation</b>	2016	None
	2015	None

**Real Estate's Location Map**



- (1) The Project's completion ratio is about 60%, and it is targeted to open the Hotel in Q3 2018
- (2) Number of target operating days is up to only 180 days in 2018

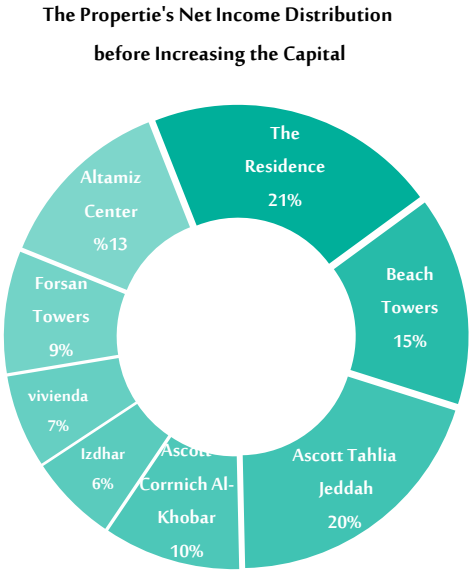
About the Current Real Estate				
Owner's Name	Riyad REIT			
Property's Name	Ascott Tahlia Tower, Jeddah			
Type	Commercial			
Location	Tahlia St., Al Andalus District, Jeddah			
Utility	Commercial and Hotel			
Land Space	2,025 sq. m.			
Building Space	14,528 sq. m.			
Number of Floors and Units	Ground Floor + Commercial Mezzanine (One Show room) and 17 Hotel Floors			
Property's Building Year	2013			
Real Estate's Age	4 years			
Number of Lease and Operation Contracts	2 lease contracts			
Real Estate's Purchase Value	SAR 135,000,000			
Details of Lease and Operation Contracts				
Major Tenants and Operators	Atiaf Company (accounting for 76.8% of total lease revenues, expiring on 2028) STC (accounting for 23.2% of total lease revenues, expiring on 2019)			
Number and Terms of Lease Contracts	<b>Terms of Contracts</b>		<b>Terms of Contracts</b>	
	Lease contracts of which the remaining period exceeds five years		(accounting for 76.8% of total rents) 1	
	Lease contracts with remaining periods ranging from one to four years		0	
	Lease contracts the remaining period of which is less than a year		(accounting for 23.2% of total rents) 1	
Average remaining period of the contract*	10.8 years			
Current Operational Performance		Target Operational Performance		
	(2017) <sup>1</sup>	(2018)	(2019)	(2020)
Total Lease Revenues	SAR 9,186,795	SAR 10,400,000	SAR 11,400,000	SAR 11,400,000
Net Lease Income	SAR 9,186,795	SAR 10,400,000	SAR 11,400,000	SAR 11,400,000
Occupancy Percentage of the Commercial Component	100%	100%	100%	100%
Total Operating Revenues	None	None	None	None
Net Operating Income	None	None	None	None
Occupancy Percentage of the Hotel Component	None	None	None	None
Net Lease and Operating Income	SAR 9,186,795	SAR 10,800,000	SAR 11,400,000	SAR 11,400,000
Total Annual Revenue of the Real Estate	6.81%	7.70%	8.44%	8.44%
Net Annual Revenue of the Real Estate	6.81%	7.70%	8.44%	8.44%
Past Three Years' Rent and Operation	<b>Year</b>		<b>Rent</b>	
	2016		SAR 10,400,000	

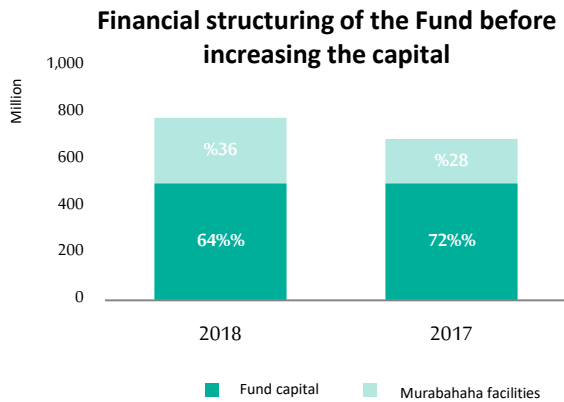
	2015	SAR 10,400,000
<b>Real Estate's Location Map</b>		
		

(1) The annual return does not reflect the entire year lease revenues to STC .

**Riyad REIT Composition before the Capital Increase:**

	The Percentage of total Annual Returns of The Real Estate's Purchase Value <sup>6</sup>		The Percentage of Net Annual Returns of The Real Estate's Purchase Value <sup>6</sup>	
	2017	2018	2017	2018
<b>Real Estate</b>				
<b>Izdhar Center</b>	9.00%	9.27%	8.51%	8.69%
<b>Vivienda Hotel<sup>1</sup></b>	5.94%	8.54%	5.94%	8.54%
<b>Forsan Towers</b>	9.38%	9.35%	8.77%	8.67%
<b>Almutamiz Center</b>	7.99%	8.46%	7.57%	7.95%
<b>The Residence .<sup>2</sup></b>	2.29%	14.19%	2.14%	8.07%
<b>Shati Towers</b>	8.14%	8.72%	7.44%	8.11%
<b>Ascott Tahlia, Jeddah</b>	6.81%	7.70%	6.81%	7.70%
<b>All income-generating real estates</b>	6.46%	9.80%	6.14%	8.10%
<b>Ascott - Corrnich Al-Khobar <sup>5</sup></b>	0.00%	4.74%	0.00%	2.96%
<b>All under construction real estates</b>	0.00%	4.74%	0.00%	2.96%





	2017	2018
<b>Fund Capital</b>	500,000,000	500,000,000
<b>Bank Loans<sup>3</sup></b>	190,000,000	280,000,000
Target Size of the Fund:	690,000,000	790,000,000
<b>Total Revenues of Real Estates</b>	37,848,081	57,413,000
<b>Net Income of Real Estates</b>	35,963,497	47,453,000
	Percentage of Return on Current Capital of Fund:	
<b>Total Revenues of Real Estates</b>	7.57	13.13
<b>Net Income of Real Estates</b>	7.19%	10.52%
<b>Total Expenses of the Fund</b>	(%1.47)	(%2.23)
<b>Murabaha Facility Expenses<sup>4</sup></b>	(%0.04)	(%1.73)
<b>Net Income of the Fund</b>	<b>5.68%</b>	<b>6.56%</b>

- (1) The Real Estate was purchased in April 2017 and the returns do not reflect the entire fiscal year
- (2) The Real Estate was purchased in May 2017 and the returns do not reflect the entire fiscal year
- (3) It is targeted to open Ascott Cornich Al-Khobar in Q3 2018 and the returns do not reflect the entire year
- (4) According to the real estates' deeds of title (the income-generating real estates) or the target cost of construction of the real estate (under construction real estates)

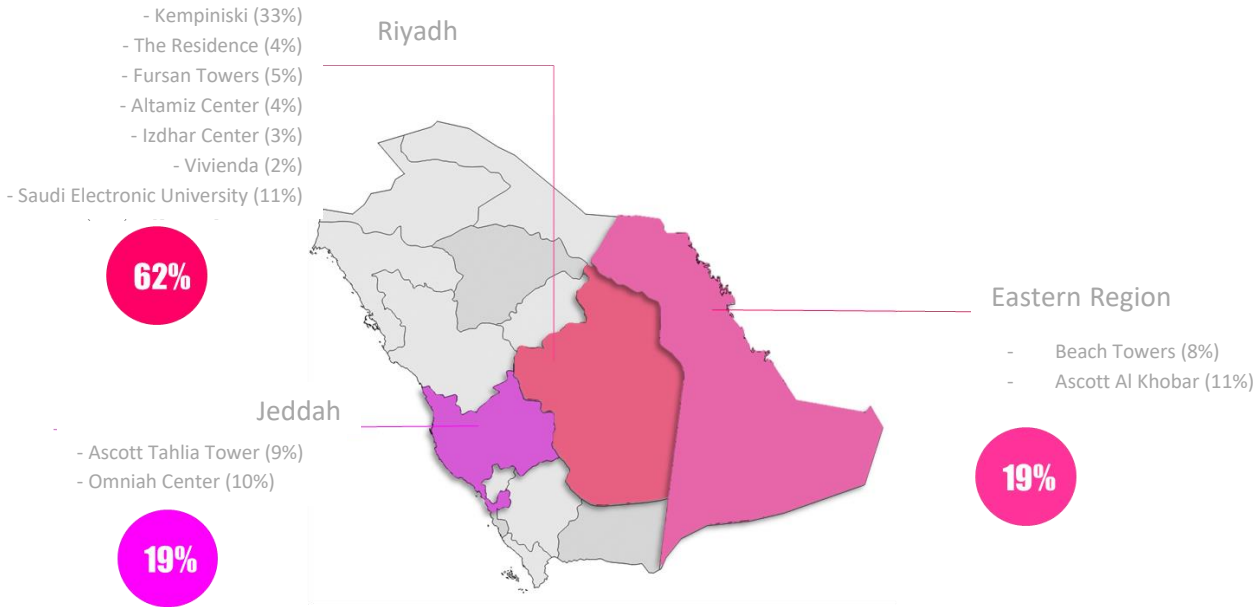
**New Real Estates:**

Below is a table that sets forth a summary of acquisitions of new real estates, method of payment, decisions or prior approvals related to the acquisition.

Property	Method of Acquisition	Methods of Payment	Decisions or Approvals	Disclosure
Saudi Electronic University	Total	In-kind	- Sale and Purchase Agreement with the Higher Education Fund	<ul style="list-style-type: none"> <li>- Agreement with unrelated parties</li> <li>- In-kind owners are the Higher Education Fund</li> <li>- In-kind subscription accounts for 8.4% of total capital of the Fund after increase</li> <li>- The Seller shall retain his entire ownership in the Fund for at least 6 months</li> </ul>
Burj Rafal Hotel and Boulevard	Total	In-kind and cash	<ul style="list-style-type: none"> <li>- Agreement of Riyadh Global Property Fund's Unit holders - Rafal Tower, dated 5 November 2017.</li> <li>- Sale and Purchase Agreement with Rafal Real Estate Tower.</li> </ul>	<ul style="list-style-type: none"> <li>- Project owned by Rafal Real Estate. The Company's ownership consists of: <ul style="list-style-type: none"> <li>o Riyadh Global Property Fund - Rafal Tower (53%)</li> <li>o Rafal Real Estate (29.5%)</li> <li>o Tawazun Arabian Investment Company (17.5%)</li> </ul> </li> <li>- In-kind subscription percentage of Riyadh Global Property Fund - Rafal Tower 20% of total capital of the Fund after increase.</li> <li>- The Fund Manager does not hold any share in Riyadh Global Property Fund - Rafal Tower</li> <li>- The direct owners of Rafal Real Estate, namely Rafal and Tawazun Arabian, shall retain their ownership in the Fund if they get in-kind units in return of their direct ownership in Rafal Real Estate for at least 6 months. This does not apply to indirect owners of the Company</li> <li>- Riyadh Global Property Fund - Rafal Tower.</li> </ul>
Omniah Center	Total	In-kind	Direct Sale and Purchase Agreement with the Owner.	<ul style="list-style-type: none"> <li>- Agreement with unrelated parties.</li> <li>- In-kind owners are Ghassan and Abdullah, sons of Mohammed Amin Dahlawi</li> </ul>

				<ul style="list-style-type: none"> <li>- In-kind subscription accounts for 10.3% of total capital of the Fund after increase</li> <li>- The Seller shall retain his entire ownership in the Fund for at least 6 months.</li> </ul>
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Geographic distribution after the capital increase (according to lease spaces):



About New Real Estates			
Owner's Name	Higher Education Fund		
Property's Name	Saudi Electronic University		
Type	Commercial/Educational		
Location	Al Rabi District, Riyadh		
Utility	Educational		
Land Space	14,192 sq. m.		
Building Space	30,345.98sq. m.		
Number of Floors and Units	3 Floors		
Real Estate's Building Completion Year <sup>5</sup>	2012 <sup>3</sup>		
Property's Age	4 years		
Number of Lease and Operation Contracts	1 lease contract		
Real Estate's Purchase Value	SAR 137,650,000 (purchase contract date 12.10.2017)		
Real Estate Valuation (SAR)	First Valuation <sup>1</sup>	Second Valuation <sup>2</sup>	Average
	141,176,470	149,262,564	SAR145,219,517
Details of Lease and Operation Contracts			
Major Tenants and Operators	Saudi Electronic University (accounting for 100% of total lease revenues, expiring June 2018)		
Number of Lease and Operation Contracts	<b>Terms of Contracts</b>	<b>Terms of Contracts</b>	
	Lease contracts of which the remaining period exceeds five years	None	
	Lease contracts with remaining periods ranging from one to four years	None	
	Lease contracts the remaining period of which is less than a year	1 (accounting for 100% of total rents)	
Average remaining period of the contract	0.5 years		
Current Operational Performance		Target Operational Performance	
	(2017)	(2018)	(2019)
Total Lease Revenues	SAR 12,000,000	SAR 12,000,000	SAR 12,000,000
Net Lease Income	SAR 11,970,000	SAR 11,970,000	SAR 11,970,000
Occupancy Percentage of the	100%	100%	100%
			(2020)
			SAR 12,000,000
			SAR 11,970,000
			100%

<b>Commercial Component</b>				
<b>Total Operating Revenues</b>	None	None	None	None
<b>Net Operating Income</b>	None	None	None	None
<b>Occupancy Percentage of the Hotel Component</b>	None	None	None	None
<b>Net Lease and Operating Income</b>	SAR 11,970,000	SAR 11,970,000	SAR 11,970,000	SAR 11,970,000
<b>Total Annual Revenue of the Real Estate</b>	8.72%	8.72%	8.72%	8.72%
<b>Net Annual Revenue of the Real Estate</b>	8.70%	8.70%	8.70%	8.70%
<b>Past Three Years' Rent and Operation</b>	<b>Year</b>		<b>Rent</b>	
	2016		SAR 11,970,000	
	2015		SAR 11,970,000	


### Real Estate's Location Map



- (1) Century 21 valuation and the valuation method in place is income capitalization, dated 11.01.2018.
  - (2) Barcode valuation and the valuation method in place is the replacement cost, dated 27.12.2017.
  - (3) Building completion certificate No. 1759/1433 dated 13.03.1433.
  - (4) The Electronic University's contract is a government contract according to the rental regulations issued by the Ministry of Finance. These government contracts have rental durations from a year to 3 years, to be automatically renewable if the parties are so willing. The contract was renewed in June 2015 for 3 years.
- Noteworthy, the rental meter price of the Electronic University is about SAR 677 per meter, including office and commercial spaces.



About New Real Estates					
<b>Owner's Name</b>	Burj Rafal				
<b>Property's Name</b>	Burj Rafal and Boulevard				
<b>Type</b>	Commercial				
<b>Location</b>	Riyadh, Al Sahafa District, King Fahad Road				
<b>Utility</b>	Commercial and Hotel				
<b>Land Space</b>	21,106sq. m.				
<b>Building Space</b>	95,773 sq. m.				
<b>Number of Floors and Units</b>	Rental Component: Two floors (show rooms) - the hotel component consists of 25 floors (349 hotel rooms and celebration halls and 21 meeting halls in addition to other commercial and service facilities)				
<b>Real Estate's Building Completion Year<sup>5</sup></b>	2014				
<b>Property's Age</b>	4 years				
<b>Number of Lease and Operation Contracts</b>	1 lease contract - 1 operation contract				
<b>Real Estate's Purchase Value</b>	SAR 677,000,000 (purchase contract date 29.08.2017)				
<b>Real Estate Valuation (SAR)</b>	First Valuation <sup>1</sup>	Second Valuation <sup>2</sup>	Third Valuation <sup>3</sup> (Additional valuation)	Fourth Valuation <sup>4</sup> (Additional valuation)	Average:
	709,547,259	707,134,966	699,200,000	625,360,000	685,310,556
Details of Lease and Operation Contracts					
<b>Major Tenants and Operators</b>	Burj Rafal and Boulevard (accounting for 100% of total operation revenues, expiring September 2033) STC (accounting for 100% of total lease revenues, expiring December 2022)				
<b>Number of Lease and Operation Contracts</b>	<b>Terms of Contracts</b>		<b>Terms of Contracts</b>		
	Lease contracts of which the remaining period exceeds five years		2 (accounting for 100% of total rents)		
	Lease contracts with remaining periods ranging from one to four years		None		
	Lease contracts the remaining period of which is less than a year		None		
<b>Average remaining period of the contract</b>	14 years				
Current Operational Performance		Target Operational Performance			
	(2017) <sup>5</sup>	(2018) <sup>6</sup>	(2019) <sup>6</sup>	(2020)	
<b>Total Lease Revenues</b>	5,500,000SAR	6,500,000SAR	6,500,000SAR	6,500,000SAR	
<b>Net Lease Income</b>	5,500,000 SAR	6.500,000 SAR	6,500,000 SAR	6,500,000 SAR	
<b>Occupancy Percentage of the</b>	90%	100%	100%	100%	

<b>Commercial Component</b>				
<b>Total Operating Revenues</b>	116,600,000SAR	137,900,000SAR	162,000,000SAR	168,000,000SAR
<b>Net Operating Income</b>	28,350,000SAR	42,800,000SAR	50,000,000SAR	51,500,000SAR
<b>Occupancy Percentage of the Hotel Component</b>	44.5%	53%	59%	59%
<b>Net Lease and Operating Income</b>	33,850,000SAR	49,300,000SAR	56,500,000SAR	58,000,000SAR
<b>Total Annual Revenue of the Real Estate</b>	18.04%	21.33%	24.89%	25.87%
<b>Net Annual Revenue of the Real Estate</b>	5.00%	7.28%	8.35%	8.57%
<b>Past Three Years' Rent and Operation</b>	<b>Year</b>		<b>Rent and Operation Amount</b>	
	2016		25,800,000SAR	
	2015		31,900,000SAR	
<b>Real Estate's Location Map</b>				
				

(1) Barcode valuation and the valuation method in place is discounted cash flows (DCF), dated 24.01.2018.

(2) Century 21 valuation and the valuation method in place is income capitalization, dated 11.01.2018.

(3) An additional valuation from Knight Frank and the valuation method in place is discounted cash flows (DCF), dated 10.10.2017, noting that the date of valuation is more three months of the date of approval of CMA of the increase of the Fund's capital.

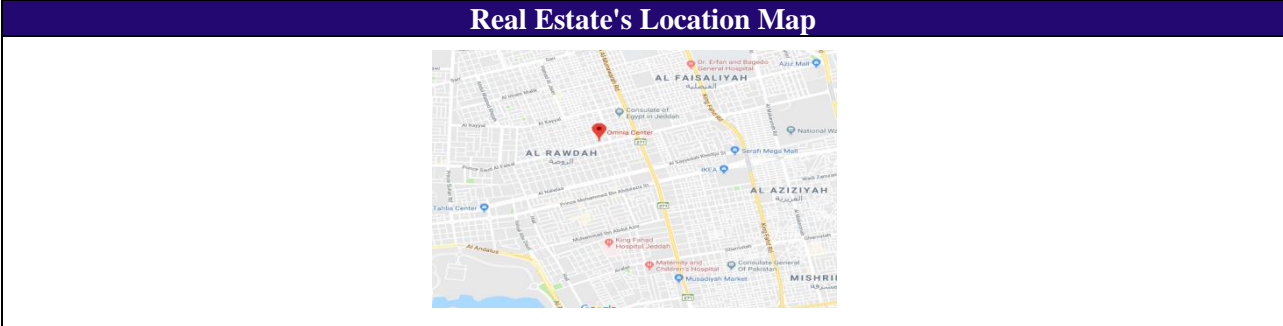
(4) An additional valuation from Jones Lang LaSalle (JLL) and the valuation method in place is discounted cash flows (DCF), dated 02.10.2017, noting that the date of valuation is more three months of the date of approval of CMA of the increase of the Fund's capital.

(5) Building completion certificate No. 4426/1435 dated 28.07.1435. During 2017, the commercial component was entirely qualified and most rental spaces were leased out to STC (STC Educational Academy).

(6) It is targeted that the Hotel will reach operational stability in 2018 and 2019. The Fund Manager targets the application of several strategies after purchase to improve the efficiency of the Hotel's operation. In addition, occupancy ratios in January 2018 hit 50%, compared to 40% during the same month in 2017.

About New Real Estates				
<b>Owner's Name</b>	Mohammed Amin Dahlawi's Sons			
<b>Property's Name</b>	Omniah Center			
<b>Type</b>	Commercial and Residential			
<b>Location</b>	Jeddah, Al Rawdha District, Saud Al Faisal St.			
<b>Utility</b>	Residential - Showrooms - Offices			
<b>Land Space</b>	10,000sq. m.			
<b>Building Space</b>	19,714.6sq. m.			
<b>Number of Floors and Units</b>	Commercial Center: GF + Mezzanine (Showrooms) + 3 Floors (Offices). Residential Building: 3 Floors (Residential Apartments)			
<b>Real Estate's Building Completion Year<sup>5</sup></b>	2008			
<b>Property's Age</b>	10 years <sup>3</sup>			
<b>Number of Lease and Operation Contracts</b>	82 lease contracts			
<b>Real Estate's Purchase Value</b>	SAR 681,000,000 (purchase contract date 21.05.2017)			
<b>Real Estate Valuation (SAR)</b>	First Valuation <sup>1</sup>	Second Valuation <sup>2</sup>	Average:	
	198,738,825	199,339,070	SAR199,038,947	
Details of Lease and Operation Contracts				
<b>Major Tenants and Operators</b>	Saudi Research and Marketing Group (accounting for 28.2% of total lease revenues, expiring December 2022) Plastic Clinics Co. (accounting for 6.1% of total lease revenues, expiring June 2019) Tripartite Group Co. (accounting for 5.1% of total rents, expiring March 2018)			
<b>Number of Lease and Operation Contracts</b>	<b>Terms of Contracts</b>	<b>Terms of Contracts</b>		
	Lease contracts of which the remaining period exceeds five years	0		
	Lease contracts with remaining periods ranging from one to four years	10 (accounting for 47.4% of total rents)		
<b>Average remaining period of the contract</b>	1.7 years	Lease contracts the remaining period of which is less than a year 66 (51 residential contracts) (accounting for 52.6% of total rents)		
Current Operational Performance		Target Operational Performance		
	(2017)	(2018)	(2019)	(2020)
<b>Total Lease Revenues</b>	SAR 13,300,290	SAR 15,300,000	SAR 15,300,000	SAR 16,000,000
<b>Net Lease Income</b>	SAR 12,369,270	SAR 14,300,000	SAR 14,300,000	SAR 15,000,000
<b>Occupancy Percentage of</b>	84%	95%	95%	95%

<b>the Commercial Component</b>				
<b>Total Operating Revenues</b>	None	None	None	None
<b>Net Operating Income</b>	None	None	None	None
<b>Occupancy Percentage of the Hotel Component</b>	None	None	None	None
<b>Net Lease and Operating Income</b>	SAR 12,369,270	SAR 14,300,000	SAR 14,300,000	SAR 14,300,000
<b>Total Annual Revenue of the Real Estate</b>	7.92%	9.11%	9.11%	9.56%
<b>Net Annual Revenue of the Real Estate</b>	7.36%	8.51%	8.51%	8.93%
<b>Past Three Years' Rent and Operation</b>	<b>Year</b>		<b>Rent</b>	
	2016		SAR 15,490,000	
	2015		SAR 15,490,000	

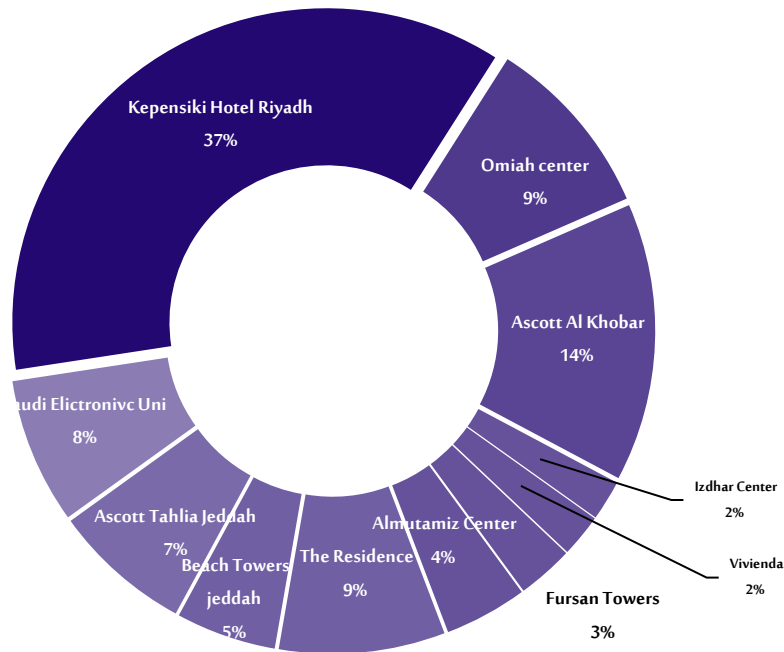


- (1) Century 21 valuation and the valuation method in place is income capitalization, dated 11.01.2018.
- (2) Barcode valuation and the valuation method in place is income capitalization, dated 22.01.2018.
- (3) Current launch transaction No. 2900038105 dated 02.04.2008

**Riyad REIT Composition after the Capital Increase:**

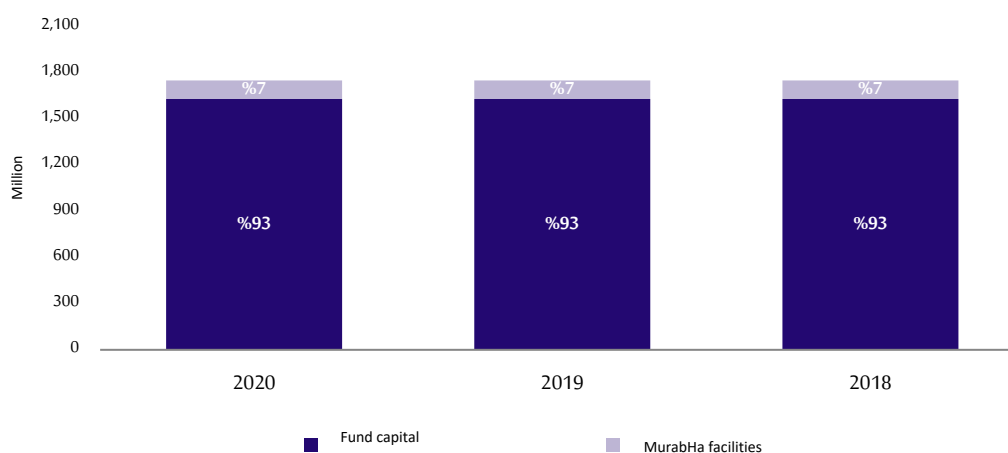
	Percentage of the Total Annual Returns of Real Estate from The Real Estate's Purchase Value			Percentage of The Net Annual Returns of Real Estates from The Real Estate's Purchase Value		
	2018	2019	2020	2018	2019	2020
<b>Real Estate</b>						
<b>Izdhar Center</b>	%9.27	%9.27	%9.27	%8.69	%8.69	%8.69
<b>Vivienda Hotel-</b>	%8.54	8.54	%8.54	%8.54	%8.54	%8.54
<b>Forsan Towers</b>	%9.35	%9.35	%9.35	%8.67	%8.67	%8.67
<b>Altamiz Center</b>	%8.46	%8.46	%8.46	%7.95	%7.95	%7.95
<b>The Residence</b>	% 14.19	% 18.08	% 18.74	%8.07	%9.68	%9.97
<b>Shati Towers</b>	%8.72	%8.72	%8.98	%8.11	%8.22	%8.47
<b>Ascott Tahlia, Jeddah</b>	%7.70	%8.44	%8.44	%7.70	%8.44	%8.44
<b>Electronic University</b>	%8.72	%8.72	%8.72	%8.70	%8.70	%8.70
<b>Burj Rafal and Boulevard Hotel</b>	%21.33	%24.89	%25.78	%7.28	%8.35	%8.57
<b>Omniah Center</b>	%9.11	%9.11	%9.56	%8.51	%8.51	%8.93
All income-generating real estates	% 14.61	% 16.55	% 17.05	%7.84	%8.51	%8.70
<b>Ascott - Corrnich Al-Khobar</b>	%4.74	% 17.76	%22.82	%2.96	% 10.86	%13.10
All under construction real estates	%4.74	% 17.76	%22.82	%2.96	% 10.86	%13.10

**Distribution of net real estate income after the capital increase**



	2018	2019	2020
<b>Fund Capital</b>	<b>1,633,000,000</b>	<b>1,633,000,000</b>	<b>1,633,000,000</b>
<b>Murabaha Facilities 2</b>	<b>120,000,000</b>	<b>120,000,000</b>	<b>120,000,000</b>
<b>Target Size of the Fund:</b>	<b>1,753,000,000</b>	<b>1,753,000,000</b>	<b>1,753,000,000</b>
<b>Total Revenues of Target Real Estates</b>	237,363,000	290,413,000	307,131,740
<b>Net Income of Target Real Estates</b>	128,173,000	152,434,000	159,173,340
	Revenue of target capital of the Fund		
<b>Total Revenues of Real Estates</b>	% 14.54	% 17.78	% 18.81
<b>Net Income of Real Estates</b>	% 7.85	% 9.33	% 9.75
<b>Total Expenses of the Fund</b>	(% 1.41)	(% 1.44)	(% 1.45)
<b>Bank Interest Expenses</b>	(% 0.15)	(% 0.29)	(% 0.29)
<b>Net Income of the Fund<sup>3</sup></b>	<b>% 6.30</b>	<b>% 7.60</b>	<b>% 8.01</b>

#### Financial structuring of the Fund after the capital increase



- (1) The Fund Manager plans to carry out many improvements after the Real Estate's purchase and create new additional spaces for commercial utility. The results of all these plans were not reflected in the target prospects of the Real Estate's income.
- (2) Islamic Murabaha Facilities will be partly or fully paid from the proceeds of increase of capital and the Fund Manager intends to reuse the Facilities to finance the future expansions of the Fund.
- (3) The target return after increase of capital does not include the application of loans at a higher percentage towards financial structuring of the Fund compared to the target return after the increase of capital (7% being the percentage of facilities from the size of the Fund after the increase of capital compared to 28-36%, the percentage of facilities from the size of the Fund before the increase of capital), but the Fund targets in the future to make a wider application of the Murabaha Facilities for finance of new acquisitions and leveraging the returns on the Fund's capital.

## 2-7 Risks of Investment in the Fund

The risks of investment in the Fund are medium. Investment in the Fund involves certain risks, and, therefore, it will be appropriate for the persons who can accept the loss of a part of or all their investments. The elements below set forth the risks that may affect the Fund investments and, consequently, the net assets value of the Fund and the returns of investment. It is important for potential investors to review and understand these elements before embarking any investments in the Fund. In all cases, the following elements of risks are not exclusive, but rather an example of the risks that the Fund may encounter.

Investment in the Fund excludes any guarantee that investment will be profitable or that the investor will not bear any loss. Therefore, each potential investor should take the elements below into consideration before investment in the Fund. The investors shall solely be liable for any financial loss arising from investment in the Fund unless this is a result of fraud, negligence or willful misconduct by the Fund Manager.

### **.a Risk Elements related to the Fund:**

#### *Nature of Investment Risks*

Investment in the Fund requires commitment as shown in these Terms and Conditions with no guarantee to achieve returns on invested capital and there will be no guarantee that the Fund will achieve positive returns on its investments on a timely basis or at any time at all. There might arise a possibility that its assets cannot be sold or disposed of. If a decision is made that they are sold, they might not be sold at a price which, in the belief of the Fund Manager, is their fair value or within the timeframe required by the Fund. Consequently, the Fund may not be able to achieve any returns on its assets.

#### *Liquidity Risks*

The Fund being traded in the Saudi Stock Exchange (Tadawul) should not be viewed as an indication that there will be an active market with liquidity for the units or that it will develop or, if it develops, will continue as such. If a market with high liquidity is not developed or maintained, the liquidity and trading prices of the units may be negatively affected. In addition, if no such market is developed, relatively small transactions may have a great negative impact on the units and their prices, and it might be difficult to implement transactions that involve a large number of units at a stable price. The limited number of units / unit holders may be an indication of limited liquidity levels in these units, which may negatively affect: (1) The investor's ability to generate a benefit from some or all his investments, and/or (2) the price at which the units are traded in the market. In addition, a large percentage of units may be issued to a limited number of investors, which might negatively affect the development of active market with liquidity for the units.

#### *Risks of Changes in Prices*

Many elements may negatively affect the market price of the units, including the general movement in local and international stock exchanges, real estate markets, prevailing and expected economic conditions, interest rates, finance costs, investors' approaches and general economic conditions. The unit market may be fluctuating. Lack of liquidity may have a negative impact on the market value of the units. Accordingly, the purchase of these units may be appropriate only for the investors who can take the risks associated with these investments.

*Risks of trading at price lower than market value*

The units may be traded at a price lower than the offering value. Unit holders may not be able to redeem full investment value. The units may be traded at a price lower than their value for many reasons, including unfavorable market conditions, investors' weak prospects concerning the feasibility of the investment strategy and policy of the Fund and increase of supply over demand of units.

*Risks of Distributions Fluctuation*

Although the Fund, subject to relevant regulations, must distribute at least 90% of its net profits to the unit holders annually, there is no guarantee in regard to the actual amounts that will be distributed by the Fund. In addition, the announcement, payment and value of any future distributions of profits, in exclusion and addition to those equal to 90% of the net profits of the Fund, shall be subject to the recommendation of the Fund Manager, and rely, among other things, on the performance, financial condition, cash requirements and ability of the Fund to comply with the legal requirements applicable to the payment of distributions.

*Risks of Increased Unit Sales*

Subsequent sales by the unit holders of a large number of units might lead to a sharp decrease of unit prices. In addition, any rumors that such sales may occur might have a major negative impact on the market price of the units and the returns of the unit holders.

*Market valuation*

The traded market price of the units might not reflect on the value of basic investments of the Fund. In addition, capital markets, including the Saudi Stock Exchange, may encounter great fluctuations of prices and size of dealings from time to time. This, in addition to economic, political and other conditions, may lead to negative and strong impact on the market price of the units. As a real estate investment traded fund, the price of a unit may be affected by a number of factors, many of which are beyond the control of the Fund in the manner that some of them affect the real estate investment sector or capital markets in general.

n

*Political Volatility and Economic Risks*

The Fund's future performance mainly relies on changes in supply and demand conditions in the relevant real estate sector, which may be affected by regional and local economic and political conditions, increased competition leading to decrease of the real estates' value, potential limited availability of mortgage funds, increased mortgage prices and changes in supply and demand.

*Risks of Distribution and Finance*

Requirements of distribution and finance restrictions under the real estate investment Funds regulations might limit the Fund's flexibility and ability to grow through acquisitions. The Fund is supposed to annually distribute at least 90% of its net profits to the unit holders, except for capital gains arising from the sale of real estates, which are re-invested in additional assets in the best interest of the unit holders (subject to Paragraph 2.5 above). In addition, to maintain the Fund as a real estate investment traded fund, the finance percentages of the Fund should not exceed 50% of the total value of the Fund's assets as per the latest audited financial statements. As a result, the Fund has a limited ability to improve its properties or achieve growth through the acquisition of additional properties.



#### *Units Liquidity Risks*

As an exception to the Fund's expiration on the end of its term, the unit holders will be able to achieve a return on their investments only through trading units at the Capital Market and annual distributions of net profits. Although the units will be tradable, the liquidity percentages of the real estate investment traded fund units may be less than the market liquidity of the listed companies' shares. There might be no market with liquidity for the unit and the unit holders may have difficulty selling the units at offered market price and/or prevailing net asset value of the units or otherwise. In addition, CMA has the right to suspend or limit the trading of the Fund's units. Any suspension or limitation of trading of the Fund units may affect the ability of unit holders to achieve returns on their investments.

#### *Risks of Basic Asset Liquidity*

Real estate assets are non-liquid assets compared to other assets. Consequently, it may be difficult or impossible for the Fund to sell a real estate asset at a certain price and obtain a return at any time at its own willingness. The Fund portfolio consists of real estate assets. It may be difficult to the Fund to sell its real estate assets without adopting a price discount (especially at the times of market drops, in particular such assets that are classified as big real estate assets), particularly if the Fund has to dispose of any of its assets in a short period of time. This might lead to decrease of the units value and negatively affect the Fund's performance and the return to unit holders.

#### *Risks of Reduction of Shareholding Value in case the Fund Capital increased*

If the Fund decides to increase its capital in the future, this may require further finance by issuing new units, which may lead to the decrease of the shareholding value and voting rights of current unit holders in addition to the percentage of their units to total amounts of subscription contributed to in the Fund.

#### *Risks of lack of guarantee to generate return from investment*

There is no guarantee that the Fund will be successful in generating returns to the investors or that realized returns are proportionate with risks of investment in the Fund and the nature of the transactions described in these Terms and Conditions. The value of units may fall or investors may lose a part of or the whole capital invested in this Fund. There will be no guarantee that returns will be generated from the Fund.

#### *Risks of Previous Operating History*

The operations of Riyadh REIT were listed in November 2016. Hence, the Fund does not have a long operating history that enables potential investors to judge the Fund's performance. Although potential investors can take into account the experience of the Fund Manager in management of real estate investment funds, the nature of future investments in the Fund and the nature of associated risks may materially differ from the investments and strategies that the Fund Manager has previously addressed when setting up the Fund. In addition, previous results achieved by the Fund Manager are not necessarily an evidence of future performance.

#### *Risks of Changes of Market Conditions*

The future performance of the Fund will greatly depend on the changes in supply and demand conditions of the real estate sector, which may be affected by regional and local economic and political conditions, increasing competition, which may result in the reduction of real estate value, limited availability of mortgage funds or

higher mortgage ratios as well as supply and demand fluctuations. So, these changes may have a major negative impact on the Fund performance as a result of decrease of lease income or net asset value of the Fund.

*Risks of Relying on Main Employees*

The Fund's success mainly relies on the performance of its management, including the Fund's Board Members. Therefore, the loss of services of any member of the management team in general (by resignation or otherwise) or inability of the Fund to attract and retain other employees may affect the success chances of the Fund and its business, including its ability to purchase, sell and manage assets, leading eventually to fall of the return for investors.

**b. Risk Elements Related to the Fund's Assets**

*Real Estate Investment Risks*

Investment in the Fund units involves some risks related to the ownership of real estate assets and the real estate industry in general. The value of Fund investments may be negatively affected by a number of factors such as the decrease of real estate value, the non-liquidity of investment, risks related to local economic conditions, natural disasters, environmental responsibility, high cost of finance, financial conditions of tenants, increase of taxes on real estates, changes of zoning regulations and increase of competition.

*The Availability of Appropriate Investments Risks*

The investors will not be able to assess economic, financial and other aspects of the information related to future investment opportunities of the Fund. No guarantee can be made that the Fund Manager will be able to find future investments that are compatible with the particular investment goals of the Fund if necessary, specifically in the current market environment. Determination and structuring of appropriate investments for the Fund is competitive and highly unguaranteed. The inability of the Fund Manager to determine appropriate investments may negatively affect the Fund's ability to achieve desired returns.

*Real Estate Development Risks*

Noting that real estate development projects will not account for a huge percentage of the Fund's assets, the real estate development sector in the Kingdom encounters several risks. The risks of participation in the construction and marketing of a new real estate project includes without limitation: (1) Late completion of works, (2) Excess beyond the fixed costs, (3) Inability to implement lease contracts at the expected levels, (4) The force majeure arising from factors outside the reasonable control of the Fund particularly related to the contracting sector (including climate and environmental conditions that prevent the completion of development and building works and unavailability of raw building materials at the market).

Embarking on a new project also involves other risks, including obtaining necessary government approvals and permits for division of lands and occupancy, other required government approvals and permits and costs of the real estate development related to the projects that have not been proceeded with till completion. The

successful completion of such projects will have a direct and major impact on the value of units and late completion or failure of the project which may affect the distribution of profits to the investors and net value of the Fund's assets.

#### *Risks of Increase in Construction Costs*

The costs of construction of a real estate project may exceed the determined expectations for different reasons, including, for example without limitation, delay due to industrial disputes, disputes with subcontractors, increase in the costs of building materials, equipment and labor, bad climate conditions and unexpected problems and circumstances. If possible, the excess of costs will be mitigated by entering with contractors into contracts with fixed timing and fixed lump sums in addition to appropriate provisions for emergency conditions. However, no guarantee can be made that the mitigation measures that will be adopted will be successful in eliminating the risk of incurring high excesses of costs. Such excesses may cause losses in investments. In such cases, reliance on contractors may be limited. Any increase in the costs of construction may reduce the net income of the Fund and, consequently, the percentages of available cash distributions to unit holders.

#### *Infrastructure Risks*

Concerning the real estates under construction, the Fund will rely on the government and the competent municipality in the provision of the infrastructure required for the development site, including water, sanitary, electricity and roads. If the government and the competent municipality are unable to complete infrastructure projects on a timely basis or as currently expected, this will undermine the ability of the Fund to complete or operate the real estates and negatively affect the Fund's performance for late operation of the real estate as planned as this will reduce distributions to unit holders.

#### *Finance Risks*

The finance of the Fund's assets may possibly have a negative impact on the income generated by the Fund or lead to loss of capital. It is expected that any facilities granted to the Fund will have a material impact on the increase or decrease of the value of the Fund's assets since borrowing may lead to random changes in the value of the Fund's assets or expose it to a loss exceeding the amount invested. Resort to finance creates an opportunity to increase of returns, but at the same time, involves a high level of financial risk and might expose the Fund and its investments to other elements such as high cost of finance an economic stagnation. In addition, the Fund's assets may be mortgaged to a lender only for the interest of the Fund without resorting to the unit holders. Such lender may claim for mortgaged assets on the occurrence of any default in payment by the special-purpose vehicle, the Fund Manager or the Fund itself.

#### *Competitors Risk*

The Fund competes with other owners, operators and real estate developers in the Kingdom of Saudi Arabia. Some of them may have similar real estates to the real estates owned by the Fund at the same area where the real estates are located If the Fund's competitors lease out residential or commercial spaces similar to the real estates owned by the Fund or sell similar assets to such real estates owned by the Fund at an equal value or lesser value than the Fund's valuation of the comparable assets, the Fund may not succeed in leasing out the commercial and residential space at appropriate prices or at appropriate terms or may not succeed in lease or sale at all. This arises from the increase of Fund's costs by incurring additional expenses for

protection and preservation of the real estate and non-utilization of the lost income of the real estate, and consequently the decrease of unit holders' distributions levels.

#### *Conflicts of Interest Risks*

The Fund Manager carries out a set of activities that involve financial investments and consultancy services. There might arise conflicts between the interests of the Fund Manager with the Fund's interests. Any conflict of interest will limit the ability of the Fund Manager to objectively perform its duties, which may negatively affect the investments, returns and distributions of the Fund. On the emergence of any conflict of interest, the Fund Manager will disclose the same to the Fund's Board to make the necessary decision with regard to the conflict of interests in the manner that ensures the interests of unit holders., disclose any conflicts of interest in the terms and conditions and periodical reports of the Fund and immediately disclose any conflicts of interests that may arise from the operations of the Fund.

#### *Risks of Inability to Exit from the Fund Investments at Good Terms*

The Fund will exit from the real estates and other assets at the time that the Fund Manager deems appropriate for the interest of the Fund and unit holders. The Fund's ability to dispose of the real estate properties according to favorable terms that rely on elements beyond the control of the Fund, including competition from other sellers and the availability of finance solutions that attract potential purchasers. If the Fund is not able to dispose of its assets according to the preferable terms or the timing in which the Fund Manager disposes of the assets, its financial condition, the results of operations, cash flow and ability to distribute profits to the unit holders might be negatively affected.

#### *Risks of Third Party's Default and Credit Risks*

The Fund will be vulnerable to the credit risks of the parties with whom the Fund will do business. The Fund might also bear default risks. In addition, the Fund may, in certain conditions, be subject to the risks of the Third party's default of its contractual obligations, including land owners, real estate managers, lending banks and/or contractors. Any default by a third-party contractor in satisfying its contractual obligations and making due payments to the Fund will lead to decrease of expected income of the Fund and, consequently, the returns to unit holders.

#### *Risks of Tenants' Inability to Meet their Lease Obligations*

The Fund's results may be negatively affected if a large number of tenants is unable to meet their contractual obligations. In addition, if a tenant resorts to bankruptcy, insolvency or other similar laws, he may terminate his lease contract, which will reduce the Fund's cash flow. In case of a large number of defaults of obligations or bankruptcy of tenants, the cash flow of the Fund and the ability of the Fund to implement distributions to unit holders might be negatively affected.

#### *Risks of Potential Inability to Renew the Lease Contract or Re-Lease the Rented Space on Expiration of Contract*

The Fund will derive most income from the amounts of rents paid by the real estate tenants and, accordingly, the financial condition of the Fund, results of operations, cash flow and the ability of the Fund to implement distributions to investors might be negatively affected if the Fund is unable to re-lease the real estate properties immediately or renew the lease contracts or if the rental amount on renewal or re-

lease is much lesser than the expected amount. If a tenant encounters stagnation of business or any other financial hardship, it might be unable to pay the rental amount on a timely basis or till renewal of his contract. In addition, the Fund's ability to lease out the rental space and the rental amount received will be affected not only by tenants' demand, but also by the number of other real estates that compete the Fund's real estates in attracting tenants.

#### *Risks of Un insured Losses*

The Fund will maintain a commercial liability insurance, property insurance and other types of insurance that cover all properties owned and managed by the Fund as per the type and limits believed to be sufficient and appropriate, having regard to relative risks that apply to the real estate at the appropriate cost of coverage subject to the application of good industry practices. Insurance may also be arranged against certain risks, such as those arising from acts of terrorism, tempest, floods or earthquakes subject to certain restrictions, including insurance policy restrictions. Therefore, the Fund may incur financial losses that exceed the proceeds of insurance and might become unable to continue having insurance coverage at commercially reasonable prices. If the Fund encounters an unsecured loss or a loss exceeding the limits of insurance with regard to the ownership of one or more real estates, the Fund may lose the capital invested in damaged properties in addition to the future returns expected from these properties. Certainly, any such loss may probably have a negative impact on the financial condition and results of operations of and the cash flows arising from the Fund and, consequently, the Fund's ability to provide financial distributions to the unit holders.

#### *Real Estate Valuation Risks*

For the purposes of valuation of a certain real estate within the Fund's investment portfolio, the Fund Manager will carry out internal valuations in many cases as to the Fund in addition to the valuation made by the independent valuers accredited by the Saudi Authority for Accredited Valuers. The valuations made by the Fund Manager are for valuation of a certain real estate only, not an accurate measure of the value that can be obtained when selling such real estate. The final verification of the market value of the real estate mainly relies on the negotiations between the seller and the purchaser, which may be affected by economic conditions and other conditions beyond the control of the Fund and the Fund Manager. Such conditions include, without limitation, the market conditions in general. If the Fund decides to liquidate its assets, the realized value may be higher than or lesser than the estimated valuation of these assets. During the periods of economic fluctuations, the uncertainty of which is higher with regard to some valuations and similar operations against which the value measurement is lesser, the difference between the estimated value of a certain real estate asset and the final market value of such assets increases. In addition, relative uncertainty concerning the cash flows of the insolvent market may negatively affect the accuracy of real estate valuations and, consequently, the negotiations between the seller and the purchaser and the sale price, which will affect the return to unit holders.

#### *Risks of Concentration in the Real Estate Sector*

The Fund may invest in assets concentrated in a certain sector, e.g., the hotel or commercial real estate sector. The Fund's concentration of investments in one or more sectors may expose the Fund to the risks of economic recession in excess of the additional assets involved in the investment assets of the Fund in another/other sector(s). As a result, this recession may have a major negative impact on the

financial condition, results of operations, cash flows and ability of the Fund to make profit distributions to the investors.

*value reduction Risks*

If the Fund decides to increase its size in the future, this may require further finance by issuing new units, which may lead to the reduction of the shareholding value and voting rights of current unit holders in addition to the percentage of their units to total amounts of subscription contributed to in the Fund.

*Risks of Investments in Murabaha Funds, Listed Shares and Other Real Estate Investment Funds*

The Fund may invest in Murabaha in Saudi Riyals with Saudi local banks or in shares and stocks of real estate companies listed in the Saudi Stock Exchange or other traded real estate investment funds listed in the Saudi Stock Exchange. The value of these types of investments may decrease as they are not bank deposits. In addition, there are third party default risks with regard to the Murabaha transactions arising from trading of financial instruments that cannot be easily converted into cash, in which clearing or payments are not made with a clearing company or a capital market, which may negatively affect the cash distributions and market value of the units.

**Other risk factors:**

*Risks of legal status*

The fund is a contractual arrangement between the unit holders and the Fund Manager. Such contractual arrangement is governed and supervised by the Capital Market Authority. This Fund has no legal personality of its own; that is why the degree of agreement of any governmental entity or court in Saudi Arabia of this difference between the legal status of the Fund and that of the Fund Manager is still unclear and untested, as far as we know.

*The legal, regulatory, and tax risks*

The information mentioned herein is based on the laws applicable in the time of issuing them. Legal, tax, Zakat, and regulatory changes might happen in Saudi Arabia or elsewhere during the period of the Fund, which might have adverse effect on the Fund, its investments, or unit holders. There are currently no taxes imposed on investment funds in Saudi Arabia, except for the value added tax. However, taxes might be imposed on investment funds in the future.

*Income tax and Zakat risks*

Investment in the Fund involves a variety of tax risks that are not known clearly in the date of writing the terms and conditions herein. The fact that the Fund is subject to tax payments leads to decreasing the cash amounts available for the Fund's operations, in addition to the potential distributions to the investors. The taxes incurred by the investors will lead to decreasing the returns related to investment in the Fund. Potential investors must consult

their tax consultants on the taxes resulting from owning, selling and investing in the units.

*Risks of not achieving returns*

The Fund Manager does not guarantee that it would be able to achieve the investment returns. All the amounts mentioned in the Terms and Conditions herein are for the purpose of clarifying the returns targeted in the future based on the current contracts. The actual Fund returns might differ from the amounts mentioned in the Terms and Conditions herein if the tenant does not comply with the contract conditions or if the contract value changes in the future. There will be no guarantee on achieving such returns.

*Value-added tax risks*

The value-added tax is set to be implemented in KSA at the beginning of January 2018. Pursuant to the executive regulations of the value-added tax issued recently in KSA, investment in the Fund is not expected to be subject to such tax. However, investors should seek consultation with regard to the impact of value-added tax on their investments in the Fund.

The Fund Manager is expected to be subject to the value-added tax with regard to its own activities and business. Therefore, the payments due to the Fund Manager shall be amended, taking value-added tax into consideration. Consequently, the impact of value-added tax on the Fund and return of the unit holders is unclear.

*Withholding tax risks*

By virtue of the tax laws in KSA, the installments paid by a resident (a tax payer or not) to a non-resident person shall be subject to withholding tax. Therefore, the instalments of the profits of the investment Fund, including real estate investment traded fund paid to non-resident investor, may be subject to withholding tax by 5%. However, based on the present practices, investments funds are not subject to withholding taxes on payments from the fund to the non-resident unit holders. However, such tax might be imposed in the future, which might decrease the returns of the investment fund. Potential investors should consult their tax consultants with regard to the tax impacts on the investment in, retention and dispose of the units.

*Governmental and municipal approvals' risks*

The fund might not manage to achieve its investment objectives if any required municipal approval or accreditation is rejected or if the same is granted with unacceptable conditions. In such cases, the Fund might not be able to complete an investment or a real estate development operation.

*Saudization risks*

The government in Saudi Arabia requires the employment of high percentage of Saudi citizens in developing the real estate sector in Saudi Arabia

(Saudization). The extent to which the Fund and its investments would be required to implement the Saudization policies is still unclear. Saudization might require hiring additional employees or providing additional training, which results in additional costs that might cause operational costs higher than what is basically expected which is deduced from the Fund net income. This decreases the net profit available for distribution to unit holders.

*Risks of litigation with others*

The activities of the Fund assets make it vulnerable to the risks of entering into litigation with others. The Fund shall bear the defense fees against the claims of third parties and the amounts of settlements or judgements, which might decrease the net assets and the distributions to the unit holders.

*Risks of defining responsibilities and compensation*

The Terms and Conditions herein define the conditions in which the Fund Manager, or any of the directors, officials, employees, agents, and consultants working for it; the affiliated companies and the relevant parties; the Custodian; each developer; real estate manager; the Shari'a Committee; and Fund Board of Investment, shall bear any responsibility towards the Fund. Consequently, the investors' right in compensation might be defined by way of comparison with situations that might not be the same as the restrictive conditions stipulated in the Terms and Conditions herein. In addition, the Terms and Conditions herein state that the Fund shall compensate the Fund Manager and its affiliated companies for the claims, losses, damages, expenses resulting from their actions on behalf of the Fund. This might fundamentally impact the obligations to pay compensations on the investors' returns.

*Future data*

The Terms and Conditions herein might contain future data related to future events or to the future performance of the Fund or its expected assets. In some cases, future data might be defined with terms such as the following: "We target," "we expect," "we believe," "we estimate," "continues," "we are waiting for," "we intend," "perhaps," "plans," "projects," "it is assumed," and "will," or the opposite of such terms or any other similar ones. Such data are just speculations, while the actual events or results might fundamentally change. Potential investors must, upon evaluating such data, specifically consider a number of different factors, including the risks mentioned in the Terms and Conditions herein. Such factors might make the actual events or results substantially different from any of the future data mentioned in the Terms and Conditions herein.

*The aforementioned does not include complete and comprehensive explanation of all the risk factors involved in the unit investments in the Fund. Therefore, we strongly recommend that all potential investors seek independent consultation from their professional licensed consultants.*



2-8

Subscription:

The current Fund’s capital is SAR 500,000,000.00 The Fund intends to increase its capital to SAR 1,633,000,010.31 by offering 121,697,101 new units ("the New Units") with an offering price that equals the average closure price for 30 trading days of the Fund’s units before the date on which the Capital Market Authority approves the capital increase which is **SAR 9.31** per unit ("**Target Offering Price Offering Price**"). A number of 28,370,310 new units is set to be offered for cash subscription. A number of 93,326,791 new units will be issued with the Target Offering Price in return for in-kind subscription from the owners of the new real-estates the Fund intends to acquire with relation to increasing Fund’s capital.

New units will be launched as per the applicable procedures according to the regulatory controls and procedures issued from Saudi CMA, as well as the regulations of the real-estate investment funds. The subscription will be in return for the in-cash and in-kind contributions as follows:

- (1) The unit fractions won’t be calculated in the in-kind subscriptions. The owners shall be compensated in cash for the fraction amount in the excluded units. Therefore, the mentioned amounts might differ very slightly in amount that does not exceed the value of a new unit in the targeted subscription price.
- (2) As indicated in the Terms and Conditions herein, the percentage of Rafal Tower Real Estate Company might increase from the abovementioned, in case some units remain unsubscribed to for the cash subscription period. The in-kind subscriptions amounts for Rafar Tower Hotel and the Boulevard might increase in comparison of the in-cash subscriptions. In all cases, the public ownership percentage will not exceed 30% of the total units in the Fund after increasing the capital.

Subscription type	Unit number	Unit value in SAR	Percentage from the total capital increase	Percentage from the capital after increase
In-kind subscription: <sup>1</sup>				
Burj Rafal Real Estate Company - Burj Rafal and the Boulevard <sup>2</sup>	93,326,791.	868,872,424.23.	76.69%	53.21%
Mohamed Amin Dahlawi Sons - Omnia Center	60,496,502.	563,222,433.62	%49.71	34.49%
Higher Education Fund - Electronic University	18,045,112.	167,999,992.72.	% 14.83	10.29%
	14,785,177.	137,649,997.87.	% 12.15	8.43%
Cash subscriptions - existing unit holders and the public	28,370,310.	264,127,586.10.	23.31%	16.17%
Total capital increase	121,697,101.	1,133,000,010.31	100%	69.38%
Total targeted Fund capital after increase	171,697,101.	1,633,000,010.31		100%

The following is a table summarizing how the subscription proceeds are used:

Targeted cash subscriptions	SAR 264,127,586.10
Targeted in-kind subscriptions	SAR 868,872,424.21
<b>Total targeted subscription amounts</b>	<b>SAR 1,633,000,010.31</b>
Acquisition of Rafal Hotel and the Boulevard	SAR .00677,000,000
Acquisition of Omnia Center	SAR .00168,000,000
Acquisition of Saudi Electronic University	SAR .00137,650,000
Payment of Murabaha facilities	SAR 150,350,020.24
Compensation for unit fractions	SAR (9.93)
<b>Total</b>	<b>SAR 1,633,000,010.31</b>

The shares and uses of in-kind and in-cash subscriptions after capital increase:

	Percentage after increasing Fund's capital	Fund's capital
<b><u>SAR 500,000,000.00</u></b>	<b><u>30.6%</u></b>	<b>Current Fund's capital</b>
<b><u>SAR 868,872,424.21</u></b>	<b><u>53.21%</u></b>	<b>In-kind subscriptions</b>
SAR 563,222,433.62	34.49%	1- Rafal Hotel and the Boulevard
SAR 167,999,992.72	10.29%	2- Omnia Center
SAR 137,649,997.87	8.43%	3- Saudi Electronic University
<b><u>SAR 264,127,586.10</u></b>	<b>16.17%</b>	<b>Cash subscriptions</b>
SAR 113,777,565.86	7%	1- Rafal Hotel and the Boulevard
SAR 0	0.0%	2- Saudi Electronic University
SAR 150,350,020.24	9.21%	3- Payment of facilities *
<b><u>SAR 1,633,000,010.33</u></b>	<b>100%</b>	<b>Total targeted Fund capital after increase</b>

\*Riyadh REIT Fund signed short-term Murabaha facilities of SAR 500 million, with a profit margin of 3.1% to finance the purchase of real estates and to finance developing projects that are under construction. Around SAR 190 million was used; the Fund intends to pay around SAR 150 million using the proceeds of the cash subscriptions. The Fund intends to reuse around SAR 80 million during 2018 to finance the development of the projects that are under construction. Therefore, the target of the total Murabaha facilities after the completion of project development is SAR 120 million. The Fund Manager intends to use the rest of the facilities to finance the future acquisitions

#### A. In-kind subscription

A number of 93,326,791 new units will be offered to the sellers of the assets, whose ownership shall be transferred to the Fund with regard to the increase in Fund's capital. The Fund will, particularly, do the following:

Acquire the Rafal Tower Hotel and the Boulevard with a purchase price of SAR 677,000,000, of which SAR 113,777,565.86 will be paid in cash, and 12,221,006 new units will be issued with the Target Offering Price of SAR 9.31 per unit, making the total of the in-kind subscription SAR 563,222,433.62, in addition to an amount of SAR 0.52 in cash as a compensation for the unit fractions;

Acquire Omnia Center, with a purchase amount of SAR 168,000,000 by issuing 18,045,112 new units in the Target Offering Price of SAR 9.31 per unit, making the total of in-kind subscription SAR 167,999,992.72, in addition to an amount of SAR 7.28 in cash, as a compensation for the fraction units;

Acquiring the building of the Saudi Electronic University with a purchase price of SAR 137,650,000, by issuing 14,785,177 new units with the Target Offering Price of SAR 9.31 per unit, making the total of the in-kind subscription SAR 137,600,012.50 in addition to an amount of SAR 2.13 as a compensation for the unit fractions.

The target is for the in-kind subscriptions to reach 76.7% of the new offered units, and 53.2% of the total units after capital increase.

#### B. Cash subscription

In addition to issuing the new units by in-kind subscription, the Fund's capital will be increased in cash by issuing 28,370,310 new units with the Target Offering Price of SAR 9.31 per unit for the public Eligible Investors including institutions and individuals in addition to the unit holders registered in the unit holders registry of the Fund at the Securities Depository Center Company (Edaa) by the end of the second trading day preceding the date of the general assembly ("Allocation Effective Date") to be held for the purpose of approving the capital increase and the terms and conditions related to increasing the Fund's size that will have the priority in the allocation of the subscribed to units

("Allocation Eligible Persons") as indicated in the allocation mechanism below.

The cash subscription period starts on 01/04/2018 corresponding to 15/07/1439H and ends after the elapse of 10 business days (14 calendar days) on 12/04/2018 corresponding to 26/07/1439 H - ("**Subscription Period**"). If the units remain unsubscribed to for the period of cash subscription, the Fund Manager may extend the Subscription Period for 5 business days after the approval of CMA ("**Subsequent Subscription Period**"),

If the units remain unsubscribed to after the end of the Subscription Period and the Subsequent Subscription Period, ("**Remaining Units**"), and the total amount of the cash and in-kind subscriptions is less than SAR 1,133 million and more than SAR 500 million, the minimum of the subscriptions in the Fund will be accepted and the units subscribed to in cash will be allocated as mentioned below in the Allocation Mechanism. The Fund Manager will also do the following:

- 1- Arranging for the asset sellers indicated in Paragraph 2-8 (B) to increase the in-kind subscriptions versus the cash subscriptions, taking into consideration the regulations and instructions of the public subscription; and/or
- 2- Cancelling the units unsubscribed to partially or fully, and having only the collected subscriptions. The Fund will finance the remaining amount to complete the acquisition processes and the completion of development projects, with maximum 50% of the total value of Fund's assets, from Riyadh Bank or any other financial institution by virtue of the existing facilities agreed upon with the Fund Manager on behalf of the Fund.

1) Allocation Mechanism:

If the Subscription Period or the Subsequent Subscription Period in case of extension ends and the total amounts of subscription collected from all investors (including the in-kind subscription) are equal to or more than the minimum required to be attracted for the Fund, which is SAR 500,000,001.83. The minimum Fund's subscriptions will be accepted and the units subscribed to in cash will be allocated as per the following subscription steps:

**First Allocation Stage:**

The priority in allocating the new units offered in the cash subscription will be for the Persons Eligible for Allocation by One new unit for each owned unit, provided that an application is submitted with the same and the necessary procedures are completed. Unit fractions shall not be counted in the Allocation Mechanism, since the unit fractions (if any) will be allocated during the second stage.

Examples on the Allocation Mechanism during the First Stage:

If there is an investor who owns 1,000 units at the Allocation Effective Date, assuming that the offering price is SAR 10 for each unit (the rate of allocating One unit for the currently owned unit):

Number of owned units before the offering	Allocation priority (New unit)	Subscription amount (Riyal)	Allocation percentage	Number of units allocated in the First Stage	Total number of units after allocation	Surplus after the First Stage
1000 units	1,000 units	5,000.00.	100%	500 units	1500 units	NA
1000 units	1000 units	10,000.00.	100%	1,000 units	2000 units	NA
1000 units	1000 units	20,000.00.	50%	1,000 units	2000 units	SAR 10,000

### Second Allocation Stage:

The remaining units, to which the persons eligible for allocation have not subscribed fully or partly, if any, in addition to the unit fractions, will be allocated to all qualified investors who are not eligible for allocation and to all unit holders who subscribed with more than One new unit for each owned unit (surplus after the First Stage). The remaining units will be allocated in equal portions for all subscribers until the minimum of 50 units is covered. If the minimum is covered to all subscribers, the remaining units will be allocated in proportional with the amount of subscription applied for.

Example on the Allocation Mechanism during the Second Stage:

If there are any units remaining after the First Stage, in a number of 10 million units with the value of SAR 100 million and potential offering price of SAR 10 per unit in which no eligible person is subscribed fully or partly, in addition to the unit fractions:

After the End of the First Stage		The Second Stage			
Number of remaining units	Amount of public subscriptions and the surplus amount	Number of allocated units	Amount of allocation	Number of unsubscribed units	Cash surplus
10 million units	SAR 50 million	5 million units	SAR 50 million	5 million units	NA
10 million units	SAR 100 million	10 million units	SAR 100 million	NA	NA
10 million units	SAR 200 million	10 million units	SAR 100 million	NA	SAR 100 million surplus to be returned to the investors

### **The Third Stage:**

If units remained unsubscribed (“Remaining Units”), the Fund Manager will arrange for the asset sellers specified in Item 2-8 (B) to increase the amount of in-kind subscriptions as compared to the cash subscriptions, so the finance of the acquisitions financing will be through in-kind subscriptions fully to the asset sellers.

The Fund Manager may decide to find the collected amounts sufficient, cancel all the remaining units fully or partially and finance the remaining amount required to complete the acquisition operations and complete the development projects, from Riyadh Bank or any other financial institution by virtue of the existing facilities agreed upon with Fund Manager on behalf of the Fund.

#### 2) Minimum subscription

Minimum for cash subscription for all eligible investors is 50 units equal to SAR 465.50. This condition does not apply to in-kind subscription.

#### 3) Maximum subscription

The maximum of the cash subscription for all Eligible Investors is 8,700,000 units equal to SAR 80,997,000. This condition does not apply to in-kind subscription. And the Fund Manager’s

subscription, since it will subscribe with a share that is equal to 10,741,139 units (equivalent to SAR 100,000,004).

4) Subscription acceptance and returning the surplus:

The Fund Manager shall notify each investor within 5 days of receiving the Subscription Request with the acceptance or rejection thereof, either fully or partially. The surplus cash subscriptions will be returned without any deductions, except for the transfer fees, after deducting the value of the allocated units within 5 business days from the date of allocating the units.

5) Fund Subscription Mechanism

**Via the Fund Manager– Riyadh Capital Company**

Eligible investors may subscribe to the Fund's capital increase, provided that they have active investment portfolio at any financial company licensed by the CMA. Eligible investors shall subscribe via the electronic channels of the Fund Manager, by visiting the website [www.riyadcapital.com](http://www.riyadcapital.com)



**First Step -- Preparing the following subscription requirements**

Electronic copy of valid national ID / Iqama

Providing bank account number (IBAN) under the investor's name and ensuring there is a sufficient amount for subscription

**Second Step -- transferring the subscription amount**

The full subscription amount will be transferred during the subscription period to the account mentioned in the subscription page at Riyadh Capital.

For example: If the investor desires to subscribe with SAR 10,000, an amount of SAR 10,000 shall be transferred.

The full subscription amount shall be transferred from a bank account registered under the name of the eligible investor applying to invest in the Fund, provided that the reference number of the transfer shall be added to the Subscription Request in the Third Step (below), in addition to attaching a copy of the national ID/Iqama. In case of any mismatch between the transfer amount attached and the subscriber name, the Fund Manager is entitled to reject the Subscription Request.

**Third Step -- filling the Subscription Request -- electronic subscription feature:**

The investor gets the Subscription Request by visiting the website of the Fund Manager [www.riyadcapital.com](http://www.riyadcapital.com). The investor must fill the Subscription Request fully and send it electronically, after getting approved by using the electronic subscription feature. The investor shall also attach all the documents required and illustrated in the First and Second Steps.

No Subscription Request or bank transfer shall be accepted after the Subscription Period. No investor can amend the data mentioned in the Subscription Request after sending it. Subscription can be cancelled and a new application can be submitted. However, subscription cannot be cancelled after getting approval and confirmation.

In all cases, investors of different types must take into consideration fulfilling the subscription requirements and documents and upload them via the electronic subscription feature.

**Fourth Step -- confirming subscription receipt:**

The Fund Manager shall send confirmation of the receipt of the Subscription Request to the client by email or by SMS to the mobile number



registered via the electronic subscription feature, within 5 business days of the date of closing the Subscription Period.

**Fifth Step --- Subscription Request acceptance:**

The Subscription Request will be reviewed within 5 business days after the date of closing the Subscription Period. If the Subscription Request does not fulfill all the requirements or if there are any remarks, the client shall be notified via the email or by SMS to the mobile number registered via the electronic subscription feature to fulfill the requirements within one business day of notifying the subscriber. If the application is complete, a notification will be sent to the investor with the acceptance of the Subscription Request.

**Company, investment funds, and investment portfolios investors shall refer to any branch of Riyadh Capital:**

**Documents required from companies:**

Copy of the Commercial Register with the company's seal.

Copy of the Articles of Association and the by-laws with the company's seal.

Copy of the authorized signatory ID with the company seal and signed by the mandator.

**Documents required for investment funds:**

Copy of the Fund Manager Commercial Register with the company's seal.

Copy of the Articles of Association and the by-laws of the Fund Manager with the company's seal.

Copy of the activity license of the Fund Manager.

Copy of the terms and conditions of the Fund.

Copy of the CMA approval of the Fund offering.

Copy of the authorized signatory ID with the company seal and signed by the mandator.

**Documents required for investment portfolios:**

Copy of the investment portfolio owner ID.

Copy of the Commercial Register of the Portfolio Manager with the company's seal.

Copy of the Articles of Association and the by-laws of the Portfolio Manager with the company's seal.

Copy of the activity license of the Portfolio Manager.

Copy of the portfolio investment management agreement.

Copy of the authorized signatory ID with the company seal and signed by the mandator.

**Remarks:**

The client shall verify the submitted data and documents, and Riyadh Capital shall not be responsible for any errors.

The client shall take into consideration the match between the Subscription Request amount with the executed bank transfers. The Subscription Request shall be rejected in case of any mismatch with addition or omission.

Any amount transferred from an account other than the account registered at the Fund Manager when subscribing to the Fund shall be rejected/not accepted and the bank account must be under the client's name.

For any inquiries, please contact us at 920012299 or via email ask@riyadcapital.com

**Through the receiving entities (Riyad Bank, Al Rajhi Bank, the National Bank, and Banque Saudi Fransi)**

The investor can subscribe provided that he has a bank account at Riyad Bank, Al Rajhi Bank, the National Bank, and the Banque Saudi Fransi, and an active investment portfolio. The investor shall subscribe through the electronic channels of the bank or its branches in KSA cities.

بنك الرياض  
riyad bank

مصرف الراجحي  
Al Rajhi Bank

The following documents shall be submitted when subscribing, based on the investor category:

**Documents required from all investors:**

Subscription Request (paper or electronic copy, as the case may be) signed and fully filled, making sure there is enough balance for the subscription amount.

NCB الأهلي



البنك  
السعودي  
الفرنسي  
Banque  
Saudi  
Fransi



**Documents required from individuals:**

Copy of valid national ID for Saudis or copy of valid Iqama for residents.

6) Cancellation and refund

Offering new units may be cancelled and all amounts of subscription shall be returned to investors in any of the following cases (unless the CMA decides otherwise):

- a) Failure to meet the minimum subscriptions of SAR 500 million during the Fund's capital increase; or
- b) If the number of unit holders from the public is less than Fifty-unit holders;
- c) If the number of unit holders from the public is less than 30% of the total holders of the Fund's units;

- d) If the ownership of the assets set to be transferred to the Fund is not transferred.

If the offering of the new units is cancelled, any subscription amounts received shall be returned to investors within 5 business days of the date of cancellation (particularly any bank fees, transfer fees, or currency exchange fees).

7) Eligible Investors

The Fund Manager will offer the new units in consistency with the law governing real estate ownership or investment for non-Saudis.

The Fund Manager is entitled to, fully or partially, reject the subscription for any investor in the Fund, if such subscription violates the Terms and Conditions herein. The real estate investment funds regulations, or any other regulations applied from time to time by CMA or any other regulatory entity.

The Fund Manager shall take all the reasonable procedures that might be necessary to ensure all the time:

- A. That the number of unit holders from the public is not less than Fifty unit holders;
- B. That the ownership of the unit holders from the public is not less than 30% of the Fund's units.

**Timetable:**

Procedure	Targeted period of time
Obtaining the approval of CMA on the increase of Fund's capital	28/02/2018G
Obtaining the approval of the unit holders	17 business days after the date of obtaining CMA approval on the Fund's offering
Preparing and coordinating with the receiving entities regarding offering Fund's units	5 to 10 business days after the date of obtaining the approval of the unit holders on the Fund's capital increase

Subscription Period	10 business days starting from 01/04/2018 corresponding to 15/07/1439 H and ending on 12/04/2018 corresponding to 26/07/1439 H.
Subsequent Subscription Period (in case of extending Subscription Period)	5 additional business days after the end of the Subscription Period
Accepting or rejecting Subscription Request	The offering agent and the receiving entities shall notify the investor with confirming or rejecting its subscription within 5 business days of the date of closing the Subscription Period or of the date of closing the Subsequent Subscription Period
Declaring unit allocation	7 business days after the date of closing the Subscription Period or the date of closing the Subsequent Subscription Period
Returning the surplus amount from the subscription amount related to the investor	5 business days after the date of unit allocation
Acquiring the assets, transferring their ownership and listing the Fund's units	Within 90 business days after the date of closing the Subscription Period
Declaring the cancellation of capital increase (in case of not covering the minimum)	7 business days after the date of closing the Subscription Period or the date of closing the Subsequent Subscription Period
Cancellation and refund	If the offering is cancelled, all the subscription amounts will be returned within 5 business days after the date of declaring the cancellation of the capital increase

### C. Increasing Fund's Capital

#### (1) Mechanism for increasing Fund's capital

If the Fund Manager decides that the Fund needs to increase its size, the Fund might increase its size through the following procedures in consistency with the laws and regulations issued by CMA:

- 1- Issuing additional units in return for cash subscriptions for the public and all Eligible Investors of individuals and institutions, including existing unit holders. In this case, the unit holders in the Fund shall have priority in allocation of any additional units issued by the Fund. If they do not subscribe, the Unit Manager is entitled to allocate the units to other Eligible Investors from the public.
- 2- Accepting in-kind subscription that might result in immediate decrease in the percentage of the contribution of the existing unit holders in the Fund, as compared to the Fund's capital; and
- 3- Accepting both cash and in-kind subscriptions.

(2) Criteria for issuing units:

At any increase in the Fund’s capital, the Fund Manager shall offer units in the Fund, if it deems the same to be an added value or complementary and in the best interest of the unit holders. The Fund Manager shall take the following factors into consideration when issuing units in the Fund in the future:

- 1- Net value of the Fund assets, as defined by virtue of the most recent valuation of the Fund assets;
- 2- The market price of the Fund units and the historical average rates;
- 3- The added value and/or complementary value resulting from issuing the units; and
- 4- The market and economic conditions and the status of the real estate investment sector and the levels of cash liquidity.

(3) Procedure for increasing Fund’s capital:

The Fund Manager shall take the following procedures to increase the Fund’s capital:

- 1- Applying for Fund’s capital increase at CMA; and
- 2- Issuing and publishing the approval on Fund’s capital increase after obtaining CMA’s approval.
- 3- Obtaining the approval of the unit holders to increase Fund’s capital.

## 2-9 Fees, charges and commissions

Fee type	Amount/percentage	Calculation method	Fee payment frequency
Management fees	1.2%	of the net assets value of the Fund (as defined in	The management fees shall be calculated and paid semiannually by the end of each calendar half

		the Terms and Conditions herein)	
custody fees	SAR 100 thousand annually	Semiannually by the end of each half	The custody fees shall be calculated and paid semiannually by the end of each calendar half
Auditor Fees	SAR 15 thousand with a maximum of SAR 30 thousand annually	Lump sum	paid to the Auditor by the end of each calendar year
Zakat and Tax Advisor Fees	SAR 13,225 with a maximum of SAR 30,000 annually	SAR 13,225 with a maximum of SAR 30,000 annually, only actual fees will be calculated in accordance with the agreement concluded between the advisor and the fund manager.	It is calculated on a daily basis, added to the evaluation in aggregate, and then deducted at the end of the year: $(30,000 \div 365) \times 1 = 82.19$ for one day. Assuming that the Zakat and Tax Advisor fees for the fund are 30,000 Saudi riyals.
Financing Fees	The Fund shall bear all the costs of finance, charges, and expenses related to arrangement and structuring of financing the fund that is consistent with the Fund's Shari'a compliance rules, if any. Negotiations in this regard shall be made on a pure commercial manner.		
Brokerage commission	The Fund might pay the real estate brokers a brokerage commission of maximum 2.5% of the cost of purchasing any real estate asset. The percentage of the due commission might differ based on the negotiations between the Fund Manager and the relevant broker.		
Unit registration and listing fees	<b>Registration fees:</b> <ul style="list-style-type: none"> <li>- Service of developing owner registry: SAR 50 thousand in addition to SAR 2 for each investor with a limit of SAR 500 thousand.</li> <li>- Service of managing</li> </ul>		--

	owner registry: SAR 300 thousand annually.		
	<p><b>Listing fees:</b></p> <ul style="list-style-type: none"> <li>- Service of initial listing of the Fund units: SAR 50 thousand.</li> <li>- Service of listing Fund units: Amount: .03 % of the Fund's market value, with a minimum limit of SAR 50 thousand and a maximum limit of SAR 300 thousand</li> </ul>		
Dealing Fees	1%	of the purchase or selling price of each real estate asset sold or purchased	Due for payment to the Fund Manager after completion of the purchase or selling of each real estate asset. To avoid any doubt, such fees are due on any new acquisitions processes done by the Fund to increase its capital, including the current real estate subject of acquisition.
Real estate management fees	Maximum 7%	of the proceed of the lease related to the relevant real estate	<p>Real estates:</p> <p>Central (Excellence Building, Al Izdhar Building, Al Fursan Towers, The Residence): Sama Real Estate Company Eastern Region (Al Shatei Towers) Trust Partners Properties company</p> <p>Western Province (Omnia Building): StarLink Real Estate</p> <p>All annual contracts are renewed with the desire of both parties</p>
Development/ project management fees	Maximum 7%	of construction costs	To be negotiated on a commercial independent basis (The current project under construction is Ascott Corniche Al Khobar, the total target development fees for the project is 5%, with maximum 7%)
Expenses	Based on the actual cost and such expenses do not	Based on the due date of each payment separately	The Fund will be responsible for all costs and expenditures of the Fund's activities and investments. The Fund bears all fees resulting from transactions with third parties, as well as the consultation and legal fees and the allowances and salaries



	exceed 0.5% of the net value of the fund asset.		of the Fund board member. All services provided by third parties such as the legal and consultation fees, real estate consultants, relevant insurance costs, and any other professional services including expenses related to listing Fund units. The target is that such costs do not exceed 0.5% of the net value of the Fund assets. The Fund Manager shall bear all the public expenditures related to Fund management, including employee salaries in relation to the Fund, the Shari'a Committee costs, and the facilities costs and lease of the Fund office.
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The mentioned fees and expenses do not include value added tax. The tax will be borne separately according to the prices stipulated in the value added tax law and the executive regulations thereof.

The Fund Manager acknowledges that the fees mentioned in the table above are all the fees imposed and calculated on the Fund during the Fund lifetime without any exception. The Fund Manager shall be deemed fully responsible for calculating any other fees other than the ones mentioned in the table above.

**A. Fees and charges**

The following is a summary of the major fees and charges due on the Fund or the investment therein to the Fund Manager and other consultants or service providers. Additional information is provided in the summary of the financial disclosure mentioned in Annex (A):

**1- Management fees**

The Fund shall pay the Fund Manager annual fees (“**Management Fees**”) equal to 1.2 % of the Fund assets (as defined in the Terms and Conditions herein). The management fees shall be calculated and paid semiannually by the end of each calendar half.

**2- Custodian Fees:**

The Fund shall pay the Custodian annually custody fees of SAR 100 thousand annually. The custody fees shall be calculated and paid semiannually by the end of each calendar half.

**3- Auditor Fees**

The Fund shall pay an annual fee of SAR 15 thousand with a maximum SAR 30 thousand annually in return of the Auditor services.

**4 Zakat and Tax Advisor**

The Fund bears the costs of the zakat and tax advisor amounting to 13,225 Saudi riyals, with a maximum of 30,000 Saudi riyals annually.

**4- Financing fees**

The Fund shall bear all the costs of finance, charges, and expenses related to arrangement and structuring of financing in a way that is consistent with the Fund's Shari'a compliance rules, if any. Negotiations in this regard shall be made on a pure commercial basis.

**5- Brokerage commission**

The Fund might pay the real estate brokers a brokerage commission of maximum 2.5% of the price of purchasing any real estate asset. The percentage of the due commission might differ based on the negotiations between the Fund Manager and the relevant broker.

**6- Units registration and listing fees**

The Fund shall pay the fees in return for the services provided from Stock Exchange (Tadawul). The fees will be as follows:

- **Registration fees:**
  - Service of developing owner registry: SAR 50 thousand in addition to SAR 2 for each investor with a limit of SAR 500 thousand.
  - Service of managing owner registry: SAR 300 thousand annually.
- **Listing fees:**

- Service of initial listing of the Fund units: SAR 50 thousand.
- Service of listing Fund units: Amount: .03% of the Fund's market value, with a minimum limit of SAR 50 thousand and a maximum limit of SAR 300 thousand

## 7- **Dealing Fees**

The Fund shall pay the Fund Manager Dealing fees ("**Dealing Fees**") with 1% of the selling or purchasing price of each real estate asset sold or purchased by the Fund, in return for the fact that the Fund Manager carries out the necessary investigations and negotiations on the selling or purchasing conditions and closing the process. The Dealing Fees are due after the completion of the selling or purchase process for each real estate asset.

Apart from the Dealing Fees, no fees or charges shall be paid to any Related Party (as defined in the regulations of the real estate investment funds) with relation to the acquisition, collection or disposing of any investments.

In addition, the Fund may pay the real estate brokerage fees in case of selling or purchasing a real estate property via a real estate broker. Such fees shall depend on the effort made by the broker to close the deal. Provided that it shall not exceed 2.5% of the real estate property price in all cases.

## 8- **Real estate management fees**

Real estate management fees negotiated on a commercial independent basis shall be paid. The target is for each real estate manager to receive maximum 7% of the proceeds of the lease related to the relevant real estate.

## 9- **Development/project management fees**

If the Fund invests in a real estate development project, the real estate developer/project manager shall receive fees for developing and construction as negotiated on a commercial independent basis. The developer/project manager shall receive maximum 7% of the construction costs.

## **B. Expenses**

The Fund will be responsible for all charges and expenditures of the Fund's activities and investments. The Fund bears all fees resulting from transactions with third parties, as well as the consultation and legal fees and the allowances and salaries of the Fund board member. All services provided by third parties such as the legal and consultation fees, real estate consultants, relevant insurance costs, and any other professional services including expenses related to listing Fund units. The target is that such costs do not exceed 0.5% of the net value of the Fund assets.

The Fund Manager shall bear all the public expenditures related to Fund management, including employee salaries in relation to the Fund, the Shari'a Committee costs, and the facilities costs and lease of the Fund office.

**C. Liability**

The Fund Manager shall take all the necessary steps for the interest of the unit holders, as per its own discretion with due and reasonable diligence. The Fund Manager, or any of the directors, officials, employees, agents, and consultants thereof, affiliated companies, Related Parties, the Custodian, each real estate developer and manager, Shari'a Committee members and the Fund Board Members, shall not have any liability before the Fund or before any investor with regard to any loss that might happen to the Fund as a result of any action or neglect from any of the mentioned parties in their management of the Fund affairs. In this case, any previously mentioned party, that desires to cite the provisions of this Paragraph, must have acted in good faith and in a manner thought to serve the best interests of the Fund and in a way that does not involve severe neglect, deception, or intentional misconduct.

**D. Summary of the financial disclosure**

The fees and expenditures targeted to be paid by the Fund are defined in the summary of the financial disclosure in Annex (a) of the Terms and Conditions herein. The following is an example of how to calculate the fees due on the Fund:

Hypothetical Size of the Fund with one billion Saudi Riyals		
	For 10 units	Total amount/percentage
<b>Hypothetical lease proceeds (9.14% of the hypothetical real estate value - one billion Saudi Riyals)</b>	SAR 9.14	SAR 91.4 million
<b>Real estate management fees and expenses</b>	SAR 0.64	SAR 6.14 million
<b>Type of charges, fees, and expenses (periodical costs)</b>		
<b>Custody fees</b>	SAR 0.01	SAR 100,000
<b>Auditor Fees</b>	SAR 0.003	SAR 30,000
<b>Zakat and Tax Advisor Fees (SAR 30,000 annually for example)</b>	SAR 0.003	SAR 30,000
<b>Unit registration fees:</b>	SAR 0.05	SAR 500,000
<b>Board fees</b>	SAR 0.024	SAR 240,000
<b>Management Fees (assuming that the net assets value of the Fund is one billion Saudi Riyals)</b>	SAR 1.2	SAR 12 million
<b>Total of annual repeated fees and expenses</b>	SAR 1.28	
<b>Expenses</b>	SAR 0.50	SAR 5 million
<b>Total of the value of the potential distributions</b>	SAR 6.7	
<b>Percentage of the potential distributions</b>	6.7%	
<b>Type of charges, fees, and expenses (non-periodical expenses)</b>		
<b>Development/project management fees (assuming a project with SAR 250 million cost)</b>	SAR 1.75	Not more than 7% of the construction costs
<b>Financing fees</b>	Depending on the actual cost	Depending on the actual cost
<b>Brokerage commission (assuming a purchase cost of SAR 250 million)</b>	SAR 0.625	With maximum 2.5% of the purchase cost
<b>Dealing Fees (assuming a purchase cost of SAR 250 million)</b>	SAR 0.25	1% of the purchase or selling price of each real estate asset sold or purchased by the Fund

## E. Dividends and other distributions

The Fund Manager aims at distributing annual cash profits to the investors of no less 90% of the Fund net profits, within 90 calendar days of each calendar year, with the exception of the capital gains resulting from selling the real estate assets that will be reinvested in additional assets in a way that serves the interest of the unit holders (taking into consideration Paragraph 2-5 above).

## F. Value-added tax

All the fees and expenses in the Terms and Conditions herein are referred to without adding the value-added tax, excluding the expenses of the zakat and tax advisor unless otherwise indicated. To the extent to which the value-added tax is due with relation to any service provided by a third party to the Fund or the Fund Manager in its capacity as the Fund Manager, the Fund Manager shall pay the amount paid to the service provider from the Fund assets to reflect the due value-added tax (or the market value equal to the value-added tax, if any) multiplied by the rate of the value-added tax applied to the relevant service (provided that a tax invoice is issued and received by the Fund).

To the extent to which the Terms and Conditions herein stipulates that a certain person (including, but not limited to, an insured party) deserves compensation for the losses, costs, expenditures, or charges incurred in relation to the Fund, the compensation amount shall be discounted to an amount that equals any tax balance on the relevant installment. If the paid amount is due in return or a part of a return of a service that is subject to tax, it shall be increased in a way that is proportionate with the value of the value-added tax, as per the above Paragraph.

The Fund Manager undertakes to provide the Zakat, Tax and Customs Authority with all reports and requirements regarding zakat declarations. The Fund Manager will also provide unit holders with zakat declarations upon request in accordance with the rules, and the investors subject to the provisions of these rules who own investment units in the Fund are required to calculate and pay the zakat on these investments.

The rules of the Zakat Authority can also be viewed through the following website: [www.zatca.gov.sa](http://www.zatca.gov.sa)

## **2-10 Fund assets valuation**

### **a. Fund assets valuation Method**

The Fund Manager shall value the Fund assets based on evaluations prepared by two independent valuers certified from Saudi Authority for Accredited Valuers (TAQEEM). As per the arrangements existing on the date of listing of the Fund, ValuStart and Barcode Company evaluated the assets owned by the Fund.

The net value of the Fund is calculated by deducting the total liabilities of the Fund, including any liabilities by virtue of bank facilities and the fees and expenses due on the Fund during the concerned period of the total Fund assets. The price of each unit in the Fund is calculated by dividing the outcome by the number of Fund units for the same period. Such price shall be a guiding price for the Fund units.

The value of the total Fund assets is the total of all real estate and cash assets, accounts receivables, and the market value of all investments in addition to the current value of any other assets owned by the Fund. The Fund Manager shall exercise its reasonable judgment to define the values related to the Fund assets and its liabilities, provided that it acts in good faith in the interest of the Fund and unit holders.

The unit holders in the Fund shall own the net assets value of the Fund. Neither the Fund Manager nor the Custodian shall have any interest in the Fund assets.

Therefore, the creditors of the Fund Manager or the Custodian shall not have the right to retreat over any of the fund's assets.

**b. Frequency and timing of the valuation**

The Fund Manager shall value the Fund assets by appointing two independent valuers accredited by the Saudi Authority for Accredited Valuers (TAQEEM), Twice a year on June 30th and December 31st every calendar year and in other times as decided by the Fund Manager (and such day shall be referred to as “**Valuation Day**”). The Fund Manager may delay the valuation of the Fund assets after obtaining the approval of CMA, according to Article 22 of the real estate investments funds regulations.

If there is a mismatch in the values of valuation of Fund assets between the reports of the two valuers, the average value of submitted valuations will be approved.

**c. How to announce the unit price**

The Fund Manager shall announce the unit price in the Fund within sixty (60) business days after the relevant valuation day. Such information shall be made available at the website of Tadawul and the Fund Manager.

## **2-11 Trading Fund units**

- a.** The fund units shall be traded in the same way of trading the shares of the companies listed in Saudi Stock Exchange (Tadawul). Therefore, the unit holders will be able to trade during the regular trading hours in any business day directly through Saudi Stock Exchange.
- b.** Regardless of any other clause, the trading of the fund units shall not be restricted and shall not be subject to the prohibition stated in Article 16 (A) of the real estate investment funds of the trading of the Related Parties in the Fund units.
- c.** Subscription to or purchasing of Fund Units shall be deemed an acceptance of the Fund's Terms and Conditions.

## **2-12 Fund Termination**

The Fund may be terminated (a) at the end of the Fund's period, (b) if all of its assets has been disposed of and all proceeds distributed from such procedures to the unit holders, (c) in case of any change in the laws, regulations, or the legal requirements or any other fundamental changes to the market conditions in The Kingdome of Saudi Arabia and the Fund Manager considered that as a justified reason to terminate the fund, and (d) if it is required to terminate the

Fund as per a decision by CMA or by virtue of its regulations (each of the above is “**Termination Case**”).

Each Termination Case shall require the approval of the Fund Board and CMA. The Unit holders and the CMA shall be notified within Thirty (30) days of the date of the occurrence of the Termination Case.

In case of terminating the Fund for any of the reasons mentioned above, the unit listing shall be cancelled, the time plan of liquidation shall be announced and the liquidation procedures shall start. The Fund Manager shall appoint a liquidator who must work to terminate the Fund and distribute its assets to the unit holders, taking into consideration the interests of the unit holders. With the understanding that The Fund Manager can carry out the tasks of the liquidator and can distribute the Fund assets to the unit holders in kind, if it becomes impossible to dispose of the Fund assets or if the Fund Managers deems the same to be in the interests of the unit holders.

## **2-13 Fund’s Board of Directors**

The Fund Manager shall appoint the Fund Board to monitor certain actions of the Fund and to act as an entrusted agent for the interest of the Fund and unit holders. The Fund Board shall work with the Fund Manager to ensure Fund success.

### **a) Formation of the Board of Directors and qualifications of the members**

The Fund’s Board shall compose of Six members to be appointed by the Fund Manager, two of them are independent. Any amendment in the formation of the Fund Board shall be announced at the Fund Manager website and that of Tadawul.

The Fund shall be composed of the following persons:

#### **Mr. Raed Al-Barakati (Chairman)**

He currently holds the position of Deputy CEO and previously held the position of Head of Brokerage and Delivery Services Department at Riyadh Capital, and Manager Retail Investments Department & Acting Manager Wealth Department at Riyadh Capital. He has more than 19 years of experience in investment banking and corporate banking. He holds a Master’s degree in Business Administration from Suffolk University in 2001 and holds a B.A. Bachelor's degree in Business Administration from King Fahd University of Petroleum and Minerals.

#### **Mr. Ahmad Al-Harbi (Member)**

Chief Operating Officer, he holds a bachelor’s degree in management information systems from West Virginia University, USA. He began his career in the Retail Banking Department at Samba Financial Group.



He joined Riyadh Capital in 2013 as Director of Electronic Channels and was then appointed as Director of Distribution Services in 2017.

**Mr. Abdulrahman Al-Ahmad (Member)**

Abdul Rahman joined Riyadh Capital in 2014 AD as a member of the local real estate investments team, where he participated during that period in structuring the Riyadh REIT fund in 2016 AD. He then moved to work in the international real estate investments team in 2018 AD, where he participated in the launch of many international real estate funds. After that, Abdul Rahman assumed the position of Head of International Real Estate Investments at Riyadh Capital until 2023 AD. Abdul Rahman provided many real estate advisory services to many listed and private companies. Abdul Rahman holds a bachelor's degree in finance from Southern Methodist University, Dallas, Texas.

**Mr. Abdullah Iyad Al-Faris (Member)**

He is currently the Chief Financial Officer of Riyadh Capital. He joined the Riyadh Bank Group in 2016 and held a number of positions in financial management and internal auditing. He has experiences in various fields and sectors before joining the group, where he previously worked in the field of finance, compliance, risk management and internal audit. He holds a bachelor's degree in accounting from King Saud University and a master's degree in business and finance administration from Heriot Watt University in UK, in addition to a number of professional fellowships in accounting and auditing.

**Mr. Walid Ali Al Qasim (Independent Member)**

Mr. Al Qasim has an experience of more than 20 years in brokerage and investment banking, wealth management, and compliance. He previously worked for many financial companies and banks, including Riyadh Capital, Saudi Hollandi Bank, Samba, Arab National Bank, and Riyadh Bank. He has BA degree in Financial Management from the Arkansas State University.

**Mr. Mohammed Abdul Hamid Al Mubarak (Independent Member)**

Al Mubarak works as Head of Investment in Knowledge Economic City (KEC). Before that, he worked as head of real estate investments in Mass Group Holding. He also previously worked as Portfolio Head at Riyadh Capital. In addition, he spent around eight years at Tadawul in the Corporate Finance and Investment Funds Department, where he held leading and technical positions. He has a BA in Financial

Management from King Faisal university and MA in Financial Sciences from University of Cambridge.

#### Members' qualifications

The Fund Manager acknowledges that all Fund Board Members:

- A. Are not under any bankruptcy or liquidation procedures;
- B. Have never committed any fraud, dishonest or fraudulent actions; and
- C. Have the necessary skills and experience that qualify them to be members at the Fund Board of Directors.

The Fund Manager acknowledges that both independent members fulfil the requirements of the definition of the independent members in the regulations and rules of CMA.

#### b) Allowances and compensation of the Fund Board Members

With the exception of the Two independent members in the Fund Board of Directors who shall receive maximum SAR 100 thousand annually for each of them, the rest of the Board members shall receive no salaries. However, the Fund shall bear all the travel and actual accommodation costs incurred by each member to attend the meetings, with a maximum limit of SAR 20,000 for each member in each calendar year.

#### Meetings

The Fund Board shall convene minimum one time every Six months. A meeting may be convened upon the request of the Fund Manager or as necessary. All the resolutions taken by the Fund Board shall be approved by the majority of the present Board members in any meeting that fulfils the legal quorum. The legal quorum shall be achieved for the purpose of attendance of the majority of the Board members. The Fund Board may take any procedure or resolution, during any meeting or by virtue of a separate written consent outside the meeting signed by the majority of the Board Members. Such consent shall be sent or expressed via email.

#### c) Responsibilities and Services

Members of The Fund Board shall have the following responsibilities:

- A. Ensuring that the Fund Manager carries out its responsibilities in a way that serves the interests of the unit holders according to the Terms and Conditions herein, the regulations of the real estate investment funds;
- B. Approving the fundamental contracts, resolutions, and reports related to the Fund, including, but not limited to, the development agreements, custody agreements, marketing agreements, and evaluation agreement;
- C. Approving the Terms and Conditions and any amendments thereto;
- D. Approving any conflict of interests disclosed by the Fund Manager;
- E. Approving the appointment of the Fund Auditor nominated by the Fund Manager;
- F. Meeting at least Twice annually with the fund manager's compliance officer and the Anti money laundering/terrorism crimes officer to ensure the Fund Manager complies with the applicable rules and regulations;
- G. Ensuring the Fund Manager discloses all the fundamental information to the unit holders and other stakeholders;
- H. Working in good faith and with reasonable care to achieve the interests of the Fund and unit holders.

The Fund Manager shall submit all the necessary information related to the Fund to all Fund Board Members to help them carry out their obligations.

**d) Other funds managed by the Fund Board Members**

	Raed Al-Barakti	Ahmad Al-Harbi	Abdullah Al-Faris	Abdulrahman Al-Ahmad	Walid Al-Qasim	Muhammad Al-Mubarak
Riyad Saudi Equity Fund	√	X	√	X	X	X
Riyad Saudi Equity Sharia Fund	√	X	√	X	X	X
Riyad Blue Chip Equity Fund	√	X	√	X	X	X
Riyad Balanced Income Fund	√	X	√	X	X	X
Riyad Small and Medium Cap Fund	√	X	√	X	X	X
Riyad Emaar Fund	√	X	√	X	X	X
Riyad Income Fund	√	X	√	X	X	X
Riyad Gulf Equity Fund	√	X	√	X	X	X
Riyad SAR Trade Fund	√	X	√	X	X	X
Riyad USD Trade Fund	√	X	√	X	X	X
Riyad SAR Diversified Trade Fund	√	X	√	X	X	X
Riyad USD Diversified Trade Fund	√	X	√	X	X	X
Riyad American Equity Fund	√	√	X	X	X	X
Riyad Global Equity Sharia Fund	√	X	√	X	X	X
Riyad Emerging Markets Equity Fund	√	√	X	X	X	X
Riyad Al Jarei Fund	√	√	X	X	X	X
Riyad Al Shuja'a Fund	√	√	X	X	X	X
Riyad Al Mutawazen Fund	√	√	X	X	X	X
Riyad Al Mutahafedh Fund	√	√	X	X	X	X
Riyad Al Jarei Sharia Fund	√	√	X	X	X	X
Riyad Al Shuja'a Sharia Fund	√	√	X	X	X	X
Riyad Al Mutawazen Sharia Fund	√	√	X	X	X	X
Riyad Al Mutahafedh Sharia Fund	√	√	X	X	X	X
Riyad Opportunities Fund	√	X	√	X	X	X
Riyad Sharia Opportunities Fund	√	X	√	X	X	X
Riyad Real Estate Fund – Capital Gate	X	X	√	X	X	X
Riyad Real Estate Development Fund – Madina Gate	X	X	√	X	X	X
Riyad Real Estate Development Fund – Jawharat AlRiyadh	X	√	√	√	X	X
Riyad Real Estate Development Fund – Jawharat Jeddah	X	√	√	√	X	X

Riyad Real Estate Income Fund	X	X	√	√	X	<b>X</b>
Riyad Financing Fund II	X	X	√	X	X	<b>X</b>
Riyad Financing Fund III	X	X	√	X	X	<b>X</b>
Riyad Real Estate Development Fund – Al Ramz	X	X	√	√	X	<b>X</b>
Riyad Real Estate Development Fund – Durrat Hittin	√	X	X	X	X	<b>X</b>
Riyad Investment Fund 4	X	X	√	X	X	<b>X</b>
Riyad Real Estate Development Fund - Durrat Al Malik Khalid Road	√	X	√	X	X	<b>X</b>

## **.I** Fund Board meetings

Members of the Fund's Board shall hold their meetings upon the invitation of the Chairman, at least once every six months. The Chairman may hold an urgent meeting for the Fund Board if he deems the same to be necessary, and shall convene the meeting whenever the same is requested by the Fund Manager or any other Two (2) Fund Board Members.

The meeting of the Fund Board shall not be deemed valid unless it is attended by the majority of its members.

Resolutions of the Board shall be issued with the majority of votes. If the votes are even, the Chairman shall have a casting vote.

The Fund Board may approve the resolutions urgently through passing, through fax or email, provided that any such resolution shall be reviewed by the Fund Board in the first meeting following the official documentation.

Meetings of the Fund Board may be held and the voting may be made and the participation of the Board Members in its deliberations and voting on the decisions via modern technology methods.

The Fund Board shall document its meetings, prepare minutes of deliberations and discussions, including the voting processes, and

keeping such minutes systematically to refer to it easily when necessary.

No Board Member shall vote on any resolution in which they have an interest, either directly or indirectly. Such interest shall be disclosed to the Fund Board.

## 2-14 The Fund Manager

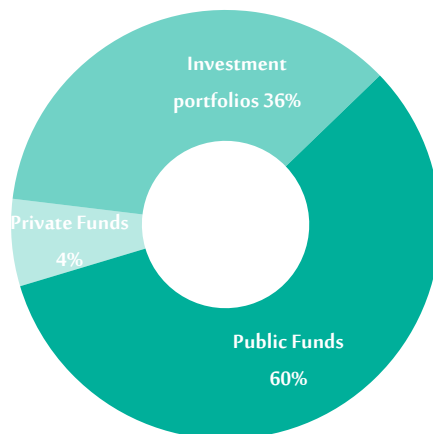
a) Name and address of the Fund Manager head office

Name: **Riyad Capital Company**  
Address: Head Office: 2414 Al-Shohada District, Unit no. 69, KSA  
Website: [www.riyadcapital.com](http://www.riyadcapital.com)

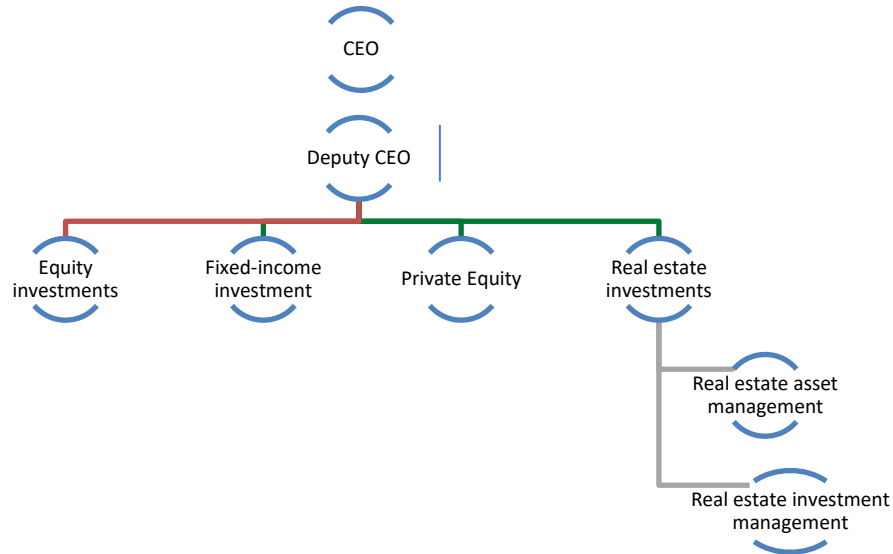
b) The Fund Manager as an authorized person

Riyad Capital is a Saudi Closed Joint Stock Company with a paid-up capital of SAR 500 million, with commercial register no. 1010239234, and a capital market institution license issued by CMA in 2008 by number 07070-37 to carry out advisory business and financial services. Riyad Capital company is the investment arm of Riyad Bank, with a headquarters at Riyadh city. It offers its individual and institution clients, at regional and international levels, a wide range of financial services, including financial advisory, arrangement, custody, dealing, and asset management. Riyad Capital currently manages 31 public funds, 3 private funds, and 18 investment portfolios, with a total asset value of more than SAR 22 billion.

Distribution of assets under management



The organizational structure of the asset management in Riyadh Capital is as follows:



c) Services of The Fund Manager and its employees

The Fund Manager shall appoint a portfolio manager registered at CMA, as per the authorized persons regulations issued by CMA to supervise the Fund assets management.

The Fund Manager shall provide the following and other services to the Fund, including, but not limited to:

- (A) Defining the investment opportunities and implementing selling and buying processes of the Fund assets;
- (B) Establishing the decision-making procedures to be followed when conducting technical and managerial matters of the Fund operations;
- (C) Informing CMA with any fundamental incidents or developments that might affect the Fund operations;
- (D) Abiding by all laws and regulations applicable in Saudi Arabia with relation to Fund operations;
- (E) Managing Fund's assets in a way that serves the unit holders' interests, according to the Terms and Conditions;
- (F) Ensuring the legality and validity of all contracts concluded for the Fund;
- (G) Implementing the Fund's strategy that is illustrated in the Terms and Conditions herein;

- (H) Arranging for, negotiating, and signing all the Shari'a compliant facilities documents on behalf of the Fund;
- (I) Appointing the Shari'a Committee and obtaining its approval that the Terms and Conditions herein are compliant with the provisions of Islamic Shari'a;
- (I) Supervising the performance of third parties with which the Fund has contracts;
- (J) Arranging for the liquidation of the Fund after its elapse term ends;
- (K) Providing the Fund Board with all the necessary information related to the Fund to fully enable its members to carry out their obligations;
- (L) Consulting with Fund Board to ensure compliance with CMA regulations and with the Terms and Conditions herein.

The Fund Manager shall be accountable for any losses incurred by the Fund as a result of negligence or intentional misconduct from its part.

**d) Potential conflict of interests between the Fund Board Members, the Fund Manager and the Fund**

The potential conflict of interests cases between the Fund Manager and the Fund are defined in Article 2.18 of the Terms and Conditions herein. The Fund Manager shall have no interest or claim against the Fund, unless with the extent to which it owns units in the Fund. The Fund Manager creditors shall have no interest in any of the Fund assets.

**e) Fundamental conflict of interests cases**

The Fund Manager acknowledges that, except for the conflict of interests cases stipulated in the Terms and Conditions herein, there are no fundamental cases of conflict of interests that might affect the Fund Manager's performance of its obligations towards the Fund.

**(f) Authorizing third parties**

The Fund Manager shall be responsible for managing the Fund and for appointing any party to carry out any of its responsibilities towards the Fund. The Fund Manager may appoint a third party to provide the services (including the supporting services) to enhance the Fund performance.

The Fund Manager intends to appoint a developer/project manager for all /real estate development projects. In addition, the Fund Manager will appoint a real estate manager or operator for each of the assets owned by the Fund.

Regarding Ascott Corniche Al Khobar project, Service Design Company was appointed to carry out the project management works.



g) Investing in the Fund

The Fund Manager may invest in the Fund Units, either by subscription or purchasing Fund units from the market. The Fund Manager shall disclose any of its investments in the Fund at the end of each Fiscal Year in the financial disclosure summary.

**2-15 The Custodian:**

Name: KASB Capital  
Address: P.O. Box 395737 Riyadh 11375  
Kingdom of Saudi Arabia  
Website: www.kasbcapital.sa  
Telephone: +966112079979.

The Custodian shall establish one or more Saudi limited liability company (each of them shall be "**Special-Purpose Vehicle**") to acquire the ownership of the Fund assets. Such structure will maintain the tax efficiency and legal compliance and will provide the best legal protection to the unit holders. The Fund assets shall not be mortgaged to any party. However, it may be mortgages or be in the possession of a Saudi Bank by virtue of the conditions of any financing documents.

**2-16 Development project manager:**

Name: Service Design Company  
Address: Prince Mohammed bin Abdulaziz Road, P.O Box 17043 Ri  
Kingdom of Saudi Arabia  
Website: www.sdtconsultant.com  
Telephone: +966114652276

**2-17 Auditor**

Name: Ibrahim Al Bassam and Abdel Mohsen Al Nemr  
Auditors  
Address: P.O. Box 28355 Riyadh11437  
Kingdom of Saudi Arabia  
Telephone: +966(11)2065333  
Fax: +966(11)2065444

The Fund Manager may change the Auditor of the Fund from time to time, based on the approval of the Fund Board of Directors. Unit holders and CMA shall be notified with the change.

## 2-18 Financial statements

The fiscal year ("**Fiscal Year**") starts from January 1st to December 31st each calendar year. The Fund Manager shall prepare the Fund's financial statements semiannually (unaudited) and annually (audited) based on the accounting standards issued by Saudi Organization for Chartered and Professional Accountants (SOCPA). The annual financial statements shall be audited by the Fund's Auditor. The financial statements of the Fund will be reviewed by the Fund Board and will be made available to the CMA immediately after being approved and communicated to the unit holders after approval, within maximum 25 days after the end of the period included in the reviewed financial statements and 40 days after the end of the period included in the audited financial statements, by publishing the website of the Fund Manager and that of Tadawul.

## 2-19 Conflict of interests

With exception from what is mentioned in the Terms and Conditions herein, there is no conflict of interests between the Fund Manager and the Related Parties and there is no conflict of interests between the Fund Manager, lessor or owner of the real estate property or the Fund Board. A conflict of interests might emerge from time to time between the Fund in one end and the Fund Manager, its affiliated companies, managers, officials, employees, and agents from the other end, as well as other funds sponsored or managed by them. If the Fund Manager has a fundamental conflict of interest with the Fund, it shall disclose it fully before the Fund Board as soon as possible. The Fund Manager and Fund Board shall try to resolve any conflict of interests by good faith and wisdom and by taking the interests of the Fund, unit holders, and affected parties into consideration.

As a start, the Fund Manager defined the following points of potential conflict of interests:

- *Projects similar to Riyadh Capital*

Riyad Capital shall, and is expected to continue to, manage its accounts, and investments and accounts with objectives similar in a way or another to those of the Fund, including other investment funds that might be managed or sponsored by "Riyad Capital" or in which Riyadh Capital or any of its affiliated companies might have capital shares.

In addition, and given the restrictions stipulated in the Terms and Conditions herein, Riyadh Capital and its affiliated companies may in the future sponsor or be the fund manager, investment manager, or general partner in private investment funds or any other collective investments. One or more of them may

invest in projects similar to those owned by the Fund, provided that such investment does not affect the Fund success.

- ***Conflict of interests related to the transactions with the Fund Manager and Subsidiaries***

The Fund might enter into transactions with the Fund Manager or companies affiliated to it or with any other entities in which Riyadh Capital owns direct or indirect rights, or with other investment funds managed by the Fund Manager. For example, some companies affiliated to Riyadh Capital or the investment funds managed by it may provide certain services to the Fund. For example, Riyadh Capital company manages an investment fund that owns a share of 15% of the capital of Boudle Hotels & Resorts, the tenant at Al Shatei real estate and the operator of the residential part of the Residence building, both are affiliated of Riayd REIT Fund.

A disclosure will be made to the Fund Board with all the transactions between the Fund, the Fund Manager, and its affiliated companies and entities in which Riyadh Capital owns direct or indirect rights.

However, the Fund Manager and the Fund Board shall make reasonable efforts in good faith to prepare the agreements conditions between the Fund Manager and its affiliated companies from one end and the Fund from the other end on an independent and pure commercial basis.

- ***Fund Board***

The Fund Board shall supervise and settle any conflict of interests. As of the date of the Terms and Conditions herein, the Fund Board shall be composed of members appointed by the Fund Manager. The Board Members shall pay all due care towards unit holders, by virtue of the real estate investment funds regulations, as well as doing their best to resolve any conflict of interests in good faith, as they deem appropriate.

- ***Transactions with Related Parties***

The Fund may, from time to time, enter into transactions with the Related Parties, provided that such transactions shall be disclosed to the Fund Board and be based on the standard market conditions. If any of the Related Parties, including any other fund established by the Fund Manager, desires to enter into a deal with the Fund or the Fund Manager, it shall obtain the approval of the Fund Board and the paid purchased price obtained by the Fund shall be consistent with independent valuations.

The above mentioned does not include comprehensive and complete explanation and summary of all fields of potential conflict of interests involved in the unit investments in the Fund. Therefore, we strongly recommend that all

potential investors seek independent consultation from their professional licensed consultants.

## 2-20 Reporting to unit holders

The Fund Manager shall disclose the following to CMA and unit holders:

- (A) any fundamental changes that impact the Fund assets, liabilities, financial status, or general course of business or any change that impacts the Fund status or lead to the voluntary withdrawal of the Fund Manager from its position as the Fund Manager, and might reasonably lead to changing the price of the listed units or significantly impact the Fund's ability to fulfil its obligations related to the debt instruments.
- (B) any deal to purchase, sell, mortgage, or rent an asset, with a price equal to or more than 10% of the total net assets value of the Fund, as per the most recent reviewed preliminary financial statements or the annual audited financial statements, whichever is more recent.
- (C) Any losses that are equal to or more than 10% of the net assets value of the Fund, as per the most recent reviewed preliminary financial statements or annual audited financial statements, whichever is more recent.
- (D) Any change in the formation of the Fund Board or in the Fund committees.
- (E) Any conflict, including any lawsuit, arbitration, or mediation, if the dispute or claim amount is equal to or more than 10% of the net assets value of the Fund, as per the most recent reviewed preliminary financial statements or the annual audited financial statements, whichever is more recent.
- (F) increase or decrease in the net assets value of the Fund that is equal to or more than 10%, as per the most recent reviewed financial statements or the annual audited financial statements, whichever is more recent.
- (G) Increase or decrease in the total Fund returns that is equal to or more than 10% as per the most recent audited financial statements.
- (H) any deal between the Fund and a Related Party or any arrangement by which both the Fund and a Related Party invest in or provide its financing for any project or asset, if such deal or arrangement is equal to or more than 1% of the total Fund revenues, as per the most recent audited financial statements.
- (I) any disruption in any of the main Fund activities that is equal to or more than 5% of the total Fund revenues as per the most recent audited annual financial statements.
- (J) when changing the Auditor.
- (L) Appointing an alternative Custodian.

(M) if any judgment, announcement, or order is issued by a court or judicial entity, either in the first instant or the appeal stage that might have an adverse effect on the Fund use of any part of its assets with a total value that is more than 5% of the net assets value of the Fund, as per the most recent preliminary reviewed financial statements or the annual audited financial statements, whichever is more recent.

(N) Any proposed change in the Fund's capital.

The Fund Manager shall prepare and submit annual reports to the unit holders that include the following information:

(A) The assets in which the Fund invests

(B) The assets the Fund targets for investment

(C) Clarifying the percentage of rented and non-rented real estate properties to the total owned properties

(D) comparison table that cover the performance of the Fund during the last three fiscal years (or since the establishment of the Fund, to clarify):

(1) The net assets value of the Fund at the end of every fiscal year

(2) The net assets value of the Fund for each unit at the end of each fiscal year

(3) The highest and lowest net assets value of the Fund for each unit for each fiscal year

(4) Number of issued units at the end of each fiscal year

(5) Distribution of income for each unit

(6) Expense ratio incurred by the Fund

(E) performance track record that covers the following:

(1) The total returns for one, three, and five years (or since the establishment)

(2) Total returns for each year from the past ten fiscal years (or since establishment)

(3) A table that illustrates costs of services, commissions, and fees incurred by the Fund for third parties throughout the year. There shall also be a disclosure of whether there are any circumstances in which the Fund Manager decides to grant an exemption or discount on any fees

(F) If any fundamental changes are made during the period and affect the Fund's performance, they shall be clearly disclosed

(G) The annual report of the Fund Board, provided that it shall include, but not limited to, the topics that were discussed and the resolutions issued

therefrom, including the Fund's performance and the extent to which it meets its objectives

(H) A statement on the special commissions paid to the Fund Manager during the period, stating clearly the nature of such commissions and how they were used

## 2-21 Other information

### A. Unit holders' meetings

- 1) The Fund Manager may call for a unit holders meeting based on his own demand.
- 2) The Fund Manager shall call of a unit holders meeting within 10 days of receiving a written request from the Custodian.
- 3) The call for the unit holders' meeting shall be made by announcing it on the Fund Manager's website and that of Tadawul, and by sending written notifications to all unit holders and to the Custodian at least 10 days, or maximum 21 days, before the date of the meeting, The announcement and the notification shall specify the date, time, and suggest resolutions of the meeting., Once the notification is sent to the unit holders with regard to any meeting, The Fund Manager shall submit a copy of such notification to the CMA.
- 4) The Fund Manager shall call for a meeting with the unit holders within 10 days of receiving a written request from one or more unit holder who owns, individually or collectively, at least 25% of the Fund units' value.
- 5) The unit holders' meeting shall not be valid unless it is attended by a number of unit holders who own collectively at least 25% of the value of the Fund units.
- 6) If the quorum defined in Paragraph 5 above is not reached, the Fund Manager shall call for another meeting by announcing the same in its website and that of Tadawul and by sending a written notice to all unit holders and to the Custodian, at least 5 days before the date of the second meeting. The second meeting shall be valid regardless of the percentage of the unit ownership represented in the meeting.
- 7) Each unit holder may appoint an agent that represents it in the unit holders.
- 8) Each unit holder may cast one vote in the unit holders meeting on each unit it owns during the meeting time.
- 9) Unit holders' meetings, and participating in the deliberations therein, and the voting on its resolutions may

be held by modern technology means as per the controls set by CMA.

- 10) The decision shall be effective by the approval of the unit holders whose ownership percentage is more than 50% of the total units whose holders are present in the unit holders' meeting, either in person or via modern technology means.

## **B. Unit holders' rights**

Unit holders are entitled to exercise all rights related to units, including, but not limited to, the voting right in the meetings of the unit holders and increasing Fund's capital, and accepting in-kind contributions with regard to the Fund's capital. In addition, the approval of the unit holders in the Fund shall be obtained regarding any fundamental change suggested for the Fund. The term "fundamental change" shall mean any of the following:

- Important change in the Fund's objectives or nature.
- Change that might have adverse and substantial impact on the unit holders or their rights with regard to the Fund.
- Change that might have an impact on the Fund's risk status.
- Increasing Fund's capital.

## **C. Shari'a Committee**

The Fund shall carry out its investments, financing of investments, and managing its affairs in a way that is Shari'a compliant. Shari'a Committee of the Fund Manager ("**Shari'a Committee**") reviewed the Terms and Conditions herein, including the Fund structure and investment strategy. The Committee shall consist of the following members:

### **Sheikh Abdullah Bin Sulaiman Al Manea (Chairman)**

Adviser at the Royal Court with the rank of minister, and a member of the Council of Senior Scholars in the Kingdom since its establishment in 1394 AH - 1974 AD, and the former president of the Makkah Al-Mukarramah Courts. He was appointed Deputy General of the General Presidency of Scholarly Research, Ifta, Call and Guidance in 1396 AH, 1976 AD, and an advisor to many Islamic financial institutions in the world. He has many books and research on Islamic banking.

**Sheikh Dr. Abdullah Bin Mohammed Al Mutlaq (Member)**

Adviser at the Royal Court with the rank of minister, member of the Council of Senior Scholars in the Kingdom, member of The **Permanent Committee for Scholarly Research and Ifta** , former head of the Department of Comparative Jurisprudence at the Higher Judicial Institute, and advisor to many Islamic financial institutions, and has many books and research on Islamic financial transactions..

**Sheikh Dr. Mohammed bin Ali Al Gari (Member)**

Retired professor from King Abdulaziz University, Department of Islamic Economics in Jeddah, and former head of the University's Islamic Economics Research Center. He is an expert in the Fiqh Academy of the Organization of the Islamic Conference in Jeddah. He is currently working as a consultant for many Islamic financial institutions in the world and has many books and research on Islamic banking.

**D. Developers/project managers**

The Fund Manager shall contract with developer or project manager for each real estate property, based on the need in case there is a real estate property developed by the Fund. The developer shall prepare a master plan for each project and obtain all the necessary approvals, and the contracting with consultants and the design and supervision. The developer shall appoint contractors when necessary to complete the project based on the projects design approved by the Fund Manager. In addition, the developer shall receive the completed project from the contractors and start the project marketing and sales campaign. The Fund Manager may change the real estate developer from time to time, based on its performance.

**E. Property managers**

The Fund Manager shall appoint a manager for each property to be responsible for the administrative affairs of the properties, including establishing the rules and policies of the management, continuously monitor the property and the tenants' affairs, follow up on the collection of rents, follow up on the regular maintenance, and effectively use the property to achieve the best returns. The Fund Manager may change the property manager from time to time, based on its performance. The property



managers based on the area are as follows:

Central Region ( **Altamiz Center** , Al Izdhar Building, Al Fursan Towers, The Residence): Sama Real Estate Company

Eastern Region (Al Shatei Towers) Trust Partners Properties company

Western Region (Omnia Building): StarLink Real Estate

#### **F. Complaints procedures**

If any unit holder, during the Fund term, have any inquiries or complaints with regard to the Fund operations, such unit holder shall contact:

Quality and Complaint Department  
Riyad Capital company  
Head Office: 2414 Al Shohada District, Unit no. 69  
Riyadh – 13241-7279, KSA  
Email: [ask@riyadcapital.com](mailto:ask@riyadcapital.com)  
Telephone: 9200012299- 8001240010  
Website: [www.riyadcapital.com](http://www.riyadcapital.com)

#### **G. The Zakat and Tax Advisor**

**Name:**

KPMG Professional Services

**Address:**

Riyadh Front, Airport Road  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Commercial Registration No 1010425494

**Basic roles and responsibilities of the Zakat and Tax Advisor:**

- Registering the fund with the Zakat, Tax and Customs Authority for zakat purposes.

- Prepare and submit an information declaration to the Zakat, Tax and Customs Authority within the period specified in the rules of zakat collection from investors in the investment funds, attaching the following:
  1. The Fund's financial statements.
  2. A record of transactions between people associated with the fund.

## 2-22 Amending Terms and Conditions

The Fund Manager can amend the Fund's terms and conditions after obtaining the approval of the unit holders in the Fund on any proposed fundamental change to the terms and conditions. After obtaining the approval of the unit holders, the Fund Manager shall obtain CMA approval on the relevant fundamental change. Any of the changes below shall be deemed a fundamental change:

- a) Important change in the Fund's objectives or nature
- b) Change that might have adverse and substantial impact on the unit holders or their rights with regard to the Fund
- c) Change that might have an impact on the Fund's risk status
- e) Increasing Fund's capital

The Fund Manager shall submit an updated copy of the Fund's terms and conditions to the CMA within 10 days of making any change thereon as well as a copy to the Custodian upon updating.

The Fund Manager shall publish a copy of the Fund's terms and conditions in its website and on Tadawul website. It shall also announce the updated version of the Fund's terms and conditions in its website and that of Tadawul within 10 days of making any change thereon, including the annual update of the Fund's performance.

The Fund Manager shall announce in its website and that of Tadawul the details of the fundamental changes in the Fund's terms and conditions, 10 days before the change enters into effect.

## 2-23 Applicable law and conflict resolution

The Terms and Conditions herein shall be deemed a binding contract between the Fund Manager and each unit holder. Investing in the Fund shall be deemed implicit acceptance of such Terms and Conditions. They are subject to and shall be construed according to the applicable laws and regulations in KSA.

The Fund Manager and each investor shall seek an amicable resolution of any dispute that emerges as result of or in relation to the Terms and Conditions herein or to the matters raised herein. In case of disputes where amicable resolutions are not possible, any party may refer such dispute to Committee for the Resolution of Securities Disputes at CMA.

## Annex (A)

### Summary of the financial disclosure

Fund category	Real estate investment traded closed-ended fund.
Fund objectives	The main objective of the Fund is to provide regular income for unit holders, by investing in real estate assets that generate income and exist mainly in Saudi Arabia. The Fund intends to finance the costs of acquisition and operation from the subscription amounts and from a Shari'a compliant finance resources as well as the proceeds of the Fund's investment.
Target distributions	The Fund Manager aims at distributing annual cash profits to the investors of no less 90% of the Fund net profits, within 90 calendar days of each Gregorian year, with the exception of the capital gains resulting from selling the real estate assets that will be reinvested in additional assets in a way that serves the interest of the unit holders (taking into consideration Paragraph 2-5 above).
Closed/ open	Closed-Ended fund
Fund lifetime	99 Gregorian years start as of the date of accepting and listing the units in Saudi Stock Exchange (" <b>Tadawul</b> ") and offering them for trading.
Fund Manager	Riyad Capital company
The Custodian:	KASB Capital
Fund's main currency	Saudi Riyal
Management fees	The Fund shall pay the Fund Manager an annual fee (" <b>Management Fees</b> ") equal to 1.2 % of the net assets value of the Fund (as defined in the Terms and Conditions herein). The management fees shall be calculated and paid semiannually by the end of each calendar half.
Custody fees	The Fund shall pay the Custodian annually a custody fees of SAR 100 thousand. The custody fees shall be calculated and paid semiannually by the end of each calendar half.
Auditor Fees	The Fund shall pay an annual fee of SAR 15,000 with a maximum of SAR 30,000 in return of the Auditor services.
Zakat and Tax Advisor Fees	The Fund bears the costs of the zakat and tax advisor amounting to 13,225 Saudi riyals, with a maximum of 30,000 Saudi riyals annually.
Financing fees	The Fund shall bear all the costs of finance, charges, and expenses related to arrangement and structuring of financing in a way that is consistent with the Fund's Shari'a compliance rules, if any. Negotiations shall be made on a pure commercial manner.
Brokerage commission	The Fund might pay the real estate brokers a brokerage commission of maximum 2.5% of the price of purchasing any real estate asset.

	The percentage of the due commission might differ based on the negotiations between the Fund Manager and the relevant broker.
<b>Unit registration and listing fees</b>	<p>Registration fees:</p> <ul style="list-style-type: none"> <li>• Service of developing owner registry: SAR 50 thousand in addition to SAR 2 for each investor with a limit of SAR 500 thousand.</li> <li>• Service of managing owner registry: SAR 300 thousand annually.</li> </ul> <p>Listing fees:</p> <ul style="list-style-type: none"> <li>• Service of initial listing of the Fund units: SAR 50 thousand.</li> <li>• Service of listing Fund units: Amount: 0.03% of the Fund's market value, with a minimum limit of SAR 50 thousand and a maximum limit of SAR 300 thousand</li> </ul>
<b>Dealing Fees</b>	The Fund shall pay the Fund Manager Dealing Fees that are equal to 1 % of the price of selling or purchasing of each real estate asset sold or purchased. Such fees are due after the completion of the selling or purchase process for each real estate asset. To avoid any doubt, such fees are due on any new acquisitions processes done by the Fund to increase its capital.
<b>Real estate management fees</b>	Real estate management fees negotiated on a commercial independent basis shall be paid. The target is that each real estate manager shall receive maximum 7% of the proceeds of the lease related to the relevant property.
<b>Development/project management fees</b>	If the Fund invests in a real estate development project, the real estate developer/project manager shall receive fees for developing and construction as negotiated on a commercial independent basis. The developer/project manager shall receive maximum 7% of the construction costs.
<b>Other Costs</b>	<p>The Fund will be responsible for all costs and expenditures of the Fund's activities and investments. The Fund bears all fees resulting from transactions with third parties, as well as the consultation and legal fees and the allowances and salaries of the Fund board member. All services provided by third parties such as the legal and consultation fees, real estate consultants, relevant insurance costs, and any other professional services including costs related to listing Fund units. The target is that such costs do not exceed 0.5% of the net assets value of the Fund.</p> <p>The Fund Manager shall bear all the general expenditures related to Fund management, including employee salaries in relation to the Fund, the Shari'a Committee costs, and the facilities costs and lease of the Fund office.</p>