

## Terms and Conditions

صندوق الأهلي ريت (1)

### AlAhli REIT Fund (I)

Public closed Sharia-compliant Real Estate Investment Traded Fund operating in accordance with the Sharia Guidelines set by the Sharia Board of The Fund Manager

|                                   |                   |
|-----------------------------------|-------------------|
| Target Fund Size:                 | SAR 1,375,000,000 |
| Unit Price:                       | SAR 10            |
| Number of Publicly Offered Units: | 41,250,000 Units  |
| Value of Publicly Offered Units:  | SAR 412,500,000   |



**Fund Manager**

### NCB Capital Company

Terms and Conditions date of issuance 11 Rabi I 1439H, corresponding to November 29, 2017G, and it was updated on 7 Rabi II 1441 corresponding to 4 December 2019

**The Offering Period shall start from 18 Rabi I 1439H corresponding to 6 December 2017G to 1 Rabi II 1439H corresponding to December 19, 2017G.**

The Fund Manager shall be fully responsible for the accuracy of the information contained in these “**Terms and Conditions**” developed specifically for this Fund, noting that this these (Terms and Conditions) constitute the contract between the Fund Manager and Unitholders. The Fund Manager acknowledges that, having performed all reasonable inquiries, there are no other facts which, if not included in these Terms and Conditions, may render any statement contained therein misleading. The Capital Market Authority shall not be liable for the contents of these Terms and Conditions, shall not be deemed to have made any representations or warranties regarding its accuracy or completeness and expressly disclaims any loss that may be caused by reliance on any part of these Terms and Conditions.

CMA approved offering of AlAhli REIT Fund (I) Units on 11 Rabi I 1439H, corresponding to November 29, 2017G.

A Unitholder's purchase of any Fund Unit from the market shall constitute an acknowledgment thereby that he/she has read and accepted the Fund's Terms and Conditions.

## Disclaimer

- These Terms and Conditions contain detailed information relating to AlAhli REIT Fund (I) – (“**The Fund**”) and the Fund Unit Offering process (“**Units**”). Upon application for subscription in the Units, investors will be treated as having submitted only based on the information contained in these Terms and Conditions, soft copies thereof are available on the website of NCB Capital (“**Fund Manager**”), the website of the Capital Market Authority (“**CMA**”) or the website of the Saudi Stock Exchange (“**Tadawul**”).
- This is a public closed Real Estate Traded Investment Fund with publicly offered Units that has its address in the Kingdom of Saudi Arabia and has been incorporated and offered its Units in accordance with Real Estate Investment Funds Regulations issued by CMA's Board under Resolution No. 1-193-2006 dated 19/6/1427H corresponding to 7/14/2006 (“**Real Estate Investment Funds Regulations**”) and in accordance with Real Estate Investment Traded Funds Instructions issued by CMA under resolution No. 6-130-2016 dated 23/1/1438H, corresponding to 10/24/2016 (“**Real Estate Investment Traded Funds Instructions**”).
- These Terms and Conditions may not, by any person at any body, be used as an offer or purchase invitation in any circumstances:
  - That would render such an offer or invitation illegal or unauthorized;
  - Wherein the person making the offer or invitation is ineligible to do so; or
  - Wherein the person making the offer or invitation is legally prohibited or unauthorized to do so.
- Prospective investors must carefully read these Terms and Conditions in full before making any decision relating to investing in the Fund.
- Prospective investors may not treat the contents of these Terms and Conditions as advice relating to legal, taxation, financial, investment or any other matters. Without prejudice to the generality of the foregoing, investors should, with respect to subscribing to, purchasing, holding, or disposing of Units, take note of the following: (A) Potential impact of taxation; (B) legal requirements; and (C) any approvals, government official procedures, or other requirements set by the laws and regulations of the country of incorporation, nationality, or residence.
- Prospective investors shall note that investing in the Fund involves high risks and only suits investors who are fully aware of such risks and are able to endure partial or total loss of their invested capital. Prospective investors should carefully consider the risk factors set out in these Terms and Conditions before investing in the Fund.
- Any information or confirmations provided by any broker, sales representative or any other person but not included in these Terms and Conditions or the marketing materials approved

by the Fund Manager shall be treated as unauthorized information or confirmations and no reliance shall be placed thereon.

- To the best of the Fund Manager and Fund Board's knowledge, all the information included in these Terms and Conditions are accurate and include full, correct and express disclosure of all material facts existing as at the date of these Terms and Conditions. The Fund Manager ensures that, having conducted all reasonably necessary verifications and to the best of its knowledge, no facts the removal of which would render any statement or provision set out in this document invalid or misleading has been removed.
- Prospective investors should carry out investigations necessary to verify the investment opportunities provided herein and seek the advice of a private consultant specialized in Zakat and tax with respect to zakat and tax to be incurred thereby due to holding, trading or otherwise disposing of Units in the Fund. Prospective investors shall not treat the perspectives and estimates included herein by the Fund Manager as recommendation to invest in the Fund.
- Unit prospective investors should carry out due diligence to ensure understanding of the information contained in these Terms and Conditions. If an investor fails to understand the content of these Terms and Conditions, the investor shall then seek help of a financial consultant authorized by the Capital Market Authority to verify the suitability of investment in the Fund to achieve their Investment Objectives and their ability to endure any capital loss due to risks associated with investing in the Fund.
- A Unitholder's purchase of any Fund Unit shall constitute an acknowledgment thereby that he/she has read and accepted these Terms and Conditions.
- This notice serves as a confirmation that investor's decision to invest in the Fund and that the risks associated with such investment shall be their sole responsibility except for losses incurred due to fraud, gross negligence or willful default by the Fund Manager.
- All investors shall, prior to investing in the Fund, read the Terms and Conditions. In case of any vagueness, you should seek financial advice from your financial consultant authorized by the Capital Market Authority to verify: (A) Suitability of investment in the Fund to achieve your Investment Objectives, (B) Ability of investors to endure any potential capital losses due to risks associated with investment in the Fund.

## Acknowledgements

- The Fund Manager hereby acknowledges that the Terms and Conditions of AlAhli REIT (I) have been developed in accordance with Real Estate Investment Funds Regulations and Real Estate Investment Traded Funds Instructions issued by the Capital Market Authority.
- The Fund Manager acknowledges that, having made all reasonable inquiries and to the best of its knowledge, there are no other facts which, if not included herein, may render any statement contained herein misleading. The Capital Market Authority and Tadawul shall bear no responsibility for the contents of these Terms and Conditions.
- The Fund Manager acknowledges that the Real Property is free from any statutory violations that prevent and may prevent the use or operation of the Real Property and that the Real Property is technically intact and free from any major engineering flaws or defects that prevent or may prevent the use or operation of the Real Property or that would result in costly major repairs or amendments.
- Alandalus Property Company shall constitute a Related Party, for it will hold more than 5% of the net Fund Assets. Alandalus Property Company has conducted two Transactions with the Fund that serve as Transactions causing the conflict of interests set out in the Real Estate Investment Funds Regulations.

First: The Master Transfer Agreement concluded with Alandalus Property Company (as per the details set out in Clause G of Paragraph 6 of these Terms and Conditions), whereby Alandalus Property Company assigns all the contracts relating to Target Assets, including but limited to: Leases, service agreements such as cleaning, security, maintenance etc., hotel management contracts, and insurance policies relating to Target Assets wherein Alandalus Property Company was appointed as The Fund Manager's representative in respect of such contracts.

Second: The Shopping Mall management and operation agreement entered into by Hamat Property Co. and Alandalus Property Company (as per the details included in Clause C of Paragraph 6 of these Terms and Conditions), which has been assigned by Alandalus Property Company to the Fund Manager; however, such agreement still serves as a transaction involving conflict of interests, for Alandalus Property Company holds (33.33%) of the shopping mall operating company, i.e. Hamat Property Co.

Except for the foregoing and the information set out in Paragraph 19 of these Terms and Conditions, the Fund Manager acknowledges that, up to the date of these Terms and Conditions and to the best of his knowledge, there is no other cases of direct/indirect conflict of interests between:

- Fund Manager;
- Manager/managers of the real properties associated with the Fund;
- Owner/owners of the real properties associated with the Fund;
- Lessee/lessees of real Assets whose returns account for 10% or more of the Fund's annual

rental returns.

- The Fund Manager acknowledges that all Transactions with Related Parties have been duly and legally conducted on a proper and fair arm's length basis and that such Transactions will not have an adverse effect whatsoever on the Fund and holders thereof.
- The Fund Manager acknowledges that all Fund Board members: have not been subject to any bankruptcy or insolvency claim or bankruptcy or liquidation proceedings; any fraudulent, dishonorable or cheating acts; or any violation involving fraud, dis-integrity, or dishonesty and have the necessary skills and expertise qualifying them to assume Board membership.
- The Fund Manager acknowledges that the two independent members meet the definition of the Independent Member included in the list of terms used in CMA regulations and rules, and this shall apply to any independent member appointed by the Fund Manager throughout the lifetime of the Fund.
- The Fund Manager acknowledges that there are no other businesses or material interests for NCB Capital's Board members that may conflict with the interests of the Fund.
- The Fund Manager acknowledges that no commissions, discounts, brokerage fees or any monetary or non-monetary compensation have been given to any of the parties inside or outside the Fund except for those mentioned in the Terms and Conditions.
- The Fund Manager acknowledges that there are no fees other than those set out in the Fees and Wages table included in Paragraph 9 of these Terms and Conditions.
- The Fund Manager acknowledges that the Fund's Units will only be listed upon completion of the transfer of ownership of the property to the Fund. If this is not completed within the period stated in Paragraph 6 of these Terms and Conditions, Full subscription amounts will be refunded to the investors.
- The Fund Manager acknowledges that no Board Member may have a direct or indirect interest in the business and contracts made for the Fund. The Fund Manager will require the Board members to disclose to the Board any direct or indirect personal interest they might have in the Transactions or contracts made for the account of the Company. Such declarations must be recorded in the minutes of the Board meeting. The Fund Manager will ensure that no director with interest will participate in a vote on the resolution to be passed in this regard.
- The Fund Manager acknowledges that all contracts and agreements relating to the Fund that may affect decisions of subscribers in the Fund have been disclosed and that there are no contracts or agreements other than those set out in these Terms and Conditions.
- The Fund Manager acknowledges that Unitholders are entitled to vote on matters raised in the Unitholders' meetings. In addition, the approval of the Capital Market Authority and that of the majority of the Unitholders with more than 50% of the value of the Units shall be obtained in respect of any fundamental changes to the Fund, which includes the following:
  - Significant change to the Fund's objectives or nature;

- A change that may have a material and adverse effect on the Unitholders or their rights in the Fund;
- A change that may alert the risk profile of the Fund; and
- Any increase in the Fund's share capital.
- The Fund Manager declares that it shall, to the best of its knowledge and belief combined with due and reasonable care, take all steps necessary to serve the best interest of Unitholders. The Fund Manager, Directors, Officers, personnel, Agents, Consultants, Affiliates, the Custodian, the Sharia Counsel and Fund Board shall endeavor to pay reasonable care and act in good faith to serve the best interest of the Unitholders. However, the Fund may incur any loss whatsoever due to an unintentional act by any of the said persons in connection with the management of the Fund. Then, such parties shall not be liable for such loss provided that they have acted in good faith. Good faith can be proven by the absence of any conduct, decision or correspondence indicating prior knowledge of the negative consequences of such conduct. It can also be proven if the party acts in a way believed to serve the best interests of the Fund and if the conduct does not involve gross negligence, fraud or willful misconduct.
- The Fund Manager acknowledges that all terms, conditions and information that may affect the decision to subscribe in the Fund and its investors have been disclosed.
- The Fund Manager acknowledges that he is accountable to the General Authority of Zakat and Income Tax for all the requirements and procedures for registering and supplying Zakat.
- The Fund Manager acknowledges that it is not permissible to cancel the registration and cease the provision of Zakat to the General Authority of Zakat and Income until the Fund is terminated.

## Fund's Manual

### Regulators

Capital Market Authority  
P. O. Box 87171, Riyadh 11642 – Saudi  
Arabia  
Website: [www.cma.org.sa](http://www.cma.org.sa)

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### Tadawul Platform

Saudi Stock Exchange (Tadawul).  
P. O. Box 3388, Riyadh 12211 – Saudi Arabia  
Website: [www.Tadawul.com.sa](http://www.Tadawul.com.sa)

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### Fund Manager and Administrator

NCB Capital Company  
P. O. Box 22216, Riyadh 11495 – Saudi  
Arabia  
Website: [www.alahlicapital.com](http://www.alahlicapital.com)

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### Shopping Mall's Property Manager

Hamat Property Co.  
P. O. Box 8952, Riyadh 12333 – Saudi Arabia  
Website: [www.hamat.sa](http://www.hamat.sa)

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### Hotel Property Manager

(IHG)  
P.O. Box 58191, Dubai, U.A.E  
Website: [www.ihg.com](http://www.ihg.com)

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### The Custodian

AlBilad Investment Company (Albilad  
Capital)  
P. O. Box 140, Riyadh 11411, Kingdom of  
Saudi Arabia.  
Website: [www.albilad-capital.com](http://www.albilad-capital.com)

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### Receiving Agents

National Commercial Bank (Saudi Arabia).  
P.O. Box 12978, Jeddah 21483, Kingdom of  
Saudi Arabia.

Website: [www.alahli.com](http://www.alahli.com)

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### Auditor

KPMG AL Fozan & Partners  
P.O. Box 55078, Jeddah 21534, Kingdom of  
Saudi Arabia.

Website: [home.kpmg.com/sa](http://home.kpmg.com/sa)

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### Legal Advisers

Law Office of Salman M. Al-Sudairi  
P.O. Box Box 17411, Riyadh 11474,  
Kingdom of Saudi Arabia.

Website: [www.lw.com](http://www.lw.com)

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Latham & Watkins LLP  
P.O. Box 506698, Dubai, U.A.E  
Website: [www.lw.com](http://www.lw.com)

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Real Estate Valuers  
Colliers  
P. O. Box 5678, Riyadh 11432 – Saudi Arabia  
Website: [www.colliers.com](http://www.colliers.com)



Knight Frank  
King Saud Road, Alyasmin district, Riyadh,  
Kingdom of Saudi Arabia  
Website: [www.knightfrank.com.sa](http://www.knightfrank.com.sa)

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## **Fund Facts**

These facts must be read as an introduction of these Terms and Conditions and may only be relied upon in light of the information set out in detail in the Terms and Conditions document as a whole. Each investment decision shall be made in light of the Terms and Conditions as a whole. Certain terms are

mentioned herein without definition. Therefore, where these terms are mentioned in these Terms and Conditions, they shall have the meaning assigned thereto in the “Definitions” Section.

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| <b>Fund Name and Type</b>                             | The Fund is named AlAhli REIT (I) and is a closed Shariah-compliant Real Estate Investment trust operating in accordance with the Shariah Guidelines set by the Shariah Board. It has been incorporated in accordance with the laws and regulations applicable in the Kingdom of Saudi Arabia and complies with the regulations and instructions of the CMA. |
| <b>Investment Objectives</b>                          | The Fund aims to provide regular rental income to Unitholders by investing mainly in developed real properties, income-generating development, and growth in the total value of the Fund's Assets.   |
| <b>Fund Size</b>                                      | One billion, three hundred seventy five million Saudi Riyals SAR (1,375,000,000)   |
| <b>Unit Nominal Value</b>                             | Ten Saudi Riyals (SAR 10).   |
| <b>Minimum initial Subscription before allocation</b> | Ten thousand Saudi Riyals SAR (10,000) equivalent to (1,000) Units.  |
| <b>Value of Publicly Offered Units</b>                | SAR (412,500,000).   |
| <b>Fund Currency</b>                                  | Saudi Riyal  |
| <b>Fund Manager</b>                                   | NCB Capital Company  |
| <b>Duration of the Investment Fund</b>                | The Fund's term is ninety-nine 99 years as of the date of listing, and may be extended at the Fund Manager's absolute discretion and subject to the approval of CMA.   |
| <b>Offer Period</b>                                   | The Offering will be for ten working days beginning from the date of <b>18 Rabi I 1439H corresponding to 6 December 2017</b> to <b>1 Rabi II 1439H corresponding to December 19, 2017</b> , and may be extended for a similar period at the discretion of the Fund Manager and subject to the approval of the CMA.   |
| <b>Risk Level</b>                                     | High risk, for more information, read Paragraph 7 (Risks of Investment in the Fund) of these Terms and Conditions.   |

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| <b>Policy and Time of Dividend Distribution</b> | The Fund Manager intends to distribute cash dividends from at least 90% of the annual net profit of the Fund twice a year in March and September to Unitholders, excluding capital profits obtained from the sale of Real Estate Assets, Investments in Money Market Transactions and Funds, which may be reinvested in additional Fund Assets. |
| <b>Valuation Frequency</b>                      | At least once every six months, by two independent valuers who are accredited by the Saudi Authority for Accredited Valuers (TAQEEM).   |
| <b>Subscription Fees</b>                        | 2% of the subscription amount, that should, in addition to the amount to be invested in the Fund, be paid in advance upon subscription in Units and that shall ultimately be calculated after Unit allocation is complete.  |
| <b>Management Fees</b>                          | Management Fees shall be 1% of the total asset value less Fund expenses as per the latest valuation and shall become mature and payable semi annually   |
| <b>Custody Fees</b>                             | Custodian fees are (0.025%) of the value of Assets in custody at the end of each quarter and shall be paid on quarterly basis   |
| <b>Other Fees and Expenses</b>                  | For Other Fees and Expenses, read Paragraph nine (Fees, Charges, Expenses and Management Fees) of these Terms and Conditions.   |

## Definitions

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| <b>The Fund</b>                            | AlAhli REIT (I) as per the details set out in Paragraph one of these Terms and Conditions.   |
| <b>Fund Manager or NCB Capital Company</b> | NCB Capital Company (NCB Capital) is a closed joint stock company incorporated and operated in accordance with the laws of the Kingdom of Saudi Arabia under commercial registration No. 1010231474 issued in Riyadh on 4/17/2007H corresponding to 17/04/2007G and shall be treated as a person authorized by the CMA by virtue of authorization No. 06046-37 issued on 1/7/2007H corresponding to 07/01/2007G. |
| <b>Fund Administrator</b>                  | NCB Capital Company or any administrator to be assigned by the Fund Manager to handle the Fund's managerial and operational affairs.   |
| <b>Advisers</b>                            | Legal Adviser, auditors, and other professional consultants to be appointed by the Fund Manager.   |
| <b>Anti-Money Laundering Regulation</b>    | Anti-Money Laundering Law issued by Royal Decree No. M/30 dated 11/5/1433H, its Implementing Regulations and relevant circulars, and Anti-money Laundering and Terrorist Financing Regulations issued by the CMA Board under Resolution No. 1-39-2008 dated 3 Dhu Al Hijja 1429H, as amended.  |
| <b>Assets</b>                              | Assets, lands, buildings, accounts receivable, properties, Investments, cash, and budgetary items of economic value that are owned by the Fund and that can be converted into cash.  |
| <b>Total Value of Assets</b>               | The total value involving each asset as per the latest financial position statement, including but not limited to cash, Shariah-compliant Murabahas and Money Market Transactions, tangible and intangible Assets, and market value of Real Estate Assets.   |
| <b>Board of Directors, or the Board</b>    | The Fund Board.  |
| <b>Business Day</b>                        | The official Business Day for all banks and capital markets in the Kingdom of Saudi Arabia.  |

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| <b>CML</b>                            | Capital Market Law of Saudi Arabia, which was issued by Royal Decree No. M/30 dated 4/6/1424H, as amended.  |
| <b>VAT Law</b>                        | Value Added Tax law in the Saudi Arabia and its implementing regulations.   |
| <b>VAT</b>                            | The Value Added Tax imposed on the import and export of commodities at every production and distribution.   |
| <b>Closure Date</b>                   | Date on which subscription in the Fund is complete and it is possible to commence actual investment in investor subscription, and which is expected to fall on 2/4/1439H corresponding to 20/12/2017 or any prior date to be determined by the Fund Manager at its sole discretion.   |
| <b>Capital Market Authority (CMA)</b> | The Capital Market Authority of the Kingdom of Saudi Arabia.  |
| <b>Tadawul</b>                        | The Saudi Stock Exchange.   |
| <b>The Custodian</b>                  | The person keeping custody of the Fund Assets and authorized by the Authorized Persons Regulations to keep securities in custody.   |
| <b>Developer</b>                      | A Real Estate Developer assigned to assume Fund development.  |
| <b>Fund Board Independent Member</b>  | <p>An Independent Fund Board Member enjoying full independence, noting that the independence principle can fail to materialize be means including but not limited to:</p> <ul style="list-style-type: none"> <li>- Being an employee or affiliate of the Fund Manager, any Fund sub-manager, or the Custodian, having material business or contractual relationship with the Fund Manager, any Sub-Fund Manager, or the Custodian.</li> <li>- Being a senior executive at the Fund Manager or any of its affiliates within the last couple of years</li> <li>- Having first degree kinship with any Board Member, or Senior executive at the Fund Manager or nay of its affiliates</li> </ul> |



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| <b>Financial Year</b>    | The Fund's Financial Year starts on the January, 1st and expires on December, 31st of each Gregorian Year. The first audited financial statements will be issued for the Financial Year ending 31 December 2018  |
| <b>Management Fees</b>   | The Management Fees received by the Fund Manager as set out in Paragraph nine of these Terms and Conditions.   |
| <b>Unitholders</b>       | A person holding Units in the Fund, constituting undivided interest in the Fund's Net Assets   |
| <b>The Kingdom</b>       | The Kingdom of Saudi Arabia  |
| <b>Net Assets Value</b>  | Total value of the Investment Fund Assets less liabilities including fees and expenses   |
| <b>Offer Period</b>      | The Fund Units will be offered on 18/3/1439H corresponding to 06/12/2017G, and the Offering Period shall continue to 01/04/1439H corresponding to 19/12/2017G and may be extended for a similar period or to any other date at the Fund Manager's discretion and upon the approval of the Capital Market Authority.  |
| <b>Subscription Fees</b> | The Subscription Fees contained in Paragraph nine of these Terms and Conditions  |
| <b>Prohibited Person</b> | <p>A person to whom the to transfer to or holding by such person Units would:</p> <ul style="list-style-type: none"> <li>- (i) be in breach of any law or requirement of any country or governmental authority in any jurisdiction whether on its own or in conjunction with any other relevant circumstances; or</li> <li>- (ii) result in the Fund incurring any liability to taxation which the Fund would not otherwise have incurred or suffered; or cause the Fund to be required to apply for registration or comply with any registration requirements in respect of any of its Units in any jurisdiction in which the Fund is not or does not intend to be registered.</li> </ul> |

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| <b>Related Party</b>                          | The Fund Manager, the Custodian, the Developer, the Valuer, the Auditor, the Board of Directors or any of the executives or employees of any of the above-mentioned parties, or any Unitholder owning more than 5%, and any person who is an affiliate or in control of any of the persons above mentioned persons. |
| <b>SAR</b>                                    | Saudi Riyals  |
| <b>Shariah Board</b>                          | The Shariah Board referred to in Paragraph twenty five of these Terms and Conditions or appointed by the Board Manager.   |
| <b>Shariah Guidelines</b>                     | Guidelines as specified by the Shariah Board.   |
| <b>Minimum Investment</b>                     | Minimum amount of no less than ten thousand Saudi Riyals excluding Subscription Fees to be invested in the Fund by an investor  |
| <b>Subscription Form</b>                      | The Unit Subscription Form which must be completed and signed by the recipient  |
| <b>Unit</b>                                   | Unitholders interest in the Fund are in the form of Units. Each Unit shall be treated as representing one undivided interest in the Investment Fund Assets.   |
| <b>Valuation Date</b>                         | The 31st of December and the 30th of June throughout the Fund Term.   |
| <b>Authorized Person</b>                      | Any Authorized Person from CMA to practice securities' business.  |
| <b>Structurally Developed Real Properties</b> | Developed and ready to use real properties, including residential, commercial, industrial, agricultural, educational, and other Real Estates.   |
| <b>Fund's NAV</b>                             | The Net Asset value of the Fund is the value of the total Assets of the Fund less the total liabilities of the Fund.  |

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| <b>The Valuer</b>   | An independent person with the know-how and expertise necessary to provide Real Estate valuation services, who is authorized and approved by the Saudi Authority for Accredited Valuers (TAQEEM) and who is chosen by the Fund Manager to value the Fund Assets.  |
| <b>Unit Reference Price</b>                                     | Total Fund Assets less total liabilities divided by the number of Fund Units.   |
| <b>Operator, Property Manager, or Property Managing Company</b> | A Real Estate company specializing in Property Management, licensed by the relevant government agencies, managing the real property subject matter of investment and responsible for all Real Estate management services, including, for example: Management and Maintenance of the Real Property, leasing services and collecting rental fees. |
| <b>Public Unitholders</b>                                       | <p>A person holding a Unit in the Real Estate Investment Fund and included in the following list:</p> <ul style="list-style-type: none"> <li>- A Unitholder owning 5% or more of the Fund Units.</li> <li>- The Fund Manager and its affiliates.</li> <li>- Fund Board Members</li> </ul>   |
| <b>Target Assets</b>  | Initial Assets targeted by the Fund including structurally developed Real Estates consisting of a shopping mall known as “AlAndalus Mall” and a hotel known as “Stay Bridge Suite” located in the city of Jeddah, Kingdom of Saudi Arabia.  |
| <b>Money Market Transactions</b>                                | Murabaha Transactions and short term deposits in Saudi Riyals made at banks licensed by SAMA and operating in the Kingdom of Saudi Arabia.  |
| <b>Transactions</b>   | The process of purchasing a new asset or sale of an existing Fund asset.  |
| <b>Agent</b>  | A person who carries out the duties assigned thereto by the Fund Manager under the signed agreement.  |
| <b>Unrealized Capital Profits</b>                               | Un-distributable profits for they result from higher asset value.   |

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**Proportion of Achieved  
Target Income**

The percentage used to calculate the shopping mall Operator's fees, and which can be calculated based on the percentage of total amount collected in a month from rents, advertising, and specialized leasing divided by the total collection target for that month.

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**Alandalus Property  
Company**

A Saudi joint stock company incorporated under commercial registration No. 1010224110, currently operating mainly in the field of Real Estate development and investment and owning the Target Assets which the Fund has eyes for.

## **Terms and Conditions**

### **1. Fund Name and Type**

AlAhli REIT Fund (I): a closed Shariah-compliant Real Estate Investment trust operating in accordance with the Shariah Guidelines set by the Shariah Board and incorporated in accordance with Real Estate Investment Funds Regulations and Real Estate Investment Traded Funds Instructions.

Fund's name in Arabic AlAhli REIT Fund (I)

### **2. Fund Manager's Headquarters Address**

NCB Capital Company

Tower (B), King Saud Road P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia.

Tel: +966 9200 00232

Fax: +966 11 4060049

Website: [www.alahlicapital.com](http://www.alahlicapital.com)

### **3. Duration of the Investment Fund**

The Fund's term is ninety-nine 99 years as of the date of listing, and may be extended at the Fund Manager's absolute discretion and subject to the approval of CMA.

### **4. Fund Objectives**

The Fund aims to provide regular rental income to Unitholders by investing mainly in structurally developed income-generating real properties, and achieve growth in the total value of the Fund's Assets, to distribute at least 90% of the Fund's net profits to Unitholders twice a year in March and September, and to achieve growth in the total value of the Fund's Assets by means of subsequent sale of Assets, or Target Asset development or expansion.

### **5. A description of The Fund's Purpose and Investment Objectives**

The Fund's investment objective is Real Estate investment in the hospitality and retails sectors and is to provide periodical semi-annual income to the Unitholders through the distribution of at least 90% of the Fund 's net profits to the Unitholders in March and September, and to achieve growth in the total value of the Fund's Assets.

### **6. Fund Facts**

#### **a. Methods used by The Fund to Achieve its Investment Objectives:**

The Fund invests mainly in structurally-developed turnkey real properties. The Fund may also invest in Real Estate development projects, or renovate or redevelop real properties by no more than 25% of the total value of its Assets according to the latest audited financial statements, taking

the following into consideration:

- Investing no less than 75% of the total value of the Fund's Assets in structurally developed Real Estate Assets that can achieve periodical rental income, based on the latest audited financial statements;
- Investing no more than 25% of the total value of the Fund's Assets, in Real Estate development, renovation or redevelopment of real properties, based on the latest audited financial statements, and the Fund shall not invest in vacant lands;
- The Fund Manager may invest no more 25% of the total value of the Fund's Assets in real properties outside the Kingdom, based on the latest audited financial statements.

**b. Dividend Distribution Policy**

- Except for unrealized capital gains resulting from higher Real Estate value, the Fund, distributes at least 90% of the Fund's net profits to Unitholders twice a year in March and September.
- Capital gains from the sale of Real Estate Assets and Investments in Money Market Transactions and Funds are reinvested in additional Assets. If there is lack of new investment opportunities within six months from the date of receipt of asset sale amount, the Fund Manager will distribute such amounts with the nearest dividend distribution.
- The first dividend distribution to the Unitholders is expected to be based on the preliminary financial statements for the period ending in June 2018.

**c. Description of Real Estate Asset Types to be Invested by The Fund**

The Assets initially targeted by the Fund consist of Structurally Developed Real Properties consisting of a shopping mall known as AlAndalus Mall and a hotel known as the "Stay Bridge Suite Jeddah", both located in Jeddah, Saudi Arabia. The two real properties' land deed is mortgaged to Al Rajhi Bank for a finance provided to Alandalus Property Company, and the Fund intends to acquire them and use offer proceeds to redeem the mortgage. These Assets are located on a total area of (159,133) square meters. The Target Assets of Alandalus Property Company will be transferred to the Fund within ninety 90 Business days from the expiry of the Offering Period and the collection of cash contributions amounting to SAR 430 million representing (31.27%) of the total value of the Fund.

Target Asset purchase price: One billion three hundred and fifty million Saudi Riyals (SAR 1,350,000,000). The cash surplus of SAR 25 million will be used to cover the operating costs of the Fund and the Target Assets after acquisition, as described below:

Table 1: Fund and Target Asset Operating Costs

|                          |            |
|--------------------------|------------|
| Acquisition fees (1.15%) | 15,525,000 |
| Cash acquisition*        | 9,475,000  |
| Total                    | 25,000,000 |

\*The Fund Manager intends to use all or part of the cash reserve in the following areas, as an example without limitation:

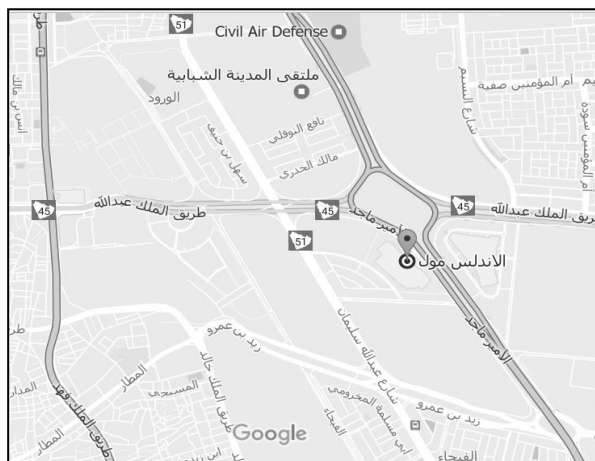
- Improvements to the shopping mall: Including through installation of new cameras based on new municipal requirements, replacing the fire-fighting system with a more technologically advanced one, replacing old air conditioning Units, improving the parking area etc.
- Operating the hotel tower: For the hotel tower is new, revenue generated may be less than the operating cost during the first months and may require additional liquidity to operate.
- Shopping mall expansion: The shopping mall has a permit to expand by an additional area of 4,000 square meters. Shopping mall expansion-related decision will depend on the Fund's surplus liquidity.
- The Fund's fees and expenses set out in Paragraph nine of these Terms and Conditions.

In case the surplus reserve is not directed to the above mentioned areas within six months from date of availability in the Fund, it will be distributed to Unitholders at the nearest distribution of Fund dividends.

**Description of the First Real Property, Shopping Mall:** The first real property is a shopping mall known as AlAndalus Mall “located in a land at the Al-Fayhaa' District, plot No. b/2 of the plan (444/c/O). It is bordered by King Abdul-aziz Square on the northeast by Prince Majid Road on the southeast and is owned by Alandalus Property Company. Details of the mall such as location, area, capacity, and expected rental proceeds are described below. It should be noted that the total target rent is subject to increase or decrease due to the different rental periods and the potential change in revenue when renewing contracts or replacing the existing lessee with a new one.

Table 2: A Summary of the Location, Area, and Rental Amount of the Shopping Mall

|                                  |   |
|----------------------------------|---|
| <b>Name of the Real Property</b> | AlAndalus Mall  |
| <b>Purchase cost</b>             | SAR 1,150 millions  |
| <b>Location</b>                  | Al-Fayhaa' District, Prince Majid Road – Jeddah, Kingdom of Saudi Arabia<br>Location Coordinates: 21°30'26.5"N 39°13'06.4"E |



|   |   |
|---|---|
| <b>Total land area</b>                            | 152,910 square meters   |
| <b>Total actual construction area</b>             | 127,000 square meters   |
| <b>Total leasable area</b>                        | 89,713 square meters  |
| <b>Use</b>  | Leased Units distributed among differed areas including retail activities supply center (supermarket), entertainment centers, restaurants, offices, and warehouses. |
| <b>Number of stories and parking lots</b>         | Two floors, 3000 parking spaces   |
| <b>Building age</b>                               | 10 years  |
| <b>Owner</b>                                      | Alandalus Property Company  |
| <b>Lessee</b>                                     | There is no single lessee; instead, stores/shops will be leased from the Fund to different lessees through the Operator and Lease Manager.                          |
| <b>Number of lessees as at 30 September 2017G</b> | 303 Lessees   |
| <b>Operator and Lease Manager</b>                 | Hamat Property Co.: a Saudi limited liability company incorporated under commercial registration No. 1010272755 issued from Riyadh (Hamat Property Co.)             |

**Rental Value of the Shopping Mall along with Expected Net Rental Income and Occupancy Rate in Saudi Riyals (for the First Year of Fund's Operation):**

|  |             |
|--|-------------|
| <b>Expected total rental value</b>                   | 128,427,532 |
| <b>Expected administrative and operational costs</b> | 36,031,417  |



|                             |                                |
|-----------------------------|--------------------------------|
| <b>Net Cash Flows</b>       | 92,396,115                     |
| <b>Depreciation</b>         | 8,680,563                      |
| <b>Expected net profits</b> | 83,715,552                     |
| <b>Occupancy rate</b>       | 99% of the total leasable area |

**Details of Rental Value, Leasable Areas, Expected Net Rental Income, and Occupancy Rate as at September 30, 2017G:**

Table 3: Types and Number of Leasable Areas and actually Rented Area thereof:

| <b>Leasable area type</b> | <b>Number of Units</b> | <b>Leasable area (M2)</b> | <b>Leasable Unit</b> | <b>Leased Area (M2)</b> |
|---------------------------|------------------------|---------------------------|----------------------|-------------------------|
| <b>Stores (shops)*</b>    | 415                    | 57,673                    | 409                  | 57,069                  |
| <b>Offices</b>            | 1                      | 2,157                     | 1                    | 2,157                   |
| <b>Hyper Markets</b>      | 1                      | 18,487                    | 1                    | 18,487                  |
| <b>Entertainment</b>      | 2                      | 9,609                     | 2                    | 9,609                   |
| <b>Food Court Units</b>   | 22                     | 1,080                     | 17                   | 887                     |
| <b>Storage Rooms</b>      | 17                     | 387                       | 13                   | 343                     |
| <b>Total</b>              | 458                    | 89,393                    | 443                  | 88,552                  |

\* Including small shops or kiosks

Table 4: AlAndalus Mall Rental Proceeds for the Past Three Years in Saudi Riyals

| <b>Year</b>             | <b>2014</b> | <b>2015</b> | <b>2016</b> |
|-------------------------|-------------|-------------|-------------|
| <b>Rental Proceeds*</b> | 101,634,465 | 106,634,003 | 116,383,048 |

\* Source: Alandalus Property Company financial statements

**Most Important Lessees of the Shopping Mall via Long Term Contracts:**

There is a number of long-term leases signed by the most important lessees in the market having trade names such as Hyper Panda, City Max, Home Box, and Centrepont. Accordingly, stable cash flow can be achieved for the Mall.

Table 5: Most Important Lessees of the Shopping Mall via Long Term Contracts:

| <b>Trade name</b>  | <b>Hyper Panda</b>  | <b>Home Box</b>  | <b>City Max</b>   | <b>Centrepont</b>  |
|--|---|--|---|--|
| <b>Term of Contract</b>  | 20 years  | 7 automatically renewable years, and the contract has been renewed for an additional year  | 6 additional years to be automatically renewed for 5 additional years                 | The main contract term is ten years and has been renewed one additional renewable year                           |
| <b>Contract commencement</b>   | July 1, 2007G   | November 1, 2010G  | March 1, 2016G  | September 1, 2007G   |
| <b>Contract expiry</b>   | June 30, 2027G  | October 31, 2018   | February 28, 2022G  | August 31, 2018  |
| <b>Annual rental amount throughout the Contract term (in Saudi Riyals)</b> | The First Three years<br>7,740,000<br>Years 4–5:<br>8,346,880.50<br>Years 6–10:<br>9,181,568.55<br>Years 11–15<br>(Current rental value):<br>10,099,725.41<br>Years 16–20:<br>11,101,115.61 | The first three years The earlier of 1,300,000 or 3.25 %of the total annual sales<br>Years –47<br>(Current rental value):<br>1,430,000<br>or 3.25% of the total annual sales | The First Three years<br>(Current rental value): 1,000,350<br>Years 4–6:<br>1,154,250 | The first three years<br>2,599,200<br>Years 4–5:<br>3,032,400<br>Years 6–10<br>(Current rental value): 3,335,640 |
| <b>Leased area (M2)</b>  | 18,487  | 3,830  | 1,539   | 4,332  |
| <b>Rented area of the total leasable area</b>                              | 21%   | 4%   | 2%  | 5%   |

#### **Most Important Conditions set out in the Shopping Mall's Administrative and Operational Agreement**

Hamat Property Co.: Alandalus Property Company owns (33.33%) of Hamat Property Co.'s share capital. Hamat Property Co. provides administrative, lease and operational services to AlAndalus Mall. Below is a summary of the most important clauses of the agreement between Alandalus

Table 6: Summary of the Contract for Management and Operation of AlAndalus Mall:

| <b>Summary of the Agreement for Management and Operation of AlAndalus Mall</b>                     |  |
|--|--|
| <b>Date</b>  | January 1, 2014G   |
| <b>Parties</b>   | Alandalus Property Company and Hamat Property Company. It should be noted that the parties to the contract will, after acquisition by the Fund of the Target Assets, be Hamat Property Co. and the Fund Manager  |
| <b>Term of Contract</b>  | 10 years renewable by written approval of the parties.   |
| <b>Purpose</b>   | Hamat Property Co. provide management, lease, operation as well as operational services including: Maintenance, security, marketing and other expenses for the AlAndalus Mall in return for fees as a percentage of the total income of the Mall, the amounts collected from lessees and rate of income.   |
| <b>Fees as set out in the agreement (to be paid from the income achieved by the shopping mall)</b> | <ul style="list-style-type: none"> <li>- Lease fees of 7% of the total mall leases for the first year at the time of the first lease or when replacing a lessee with another, or of the increase in the rental value of a renewed lease;</li> <li>- Basic operating fees of 2% of the total monthly income of the Mall (consisting in rental income and advertising returns);</li> <li>- Relative operating fees of 1% of the total monthly income of the Mall multiplied by the actually achieved percentage of the target income for the month, based on the following equation: <math>1\% \times (\text{Total actual monthly income}) \times (\text{Total actual monthly income} / \text{estimated total monthly income})</math>;</li> <li>- Collection fees of 1% of the total amount collected from the Mall's income per month, multiplied by the ratio of the total amount collected from the lessees during the month to the total amount to be collected from the lessees' receivables during the month in accordance with Leases, based on the following equation:</li> <li>- <math>1\% \times \text{Total actually collected amount for the month} \times (\text{Total actually collected amount for the month} / \text{Total amount to be collected for the month})</math>;</li> <li>- Newly introduced lease fees of 15% of the total rent of a lessee for one only year, for the new leased Units or services that the operator creates and adds and that were not included in the plans of the malls or the projected rental budget;</li> <li>- Other financial obligations related to the employees of the Mall and salaries thereof, and maintenance and electricity expenses, based on the actual amount;</li> </ul> |

|                                |   |
|--------------------------------|---|
|                                | All such fees shall be paid from the shopping mall's income.  |
| <b>Other Agreement Clauses</b> | The term of the Agreement is 10 years renewable with a written consent from the parties and in the event of any irremediable breach, either party may terminate the agreement by giving a 90-day written notice. Either party may also terminate the agreement if the other party fails to take reasonable measures to remedy a breach within thirty days from receipt of a notice for remediation or if the other party is wound up. The agreement shall be governed by the laws of the Kingdom. In the event of any dispute, the dispute shall be referred to the competent courts in the city of Riyadh. |

### Description of the Second Real Property: Hotel Tower

The second real property is a five-star hotel tower with trade name: Staybridge Suites – Jeddah Alandalus Mall located on the same land upon which AlAndalus Mall is established. It is bordered by King Abdulaziz Square on the northeast by Prince Majid Road on the southeast and is owned by Alandalus Property Company. Details of the hotel tower such as location, area, capacity, and expected rental proceeds are described below.

Table 7: A Summary of the Location, Area, and Rental Amount of the Hotel Tower along with Expected Profits and Expenses\*:

|                                  |   |
|----------------------------------|---|
| <b>Name of the Real Property</b> | Staybridge Suites – Jeddah Alandalus Mall |
| <b>Purchase cost</b>             | SAR 200 million                           |

Al-Fayhaa' District, Prince Majid Road – Jeddah, Kingdom of Saudi Arabia

Location Coordinates: 33.0'30°21"N 39°12'56.2"E

### Location



|   |   |
|---|---|
| <b>Total land area</b>                          | 6,223 square meters   |
| <b>Total construction area and parking lots</b> | 28,255 square meters  |
| <b>Use</b>                                      | Hotel suites  |
| <b>No. of rooms</b>                             | 164 rooms   |
| <b>Number of stories and parking lots</b>       | A ground and first floor in addition to 16 identical floors and 236 parking places                              |
| <b>Facilities</b>                               | Two meeting rooms, along with a ballroom, a swimming pool, tennis playground, and a health club                 |
| <b>Building age</b>                             | Within less than a year, the project had been constructed and furnished on February 5, 2017G                    |
| <b>Commissioning Date</b>                       | Hotel suites commissioning in June 2017G  |
| <b>Owner</b>                                    | Alandalus Property Company  |
| <b>Lessee</b>                                   | There is no single lessee; instead, rooms will be leased from the Fund to different guests through the Operator |
| <b>Operator</b>                                 | Holiday Inns (Middle East) Limited under brand name Staybridge Suites   |

Rental value, net target rental income and expected occupancy rate for 2018G:

|   |              |
|---|--------------|
| <b>Total Target Revenue *</b>   | 35,976,975   |
| <b>Cost of Revenue</b>  | (9,624,255)  |
| <b>Total Operational Revenue</b>  | 26,352,720   |
| <b>General and administrative expenses including maintenance expenses</b> | (11,631,339) |
| <b>Total Operational profits</b>  | 14,721,380   |
| <b>Operator Management Fees</b>   | (539,655)    |
| <b>Operator Incentive Fees</b>  | (992,721)    |
| <b>Insurance and furniture expenses</b>                                   | (467,701)    |
| <b>Net Cash Flows</b>   | 12,721,304   |
| <b>Depreciation</b>   | (4,183,231)  |
| <b>Target net profits</b>   | 8,538,073    |
| <b>Occupancy rate</b>   | 68.9%        |

\*As per the Fund Manager's following assumptions: The total number of rooms is 164, the total profit per room available is SAR 554 per night, the profits of the food and beverages account for

8% of the profits of Units, in addition to other profits of 0.5% of room profits achieved from the phone services, the meeting room and ballroom.

The assumptions given by the Fund Manager are more reservative than those provided by Knight Frank: The total profit per room available is SAR 684 per night, the profits of the food and beverages account for 8.2% of the profits of Units, in addition to other profits of 0.65% of room profits achieved from the phone services, the meeting room and ballroom.

### **Operation and Management of the Hotel Tower and Most Important Conditions for Management and Operation:**

The Hotel Tower is managed by Holiday Inns (Middle East) Limited under brand name Staybridge Suites below is a summary of the most important clauses of the contract entered into by Alandalus Property Company and Holiday Inns (Middle East) Limited 100% owned by (IHG):

Table 8 Summary of the Hotel Tower's Management and Operation Contract:

| <b>Summary of the Agreement for Management and Operation of the Hotel Tower</b> |   |
|---|---|
| <b>Agreement Date</b>   | July 17, 2013   |
| <b>Parties</b>  | Alandalus Property Company and Holiday Inns (Middle East) Limited*  |
| <b>Term of Contract</b>   | A term of 15 years renewable for two consecutive five year terms  |
| <b>Purpose</b>  | Holiday Inns (Middle East) Limited operates the Hotel, including by determination of room rates, provision of hotel services, development of hotel policies for guests, and negotiation, conclusion and execution of leases, licensing contracts and concession agreements. Holiday Inns (Middle East) Limited obtains a percentage of the total profits, total operational and room income as set out below.   |
| <b>Fees as per the agreement</b>  | <ul style="list-style-type: none"> <li>• Hotel Management Fees: 1.5% of total profits for the first three years of hotel operation and 1.75% from the fourth year onward;</li> <li>• Incentive fees: 7% of total operational profits after deduction of the Hotel's Management Fees;</li> <li>• Marketing Fees: 2% of room income;</li> <li>• Reservation fees: 1% of room income.</li> </ul> <p>Such fees are directly payable from the hotel's income</p> |

It should be noted that parties to the contract will, after acquisition by the Fund of the Target Assets, be Holiday Inns (Middle East) Limited and the Fund Manager.

Table 9: The Fund's Total Target Return for the First Five Years from the Commissioning of the Fund, based on a Unit Price of SAR 10

| Description  | 2018         | 2019         | 2020         | 2021         | 2022         |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Shopping Mall cash flows*</b>                                 | 92,396,114   | 98,367,902   | 101,205,431  | 104,171,544  | 107,384,230  |
| <b>Hotel Tower cash flows**</b>                                  | 12,721,304   | 16,099,886   | 18,485,886   | 19,040,463   | 19,611,677   |
| <b>Total target rental income</b>                                | 105,117,418  | 114,467,788  | 119,691,317  | 123,212,007  | 126,995,907  |
| <b>Fees and expenses of the Fund</b>                             | (15,934,000) | (15,934,000) | (15,934,000) | (16,139,400) | (16,139,400) |
| <b>Fund's net operating income</b>                               | 89,183,418   | 98,533,788   | 103,757,317  | 107,072,607  | 110,856,507  |
| <b>Total return</b>  | 7.64%        | 8.32%        | 8.7%         | 8.96%        | 9.24%        |
| <b>Net operating return after deduction of fees and expenses</b> | 6.5%         | 7.2%         | 7.5%         | 7.8%         | 8.1%         |

\*Cash flows assume renewal of current contracts, and the Fund Manager cannot ensure renewal at the current values or even mere continuation.

\*\*The hotel tower may not be leased under a single lease, and the Fund Manager cannot guarantee a certain occupancy rate over the target years; instead, the Fund Manager's estimation was based on the feasibility studies provided by Valuers.

#### **d. Policies Leading to Concentration of Fund Investments in Real Properties of certain type or in a certain Geographical Area**

The Fund seeks to acquire a shopping mall and a hotel tower on the same land in Jeddah, which will initially lead to concentration of its Investments in a certain geographical area and in the hospitality and retail sectors. It should be noted that the Fund will not invest in any Real Estate Assets located in Mecca al-Mukarramah or al-Madina al-Munawarah.

The Fund invests mainly in structurally developed and economically feasible Real Estate Assets. The Fund may invest a part of its Assets and the cash surplus in Murabaha Transactions and short-term deposits in Saudi Riyals made at banks licensed by SAMA and operating in the Kingdom of Saudi Arabia. The Fund may also invest in publicly offered Money Market Funds licensed by the Capital Market Authority by a maximum of 25% with a single counterparty, and there is no specific credit rating for such Investments. In addition, the Fund is bound by the following investment restrictions:

Table 10: Expected Fund Investment Concentration as a Percentage of the Total Fund Assets, based on the Latest Audited Financial Statements:

| <b>Asset type</b>  | <b>Minimum</b> | <b>Maximum</b> |
|--|----------------|----------------|
| All or one of the following Assets:  |                |                |
| – Cash, Shariah-compliant Money Market Transactions and Money Market Funds | 0%             | 25%            |
| – Real Estate development excluding vacant lands                           |                |                |
| – Income generating properties outside the Kingdom                         |                |                |
| Structurally developed Real Estate Assets                                  | 75%            | 100%           |

**e. The Power to Obtain Finance**

Initially, the Fund does not intend to obtain finance; however, it may, subject to the approval of the Fund Board and the Shariah Board, obtain Shariah-compliant finance of no more than 50% of the total value of Fund Assets based on the latest audited financial statements. The Fund may also borrow from a Related Party subject to conditions that are better or similar to those provided by other finance bodies to serve the best interest of the Unitholders.

**f. Means and Methods for Investment of The Fund Cash**

The Fund may, subject to Sub-Paragraph A of Paragraph six of the Terms and Conditions, invest the surplus amount remaining after distribution of the Fund's net annual profits to Unitholders and not exceeding 10% of the Fund's net annual profits in developed properties or Real Estate development, and may invest such surplus in Shariah-compliant Money Market Transactions or in Shariah-compliant publicly offered CMA-licensed Money Market Funds. The cash surplus may, in line with the Fund Manager's keenness to expand, and continuously develop and improve the Fund's Assets, also be used to improve the operational and lease efficiency of the Fund's Real Estate Assets and optimize the real property area in the best manner to achieve the Fund's Investment Objectives. In the event that such cash surplus is not invested or used within six months from the date of its availability at the Fund, the cash surplus will, in accordance with the Fund's policies, be distributed to Unitholders in March or September. The Fund will not distribute any unrealized capital gains, for such gains are non-distributable due to the fact that they result from an increase in real property value. In case the Fund's real properties are sold, sale proceeds as well as profits achieved from higher Real Estate value, if any, will be invested in structurally developed Assets.

**g. Acquisition of Target Assets**

The Fund Manager has, on behalf of the Fund, entered into two agreements related to Target Assets:

**First Agreement:** Sale and Purchase Agreement with Alandalus Property Company to acquire the Target Assets, including future usufruct related to such Assets as of the date of conclusion of



the sale and purchase agreement within 90 Business days from the date of offering completion.

**Second Agreement:** Master Transfer Agreement with Alandalus Property Company, comprising:

- Alandalus Property Company shall assign all contracts related to the Target Assets, including but not limited to: Lease contracts, service contracts such as cleaning, security, maintenance, etc., hotel management contracts, and insurance policies related to the Target Assets.
- Alandalus Property Company shall be appointed as Agent to the Fund Manager in respect of these contracts.

**The Agent's Duties based on the Agreement:**

- Follow up on and approval of leasings;
- Review of operations;
- Approval, implementation and review of legal procedures;
- Contacting insurance companies as necessary.

The Fund Manager will purchase the Target Assets and transfer title thereto in the name of an SPV established by the Custodian for the Fund within 90 business days from offering completion, subject to the following:

- CMA's approval of the Fund launch and public offering of its Units;
- Incorporation of an SPV by the Custodian to own the Fund's Real Estate Assets for the Fund;
- Fundraising of the amount required for acquisition of Target Assets by the Fund.

A part of the purchase price will be paid in cash in an amount of (SAR 405,000,000) and the remaining part will be paid in the form of in-kind subscriptions for 94.5 million Units accounting for 68.73% of the Fund's asset value and 70% of Target Assets, i.e. an amount of SAR 945,000,000 to be issued for Alandalus Property Company. After the allocation period is successfully finalized, the Fund Manager will transfer title to the deed to the SPV and will list the Fund Units in the Saudi Stock Exchange (Tadawul) within 90 Business Days from the expiry of allocation and refund of subscription surplus.

Target Asset purchase price depends on two valuation reports prepared by two independent Valuers authorized by Saudi Authority for Accredited Valuers (TAQEEM). It should be noted that valuation reports will be prepared in October 2017G. Below are details of the valuation of Target Assets to be acquired by the Fund in Saudi Riyals:

| <b>Description</b>                               | <b>Colliers</b> | <b>Knight Frank</b> |
|--|-----------------|---------------------|
| <b>Value of Target Assets based on valuation</b> | 1,324,000,000   | 1,336,590,000       |

The purchase price will be SAR 1,350,000,000

For more details, refer to Paragraph 10 of these Terms and Conditions (Fund Assets Valuation).

Table 11: Timeline for Transferring Title to Target Assets and Unit Listing

|   |  |
|---|--|
| <b>Offer Period</b>                                   | 10 Business Days renewable for similar periods starting from 12/6/2017G  |
| <b>Offer Period's Closure</b>                         | 12/20/2017   |
| <b>Allocation and ReFund Period</b>                   | A maximum of 15 business days starting from the Offering Period expiry, during which the surplus will be refunded to investors |
| <b>Transfer of title to the deed and Unit listing</b> | Title will be transferred and Units will be listed within 90 Business Days from the Offer Period's Closure Date                |

## 7. Fund Investment Risk

Each potential investor shall be aware that investment in the Fund involves high risks, and that there is no guarantee that the Fund will realize its Investment Objectives. The value of Fund's Assets relies on the Fund's asset evaluation and lease returns, which may slump as a result of the impact of the risks mentioned below. There is no guarantee that the Unitholders will receive returns on their Fund's investment. Moreover, the market conditions are continually changing, and they are affected by the general conditions of macroeconomic, financial markets or companies' development in the Kingdom, along with real-estate market trends.

There is no guarantee that investing in the Fund will be profitable or that no loss will be incurred by the investor. Subsequently, each potential investor shall take the below-mentioned factors into consideration before purchasing Units in the Fund. The Unitholders shall be solely responsible for any material loss resulting from investing in the Fund, unless it is caused by a fraud, gross negligence or misconduct on part of the Fund Manager the below-mentioned risks might not represent all risk factors related to investing in the Fund's Units.

### The Fund's Risk Factors

**Lack of Guaranteed Investment Returns:** There is no guarantee that the Fund will be able to achieve periodic or targeted returns for the Unitholders or that the returns will be commensurate with the risks of investment in the Fund and the nature of the Transactions described in these Terms and Conditions. The value of Units may decrease. Unitholders may lose all or some of invested capital. All figures and statistics related to profits and returns mentioned in these Terms and Conditions, are for clarification purposes only and do not represent a confirmation of future profits that may vary from those described therein.

**Absence of The Fund's Operating History:** The Fund is a new contractual arrangement between Unitholders and Fund Manager. It has no previous operating history to evaluate the Fund's performance which may be negative upon operation.

**Risk of suspension of trading and cancellation of listing:** Trading in Fund Units in the market may be ceased according to relevant regulations and instructions, having negative impacts on the Fund and Unitholders. If the Fund fails to meet any of the regulatory requirements necessary to maintain its status as a REIT, the CMA may suspend the trading of Units or cancel the Fund's listing. The inability to trade the Fund's Units on Tadawul may have negative consequences on the marketability, liquidity and value of the Units.

**Risk of Market Liquidity** Liquidity and activity of the Fund's Units in the market should not be linked to accepting the admission of the Fund Units to listing in Tadawul. In the absence of a liquid market, the liquidity of Units and their trading prices may be adversely affected. Also, acquisition of Units by a limited number of people may lead to limited liquidity, which may adversely affect the Unit price.

**Change in Return Rate Risk (Financial Instruments Profits):** This is the risk that the value of financial instruments will fluctuate due to changes in return rates which are affected by interest rate. Thus, interest rates fluctuations might adversely affect the market value and indicative price of the Unit and the Fund's returns.

**Organizational and Legislative Risks:** During the Fund's duration, major changes in the commercial, economic, political, legal and technological environment in which the Fund operates may occur which would have a significant impact on the Fund, including but not limited to: the emergence of legal procedures that result in difficulty in managing real-estate Funds or legislations that result in increasing the costs of Funds management compared to other investment instruments or tax changes might lead to the unfeasibility of real-estate Funds. Moreover, this may lead to the unenforceability or unfeasibility of investment strategies mentioned in such Terms and Conditions, which might negatively affect the Unit price.

**Risks of Trading at a Discount to Initial Offering Price:** Units may be traded at a discount to the offered value, and Unitholders might not recover the total value of their Investments as a result of market conditions change and lower liquidity level.

**Risk of Fluctuation in Dividend Value:** There is no guarantee for future dividend distribution value from the Fund due to different reasons such as lessees' default, higher Fund's expenses or higher real-estate operational expenses. In addition, declaration of dividend, payment and value (which is not lower than 90% of net profits) of any future dividend shall be subject to Fund Manager recommendation. They are based on factors such as Fund performance, Fund financial positions, cash requirements and the Fund's ability to comply with applicable legal requirements related to dividend payment. Fluctuation in dividend value may result in a reduction in Unit price to Unitholders.

**Risks of Higher Sales of Units:** Significant sale in the secondary market by Unitholders might lead to significantly lower Unit prices, which would adversely affect the value and price of Units.

**Risks of Difference between Fund Asset Value and Fund Unit Market Value:** The market value of the Fund Units might not be an indication of the Fund's primary Investments. Capital markets might witness significant fluctuations in prices and volume of Transactions, which in addition economic and political conditions etc., would have a material adverse effect on the value and price of Units.

**Risks of Restrictions on Fund–Raising for Future Acquisitions:** The Fund shall distribute at least 90% of its net profits to Unitholders; therefore, distribution requirements and finance restrictions under Real Estate Investment Traded Funds Instructions might reduce the Fund's resilience and ability to achieve growth through acquisition of new Assets. In addition, the Fund's finance may not exceed 50% of its total asset value in order to maintain the Fund's status as a Real Estate Investment Traded Fund. As a result, the Fund might have limited ability to improve its properties or achieve growth through acquisition of additional real properties. Such restrictions might have an adverse effect on the Fund's performance and Unit prices.

**Risks Associated with Complying with Shariah Guidelines:** The Fund Shariah Board decides whether the Fund and its Investments comply with the Shariah. However, there is a possibility that some Investments may not satisfy the Shariah requirements, which could lead the Fund to avoid or exit of such Investments or failure to reap the target return of these Investments, which may result in lower value and price of Units and an adverse effect on the Fund.

**Availability of Appropriate Investments:** There is no guarantee that the Fund Manager will, after acquisition of Target Assets, be able to identify other Investments that are in line with the Fund's Investment Objectives. Success the Fund may depend on capturing opportunities to buy or develop suitable Real Estates, so the lack of, or failure to take up, opportunities may adversely affect the Fund and its financial position.

**Conflict of Interest Risk:** Such risks result from events affecting the objectivity and independence of decisions made by the Fund Manager or other parties with which contracts are entered into for the Fund's works, e.g. a personal interest would have an impact on investment and non–Investment Fund–related decisions made by the Fund Manager, subsidiaries, or contracting companies, which would have an adverse effect on the Fund's performance.

**Geopolitical Risk:** Geopolitical risks are often defined as the risk of adverse effects arising from unexpected political events in the region or surrounding areas that may have direct or indirect impacts on the Fund. The unpredictable nature of the events fuels uncertainty and therefore poses risks to the investment. Furthermore, the political climate also gives rise to risks to the economic and commercial sectors, including Real Estates, which can adversely affect the performance of the Fund.

**Changes to Market Conditions:** The Fund's future performance depends largely on changes in the Real Estate sector and changes in the conditions of supply and demand therein. Moreover, The Fund's performance depends on the hospitality and retail sectors, which may be affected by regional and local economic and political conditions along with higher competition resulting in lower Real

Estate values, which could have an impact on the value of Fund-owned real properties and the Fund's Investments, and, as a result, on the Fund's performance and Unit price.

**Inability to Control the Operations and Decisions made by The Fund Manager:**

Unitholders might not have the opportunity to participate in or control the Fund's daily operations or decisions including investment decisions and actions taken by the Fund Manager, which may have an impact on the performance of the Fund.

**Risks of Dependence on The Fund Manager's Personnel:** The Fund's performance depends largely on the capabilities and skills of the Fund Manager's employees. The Fund's performance may be significantly affected in the event of a resignation or absence of any one of them should the Fund Manager fail to secure a suitable replacement.

**Risks Relating to Fund Assets**

**General Real Estate Risks:** Unit prices and Fund performance may be impaired by fluctuations in the Fund's asset value. The Fund's properties and projects, where the Fund invests, may be affected by changes in market conditions, the economy, Real Estate prices and decisions of government regulators. The Assets of the Fund may also be expropriated by the competent authorities or the government may take any action regarding those Assets for the public good.

**Risks of Expropriation:** Certain government authorities may forcefully take possession of a real property to serve a public interest. In case of expropriation, a real property can be expropriated after a notification period that is not legally defined, for determination thereof is determined by a special law. In spite of possible compensation, there is a risk that the value of compensation might be insufficient compared to the lost investment or profit or higher investment value. If the risk of expropriation presents itself, dividends distributed to Unitholders and Unit traded price may decrease, and Unitholders may lose all or part of the invested capital.

**Investment Concentration Risk:** The Fund initially invests in Assets concentrated in specific geographical area and industries such as hospitality and retailing. In case the Fund Investments are concentrated in one or more industries, the Fund's performance and Unit prices may be affected more adversely than in cases of various Assets or properties or in case of dependence on one or more other industries.

**Commercial Real Estate Market Risks:** The Fund is in possession of a shopping mall; if the Fund depends largely on income generated therefrom, the Fund and Unit prices may be affected if the shopping mall suffers any recession. The commercial Real Estate market is characterized by its cyclical trend and is influenced by the economic situation in general. Deteriorating economic conditions adversely affect the value and liquidity of commercial Real Estate Assets. In addition, adverse economic conditions have, and will continue to have, a material and adverse impact on the level of returns, rental payments and effective collection.

**Risks of Dependence on Rental Income:** The Fund may acquire Investments based on the values of actual or expected revenues from Real Estate lessees. There is no assurance that the vacant

space will be leased out; that expired leases will be renewed on the same or better terms, or that there will be an increase in rents over time. If a lessee is subject to a business recession or any other type of financial crises, they may be unable to settle his obligations on time or renew their lease. Some lessees may occupy large portions of rental space. Therefore, the Fund's financial position, results of operations, cash flows, or ability to provide dividends to investors may be negatively affected by any adverse circumstances suffered by these key lessees. A lessee's recourse to protection under bankruptcy or insolvency laws or similar regulations may allow them to terminate a private lease, resulting in a decline in the Fund's profits. In the event of a large number of defaults and/or bankruptcies by lessees, the Fund's cash flows, and its ability to make dividends to Unitholders may be adversely affected.

**Risks of Unavailability of Long Term or Firm Contracts and Reliance on the Occupancy Rate and Seasonal Periods:** The continued lack of shopping mall lessees and hotel guests on long-term contracts increases the number of vacant Units and may result in a failure to achieve the targeted occupancy rates and, therefore, a decline in the profits of the Fund. The Fund's annual profits and Unit prices may also be adversely affected if the shopping mall and hotel profits are affected by seasonal periods at certain times of the year.

**Difficult liquidation of Real Estate Investments:** Real Estate constitutes a class of Assets that are difficult to liquidate and whose liquidity generally fluctuates with the level of demand for such Investments. If the Fund has to liquidate its Real Estate Investments at an unfavorable time, the Fund's liquidation proceeds may be far less than the total book amount of their Real Estate or the market value of the Fund's Units. Hence, any delay or difficulty that the Fund faces in disposal of their Real Estates comprising the Fund will materially affect the value and price of Unit trading and returns, if any, obtained by investors.

**Development Risk:** Although development projects will not constitute a large proportion of the Fund's total Assets, Real Estate development projects face different risks. Risks of investment in the construction and marketing of a new Real Estate project include, but are not limited to: (i) delay in completion of work in on time; (ii) Project costs being in excess of the previously foreseeable anticipated costs; (iii) inability to conclude the anticipated number of leases; and (iv) force majeure arising from factors beyond the control of the Fund in relation to the construction sector (including weather and poor environmental conditions, lack of building materials in the market and high labor costs), which impedes the completion of development projects. The start of a new project also involves other risks, including issuance of governmental approvals and permits related to land zoning, other approvals and government permits that may be required, and the unexpected costs of Real Estate development projects. Successful completion of Real Estate development projects, if any, will have a direct and significant impact on the market and asking price of the Unit, and any failure will result in reduced distributions to investors and impairment of the Fund NAV and Unit price.

**Financial Risk:** The Fund may obtain Shariah-compliant financing, which will be payable within

a certain period. The Fund's Assets may be affected by financing risks if there are insufficient returns to repay the financing; it may also lose some of its Assets provided as collateral for financing, which would have an adverse effect on the Fund's performance and Unit price.

**Competition Risks:** The Fund and its contracting parties compete with property owners, Operators and other property Developers in Saudi Arabia, who may own properties similar to properties owned by the Fund within the same area. If the Fund's competitors rent hotel and/or commercial places similar to properties owned by the Fund or sell Assets similar to those owned by the Fund at lower prices, the Fund may not succeed in renting the commercial and hotel space at reasonable rates or on appropriate terms or at all. As a result, The Fund may incur additional costs and expenses to retain the real properties and may be subject to loss of potential income as a result of non-occupancy of the underlying properties, which would have an adverse effect on Unitholders expected income and Unit prices

**Risks of Inability to Withdraw from Fund Investments on Good Terms:** The Fund might not be able to exit their own Real Estate and other Assets at the time Fund Manager considers suitable for sale. The Fund's ability to dispose of Real Estate on favorable terms depends on factors beyond its control, including competition from other sellers, and the available financing solutions that attract potential buyers. If the Fund fails to dispose of its Assets on favorable terms or at the time the Fund Manager disposes of Assets, the Fund's financial position, results of operations, cash flow, and ability to distribute dividends to Unitholders may be adversely affected.

**Risk of Counterparty Default and Credit Risk:** The Fund will be exposed to credit risks related to parties with whom the Fund operates, and the Fund might face the risk of default settlement. the Fund may, under certain circumstances, be exposed to default by other parties, including landowners, Real Estate managers, lessees, financiers and/or contractors. A breach by a contracting third party of its obligations or its failure to settle any contractual dues to the Fund may result in a decrease in the income achieved by the Fund, which would adversely affect the returns of the Unitholders.

**Risk of Inability to Renew the Lease or Release the Leased Area upon Expiry of the Term:** The Fund achieves most of its income from rental payments made by Real Estate lessees. Accordingly, the Fund's Unit price, financial position, results of operations, cash flow, performance and ability to distribute dividends to Unitholders, may be adversely affected, if the Fund or the occupant fails to immediately re-lease the Real Estate or renew the lease, or if the rental value, in case of re-lease or renewal, is much lower than expected. Upon termination of any lease, there is no guarantee that the lease will be renewed or that the lessee will be replaced. Furthermore, the terms of any subsequent lease may be less favorable or weaker (in terms of its provisions) than that of the current lease. In case of default by any lessee, the lessor may face delays or restrictions in enforcement of the rights, and may incur high costs to protect the Fund's Investments. In addition, the ability of the Fund or the Operator to lease the full available area, and the rental value it receives are affected not only by lessees' demands but also by the number of other properties competing

with those of the Fund to attract lessees.

**Uninsured Risks:** Properties purchased by the Fund will be exposed to a significant number of risks, including, but not limited to, earthquakes, floods, landslides, fires and expropriation, many of which may not be insurable, and which may have a material adverse effect on the value of such properties as well as the Fund's performance and the Unit price if such risks occur during the term of the Fund.

**Real Property Value Risks:** Property value is exposed to fluctuations and changes. Change in Saudi economy indicators may lead to a decline in the market value of the Fund's Investments. This may lead to a decrease in the Fund's revenues and prevent the Fund from succeeding in implementing its investment strategy. This might lead the Fund Manager to change its investment strategy. In addition, Investments in commercial and residential Real Estate are exposed to risks affecting the commercial and residential Real Estate sector in general, including seasonal changes, buyers' desire to purchase a particular property, and changes in economic conditions and business confidence. Therefore, one or more of these factors may have an adverse impact on the Fund's operational results, its financial position, or the Unit price.

**Real Estate Valuation Risks:** In addition to the valuation of Fund Assets by two independent Valuers, Fund Manager may use internal valuations for various purposes. Valuation by the Fund Manager for the purpose of estimating the value of any asset may not be an accurate measure of the value that can be realized when the asset is sold, since this may depend on negotiation between the buyer and the seller. The ultimate verification of the value of the Assets is largely dependent on economic conditions and other circumstances beyond the control of the Fund and the Fund Manager, including, but not limited to, market conditions in general. Moreover, valuations do not necessarily reflect the price at which the asset can be sold. If the Fund decides to liquidate its Assets, the realized value may be greater or less than the estimated valuation amount of these Assets. During periods of economic volatility where uncertainty increases as regards valuation estimates, and comparable Transactions against which value can be measured are fewer, the difference increases between the estimated value of a particular Real Estate asset and the ultimate market value of that asset. Furthermore, the relative uncertainty about cash flows in a faltering market would have an adverse impact on the accuracy of the Fund's asset value estimates, negotiations between the buyer and the seller, and, consequently, the performance of the Fund and the Unit price.

**Other Risk Factors:**

**Risks of Legal Status:** The Fund is a contractual arrangement between the owners of the Units and the Fund Manager. This contractual arrangement is subject to the CMA regulations and implementing regulations. The Fund does not have a legal entity up until the date of these Terms and Conditions. Therefore, Saudi government agencies, courts or committees' distinction between the legal status of the Fund and the legal status of the Fund Manager is unclear and untested, which would lead to a delay in dispute settlement by such agencies, courts or committee, which may adversely affect the performance of the Fund and the Unit price.



**Statutory, Regulatory, and Taxation Risks:** The information set out in these Terms and Conditions are derived from existing and announced legislations. Statutory, regulatory and taxation changes may occur in the Kingdom or elsewhere during the term of the Fund, which may have an adverse effect on the Fund and its performance or Investments. The Fund may have limited ability to seek legal recourse in the event of conflict. The execution of rental contracts and other contracts through the jury may lead to delays and unexpected results. In addition, the Kingdom's departments and government agencies enjoy a degree of authority and discretion in the application of existing legislation. Changes in existing legislation or the late implementation of such legislation by government departments may adversely affect the Fund's performance and Unit price. There are currently no taxes imposed on Funds governed by the CMA within Saudi Arabia, and local tax authorities reserve the right to run a tax or zakat assessment on all Unitholders or on the Fund. The Government of Saudi Arabia may also require a certain percentage of Saudi national employees in the Real Estate and retail sectors in the Kingdom. The extent to which the Fund and its Investments will be required to comply with such policies or percentages that are higher than the current rates is not clear. Saudization may require the hiring of additional staff or additional training. These other costs may cause higher operating costs than expected, which would be deducted from the net income of the Fund and, therefore, would lead to a decrease in net profits available for distribution to the Unitholders.

**Income Tax and VAT Risks:** Investment in the Fund involves various tax risks, some of which apply to investment in the Fund itself, while others apply to certain circumstances that may be relevant to a particular investor. Incurring such taxes reduces cash available for the Fund's operations as well as for potential distributions to the Unitholders. The taxes incurred by the Unitholders will necessarily reduce the returns associated with investment in the Fund and Unit prices. Potential investors should consult their tax advisors about taxes levied on investment, ownership, and sale of Units. The Management Fees and all fees due to NCB Capital do not include VAT which is charged separately in accordance with the provisions of the VAT Law and regulations.

**Risks of Government and Municipal Approvals:** The Fund may not succeed in achieving its Investment Objectives if any approval, license or authorization is withheld by the competent authorities, such as municipalities and secretariats, or if such approvals, licenses or authorization is granted on unacceptable terms. In such a case, the Fund may not be able to achieve the return expected by the Fund Manager or Unitholders.

**Risks of Third-Party Litigation:** The nature of Fund's activities may expose it to the risks of litigation with third parties. The Fund will incur attorney fees for defense against third party claims and settlement amounts or judgments against it, which would reduce the Fund's Assets and cash available for distribution to Unitholders and, thus, adversely affect the Fund's performance and the Unit price.

**Responsibility and Compensation Risk:** The Fund's Terms and Conditions specify the

circumstances in which the Fund Manager and its Advisers, Unitholders, managers, officers, employees, Agents, subsidiaries and directors shall be responsible to the Fund. As a result, the right of Unitholders to act in certain cases will be more limited compared to cases wherein such restricting conditions are not provided. In addition, the Terms and Conditions provide that the Fund will indemnify the Fund Manager and its consultants for certain claims, losses, damages and expenses arising from their actions on behalf of the Fund. These indemnification obligations may adversely affect the returns of Unitholders, the Fund's performance and the Unit price.

**Risks of In-Kind Distributions:** The Fund may have to make in-kind distributions of Real Estate, interests or shares in other companies, such as an SPV, as part of the Fund liquidation or wind up. In case of in-kind distributions, Unitholders may receive shares in a company or properties that are potentially difficult to dispose of and liquidate. In-kind distribution of any Assets may result in costs or encumbrances that investors would not have borne if the Fund had made cash distributions. In-kind distributions may cause a significant decline in the Fund's performance.

**Future Statements Risks:** These Terms and Conditions may contain data relating to future events or future performance of the Fund or its Assets. These data are mere expectations, while actual events or results may differ materially. When valuating such statements, investors must specifically consider a number of different factors, including the risks set out in the Paragraph. These factors can render actual events or results materially different from any future statements. The Fund Manager shall not be responsible for any update to the future statements aiming to align them with actual results or changes in expectations after the date of these Terms and Conditions.

**Risks of Operators or Property Management Companies:** The Fund will use a company or companies specialized in the operation and management of Real Estate Assets on an exclusive basis and will rely on their experience to operate and lease properties. Developed Real Estate returns largely depend on the ability of the Operator or Property Manager to rent, collect rents and establish good relationships with lessees. The Operator might also employ a number of Operators to provide services such as security, cleaning, maintenance and other services. Therefore, any failure or defect in the level of service provided by the Operator or contractors for any reason whatsoever or failure of the Operator to manage the contractors with the required efficiency will have a direct and negative impact on the performance of the Fund and its financial position and hence the Unit price.

The above risks do not purport to serve as a full comprehensive explanation or statement of all the risk factors involved in the investment in Fund or its Units. It is therefore strongly recommended that all potential investors seek independent advice from their specialized consultants.

The Fund Manager acknowledges that it shall, to the best of its knowledge and belief, take all necessary steps and pay due care to serve the best interest of the Unitholders. The Fund Manager, directors, officers, employees, Agents, consultants, affiliates, Custodian, Shariah advisor and Board of Directors shall endeavor to exercise reasonable diligence and act in good faith to serve the best interest of Unitholders. However, the Fund may be in any way incur loss in consequence of any

unintentional action by any of the said parties in respect of their management of the Fund. Accordingly, such parties shall not be held liable for such loss provided that they have acted in good faith. Good faith can be proven by lack of actions, decisions or correspondence indicating prior knowledge of the negative consequences of such conduct and if the act does not involve gross negligence, fraud or wilful misconduct.

## **8. Subscription**

### **Subscription Commencement and Expiry**

The Fund's Units will be offered through a public offering in accordance with the Real Estate Investment Traded Funds Instructions and the Real Estate Investment Funds Regulations within the Offering Period commencing from 12/6/2017 and continuing for ten Business days up until 12/19/2017 and renewable for a similar period in case the Fund's minimum subscription is not met ("**Offering Period**"). During the subscription period, each Unit will have a subscription price of SAR 10.

### **Size of Initial Offering**

The Fund is willing to offer one hundred thirty-seven million, five hundred thousand (137,500,000) Units at a subscription price of ten 10 Saudi riyals to raise a capital of one billion, three hundred seventy-five million Saudi Riyals SAR 1,375,000,000. Priority for acceptance of subscriptions to the Fund Units will be as follows:

First: In-kind subscription by Al-Andalus Real Estate Company to ninety-four million five hundred thousand 94,500,000 Units in the amount of nine hundred forty-five million SAR 945,000,000 Saudi Riyals.

Second: Cash subscription by the Fund Manager to one million seven hundred fifty thousand 1,750,000 Units in the amount of seventeen million five hundred thousand SAR 17,500,000 Saudi Riyals.

Third: Cash subscription by the public to forty-one million two hundred fifty thousand 41,250,000 Units in the amount of four hundred twelve million five hundred thousand SAR 412,500,000 Saudi Riyals.

Table 12: Number of Units Offered in Kind and Cash

| <b>Type of Subscription</b>          | <b>Number of Units</b> | <b>Value of Units in SAR</b> | <b>Percentage out of the Fund's value</b> |
|--------------------------------------|------------------------|------------------------------|---|
| In-kind – Alandalus Property Company | 94,500,000             | 945,000,000                  | 68.73%                                    |
| Cash – the public                    | 41,250,000             | 412,500,000                  | 30%                                       |
| Cash – the Fund Manager              | 1,750,000              | 17,500,000                   | 1.27%                                     |
| <b>Total</b>                         | <b>137,500,000</b>     | <b>1,375,000,000</b>         | <b>100%</b>                               |

There will be a lock-up period, where Al-Andalus Real will not be able to trade in a number of 67.5 million Units, representing 50% of the value of purchased Target Assets, under a written undertaking given thereby to the Fund Manager during the acquisition of the Target Assets. The Lock-up Period will extend for three years from the date of listing the Fund's Units on Tadawul.

### **Minimum and Maximum Subscription**

During the Offering Period, each investor must subscribe to a minimum of 1,000 Units at a subscription price of ten 10 Saudi Riyals per Unit and a total subscription amount of not less than ten thousand (10,000) Saudi Riyals. For the purpose of comply with the minimum number of Unitholders from the public set out in Real Estate Investment Traded Funds Instructions, which is fifty investors, the maximum of cash subscriptions shall be less than 5% of the Fund's total Assets or lower than SAR 68.75.

### **Procedures for Submitting the Initial Subscription Request**

The investor must be a client with NCB to be able to subscribe in the Fund. The client signs the Subscription Form, and the Fund's Terms and Conditions through the branch of the Recipient, i.e. NCB. Subscriptions can also be made through Alternative Channels via website: [www.alahlionline.com](http://www.alahlionline.com), NCB ATMs, or phone 920001000. The subscription amount, plus Subscription Fees, will then be deducted from the client's account. When subscribing through the branches, an individual investor must present a valid personal identification such as the national identity card (for Saudis) or Iqama (for non-Saudis). In the case of subscription of any of the respective dependents or minors, the guardian shall present the national identity card for minors between 15-18 years or family record for minors under 15 years and dependents, in addition to the national identity card (for Saudi guardians) or Iqama (for non-Saudi guardians). It should be noted that in the event that the investor has not subscribed through the above Recipient yet, or in the absence of an active current account in the name of the investor with the Recipient, the investor shall attend one of the Recipient's branches in person to complete the subscription process. Legal entities (companies and institutions) must provide a letter signed by the company and a copy of the company's commercial registration, in addition to other documents required by the Fund Manager

depending on the type of company or institution, to the one of the Recipient's branches. subscription to the Fund may be subject to any other conditions or additional documentation as required by the Recipient. Upon subscription, the investor will not receive a deed of title to the investment Units; rather, all investment Units will be registered with Tadawul Depository Center. The investor must have an active investment portfolio with NCB Capital in order to be able to trade the Fund's Units. The Fund Manager may, at its sole discretion, grant facilities to its clients with adequate financial solvency or creditworthiness credit.

Notwithstanding the receipt of the signed Subscription Form or fulfillment of any other requirements, the Fund Manager or the Recipient reserves the absolute right to reject any subscription in full in the event that (i) the subscriber is a blocked person; the investors' subscription results in violation by the Fund, the Fund Manager, and/or the Recipient, of SAMA's laws and regulations and/or CML and its implementing regulations, laws in force in the Kingdom of Saudi Arabia, or the Fund's Terms and Conditions; or in the event that the investor's subscription causes damage to other Unitholders or the Fund. If the subscription request is rejected, the Fund Manager will refund to the investor the amount of subscription and Subscription Fees or remaining balance.

### **Unit Allocation Mechanism**

The Fund Manager shall notify, directly or through the Recipient, each investor within 15 Business Days of the Closure Date that its subscription request is accepted or rejected, with the approved subscription amount. In case an investor's subscription amount is rejected, the subscription amount and relevant Subscription Fees will be refunded to this investor within not later than 15 Business Days the Closure Date.

Units are allocated after the Closure Date according to the following mechanisms:

- The Fund Manager will issue ninety-four million five hundred thousand (94,500,000) Units for Alandalus Property Company in exchange for the in-kind subscription provided by the Fund.
- Priority of subscription and allocation in the Fund will then be given to the Fund Manager by allocating 1,750,000 Units out of the total Units offered against its cash subscription amounting to SAR 17,500,000.
- Upon completion of the allocation of Units to Alandalus Property Company and Fund Manager, cash subscriptions by investors from the public are treated as follows:
  - If the target cash amounts of subscriptions offered to the public, representing four hundred twelve million five hundred Saudi Riyals (SAR 412,500,000), is not collected, the offering will be canceled, and all subscription amounts and Subscription Fees received will be refunded to investors within 10 Business Days of the Closure Date.
  - In case of collecting more than the amount required, i.e. four hundred twelve million five hundred Saudi Riyals (SAR 412,500,000), the target amount will be accepted and forty-one million two hundred fifty thousand (41,250,000) Units will be allocated as follows:

- If the total number of applicants to subscribe in the Fund is forty-one thousand two hundred fifty (41,250) investors, a thousand (1,000) Units will be allocated to each investor.
- If the total number of applicants to subscribe in the Fund is less than forty-one thousand two hundred fifty (41,250) investors, a thousand (1,000) Units shall be allocated to each investor, and any additional Units, if any, will be allocated on a pro-rata basis with the subscription value.
- If the total number of applicants to subscribe in the Fund exceeds forty-one thousand two hundred fifty (41,250) investors, the Units shall be allocated equally to the investors. Therefore, the Fund Manager will not guarantee allocation of the minimum subscription per investor, i.e. one thousand Units.
- o In case of collecting an amount equal to the amount required, i.e. four hundred twelve million five hundred Saudi Riyals (SAR 412,500,000), the target amount will be accepted and forty-one million two hundred fifty thousand (41,250,000) Units will be allocated according to their subscriptions.

Table 13: Description of the Unit Allocation Mechanism

| Target amount (412,500,000) | Number of Subscribers (41,250) |  |                                   |  |
|-----------------------------|--------------------------------|--|-----------------------------------|--|
|                             | Size                           | Less   | Equal                             | More   |
|                             | Less                           | Cancellation of the offering and refund  | -                                 | -  |
|                             | Equal                          | Allocate Units to each investor according to his subscription  | Allocate 1,000 Units per investor | Allocate Units equally to investors (less than 1000 Units) |
|                             | More                           | Allocate 1,000 Units per investor, and distribute the surplus on a pro-rata basis with the subscription amount | Allocate 1,000 Units per investor | Allocate Units equally to investors (less than 1000 Units) |

### Cancellation of the Offering and Refund

Unless otherwise decided by CMA, the offering may be canceled, and all subscription amounts received shall be refunded to investors in the following cases:

- Failure to meet the minimum cash subscriptions of four hundred twelve million five hundred thousand Saudi Riyals (SAR 412,500,000);
- The number of Unitholders from the public is less than fifty 50;
- Percentage of Unitholders' ownership is less than 30% of the total Units of the Fund; or
- Inability to transfer the Real Estate title deed;
- The Capital Market Authority does not approve listing of Units for any reason.

In case of cancellation, all subscription amounts and Subscription Fees received will be refunded to

investors within 10 Business Days of cancellation.

The Fund Manager shall take all actions that may be necessary to ensure at all times:

The number of Unitholders from the public is fifty 50 investors at least, and the percentage of Unitholders' ownership is at least 30% of the total Units of the Fund. The Fund Manager is authorized to take all necessary actions to ensure compliance with the two previous requirements, so long as they are required by CMA. Notwithstanding with the above, 68.73% of the Fund's Units will be offered to Alandalus Property Company, which will invest in the Fund through an in-kind contribution.

The Fund Manager acknowledges that the Fund will only be listed upon completion of transfer of the Real Estate to the Fund. If the transfer is not completed within 90 Business Days of closing of the Offering Period, the full amount of the subscription shall be refunded to investors within a maximum of ten 10 Business Days.

### **Registration and Listing**

Units are to be registered and listed on Tadawul as soon as possible upon the acquisition of the Assets, provided that:

- The minimum cash subscriptions in the amount of four hundred twelve million five hundred thousand Saudi Riyals (SAR 412,500,000) offered to the public are met; and
- The number of the Unitholders from the public shall not be less than fifty 50 investors, holding at least 30% of the total Units of the Fund;
- Any other regulatory requirements determined by the CMA for this purpose are fulfilled.

### **Fund Account**

The Fund Manager shall open a separate bank account (or more) in one or more local banks on behalf of the Fund and/or SPV, which is being established by the Custodian. All the investors' subscription proceeds and Fund's income shall be deposited into this account or accounts. Receivables and expenses due in respect of the operation and management of the Fund will be withdrawn from such accounts.

### **Capital Increase**

The Fund's capital increase mechanism, shall, if so decided by the Fund Manager, be carried out by the following means, jointly or individually:

- Offering tradable Rights Issue as in the case of listed companies in accordance with the regulatory rules and procedures issued pursuant to the Companies Law to the extent they apply to the nature of the REIT;
- Accepting in kind contributions through the issuance of new Units, and this increase is made without issuance of rights to the Unitholders.

## 9. Fees, Charges, Expenses and Management Fees

### Fees and Expenses of The Fund

| Type of fees/expenses   | Amount/Ratio                  | Basis of calculation                         | Method of collection   | Calculation Method   |
|---|-------------------------------|--|--|--|
| <b>Subscription Fees</b>  | 2%                            | Total cash subscription amount               | out of the subscription amount during the initial Offering Period                | Calculated out of the total amount of the subscription, and paid once in advance when subscribed to the Fund |
| <b>Annual Management Fees</b>                                       | 1%                            | Number of actual days of the year            | Of the total Fund's NAV, net of the Fund's expenses                              | Deducted on a semi-annual basis  |
| <b>Transaction fees (acquisition or sale of Real Estate Assets)</b> | 1.15%                         | Price of sale or purchase Real Estate Assets | Of the total value of the Asset to be acquired or sold, excluding brokerage fees | Upon closing of acquisition or sale  |
| <b>Transaction fees</b>   | 0.5%                          | Actual cost                                  | Of the total Fund's NAV  | Calculated and deducted on a semi-annual basis   |
| <b>Brokerage fees</b>   | 2.5%                          | Purchase value of Real Estate Assets         | Of the total Fund's NAV  | Upon acquisition   |
| <b>Sharia-compliant finance costs</b>                               | At prevailing financing rates | Finance amount                               | Of the total Fund's NAV  | According to the terms of the financier  |
| <b>Development fees (Not available now)</b>                         | Negotiated with the Developer | In accordance with the contract              | Of the total Fund's NAV  | In accordance with the contract between the Fund Manager and the Developer                                   |



**Administrative and operational expenses, which will not exceed a maximum of 1% of The Fund NAV annually, including:**

| <b>Type of fees/expenses</b>                                     | <b>Amount/Ratio</b>   | <b>Basis of calculation</b>                                  | <b>Method of collection</b>                           | <b>Calculation Method</b>                            |
|--|---|--|---|--|
| <b>SPV incorporation fees</b>                                    | SAR 60.000  | Fixed  | Of the total Fund's NAV                               | Payable in the first year since the Fund's inception |
| <b>Annual listing fee (payable to Tadawul)</b>                   | SAR 50.000  | Fixed  | Of the total Fund's NAV                               | Once,<br>Before listing the Fund's Units             |
| <b>Depository Center fees</b>                                    | SAR 50, 000, in addition to two riyals per Unitholder up to a maximum of SAR 500, 000 | Number of Unitholders  | Of the total Fund's NAV                               | Once,<br>Before listing and trading the Fund's Units |
| <b>Annual Custody Fees</b>                                       | 0.025%  | Fund Assets under custody, according to the latest valuation | of the total value of the Fund's Assets under custody | Deducted on a quarterly basis                        |
| <b>Annual fees of the Auditor</b>                                | SAR 250.000   | Fixed  | Of the total Fund's NAV                               | Deducted on a semi-annual basis                      |
| <b>Annual Sharia audit and advisory fees</b>                     | SAR 27.000  | Fixed  | Of the total Fund's NAV                               | Deducted on a semi-annual basis                      |
| <b>Annual remuneration of all Independent Fund Board Members</b> | SAR 100.000   | Fixed  | Of the total Fund's NAV                               | Deducted on a semi-annual basis                      |
| <b>Annual regulatory fees (payable to CMA)</b>                   | SAR 7,500   | Fixed  | Of the total Fund's NAV                               | Deducted on a semi-annual basis                      |
| <b>Annual publication fee (payable to Tadawul)</b>               | SAR 5,000   | Fixed  | Of the total Fund's NAV                               | Deducted on a semi-annual basis                      |

|   |   |   |  |   |
|---|---|---|--|---|
| <b>Annual fees for continued listing (payable to Tadawul)</b> | 0.03%<br>At a minimum of: SAR 50,000<br>A maximum of: SAR 300,000 | The market value of the Fund's Units                | Of the total Fund's NAV  | Deducted on a semi-annual basis, or according to Tadawul instructions |
| <b>Annual fees of Register of Unitholders management</b>      | SAR 400,000   | Fixed, and varies according to the size of the Fund | of the total Fund's NAV, and varies according to the value of the Assets of the Fund | Deducted on a semi-annual basis, or according to Tadawul instructions |
| <b>Zakat</b>  | 2.5%  | Zakat base  | All assets subject to Zakat, less the liabilities                                    | Annual  |
| <b>Annual agency fees*</b>                                    | SAR 500,000   | Fixed   | Of the total Fund's NAV  | Deducted on a semi-annual basis                                       |
| <b>Annual valuation fees for the two Valuers</b>              | SAR 200,000   | Fixed   | Of the total Fund's NAV  | Deducted on a semi-annual basis                                       |

\* The agency fees of Alandalus Property Company in relation to the Master Transfer Agreement are paid in accordance with Paragraph 6 (c) of these Terms and Conditions.

#### **Brokerage Fees:**

A maximum of 2.5% of the value of Real Estate Assets commonly paid to the seller, marketer or broker. The Fund will not pay any brokerage fees when acquiring the Target Assets (the Mall and Hotel) prior to the launch of the Fund.

#### **Administrative and Operational Expenses:**

This includes actual amounts of all costs, fees and expenses associated with activities related to the operation of the Fund, including charges, expenses and fees of lawyers, auditor, Shariah Advisers and other professional Advisers, including Advisers hired by the Fund Manager in the course of the Fund's business to provide specialized services to the Fund, which are not reasonably expected to be provided by the Fund Manager, including: any other petty cash incurred by third parties in respect of the Fund's Transactions, any extraordinary expenses incurred by the Fund, insurance costs, and other government, municipal and regulatory fees and expenses. The Fund shall bear all costs and expenses of relevant SPVs. Other expenses, plus administrative and operational expenses, will not exceed a maximum of 1% of the Fund NAV annually, and only actual fees and expenses are deducted.

#### **Fees of the Property Management**

Property Management Fees are paid directly from the Target Assets in accordance with Paragraph C of these Terms and Conditions. Any Real Estate or Property Management Fees paid by the Fund to any Real Estate manager appointed by the Fund Manager in the future shall be negotiated on a

purely arm's length basis.

### **Transaction Fees**

The Fund will pay the Fund Manager all fees of Transactions related to the acquisition or purchase of Real Estate Assets, including the cost of acquiring any asset and related feasibility studies, brokerage fees, legal consulting costs, expenses of due diligence studies, advisory, regulatory, and valuation fees, plus additional fees and expenses related to the establishment of a SPV to acquire other Fund's Assets. Transaction fees will not exceed (0.5%) of the total Fund NAV.

### **VAT**

All fees, commissions and expenses payable to NCB Capital or other parties do not include VAT, which will be charged separately according to the rates set by the VAT Law and its Implementing Regulations.

The Fund Manager acknowledges that there are no other fees than those listed in the tables of fees and expenses in Paragraph 9 of these Terms and Conditions, and the Fund Manager will be liable for any other fee not disclosed in this Paragraph.

## **10. Valuation Method**

The Fund's Real Estate Assets shall be valued twice a year by – at least – two independent Valuers licensed and accredited by Saudi Authority for Accredited Valuers (TAQEEM) to determine the value of the Assets. The Unit reference value is calculated as follows: the Fund's total Assets, net of total liabilities including all fees, expenses and financial obligations due, together with dividing the result by the total number of the Fund's Units as at the date of the valuation. Any securities held by the Fund will be valued at their current market value. Shariah-compliant Money Market Funds will be valued according to the last Unit price declared for these Funds as at the Valuation Date. In addition, the Fund's direct Shariah-compliant Murabaha Transactions will be valued based on the payable balance at the date of the valuation. It should be noted that in the case of a substantial difference between the valuations of the two independent Valuers, accounting for 5% or more according to the following formula:  $[\text{Higher valuation/lower valuation}-1]$ , the Fund Manager will appoint a third Valuer and count on the average of the three valuations of the Fund's Assets.

Table 14: Details of Valuation of the Target Assets

| <b>Description</b>  | <b>Colliers</b> | <b>Knight Frank</b> |
|---|-----------------|---------------------|
| <b>Valuation of the Mall</b>                                  | 1,144,000,000   | 1,150,558,000       |
| <b>Valuation of the Hotel</b>                                 | 180,000,000     | 201,000,000         |
| <b>Value of Target Assets based on The Valuers' valuation</b> | 1,324,000,000   | 1,351,558,000       |
| <b>Valuation Date</b>   | October 2, 2017 | October 15, 2017    |

| <b>Description</b>                     | <b>Amount in SAR</b> |
|--|----------------------|
| Average valuation of the Mall          | 1,147,279,000        |
| Average valuation of the Hotel         | 190,500,000          |
| Average valuation of the Target Assets | 1,337,779,000        |
| Purchase price of the Mall             | 1,150,000,000        |
| Purchase price of the Hotel            | 200,000,000          |
| Purchase price of the Target Assets    | 1,350,000,000        |

| <b>Description</b>  | <b>Percentage of Increase</b> |
|---|-------------------------------|
| Difference between the purchase price of the Mall and the average valuation of the Mall                   | %0.24                         |
| Difference between the purchase price of the Hotel and the average valuation of the Hotel                 | %5                            |
| Difference between the purchase price of the Target Assets and the average valuation of the Target Assets | %0.91                         |

### **Number and Date of Valuations**

The Fund's Assets are valued at least once every six calendar months in June and December. The Fund Manager may postpone the valuation of the Fund's Asset after obtaining CMA's approval in accordance with Article 22 of the Real Estate Investment Funds Regulations, "Calculation of Asset Value and Unit Price."

### **Announcement of Asset Valuation**

The reference price of the Unit shall, within thirty 30 Business Days from the date of receipt of valuation data from Valuers, be announced on the Saudi Stock Exchange (Tadawul) website and the Fund Manager's website.

## **11. Trading of Fund Units**

Prior to listing and during the initial Offering Period, investors can only subscribe in the Fund Units on any Saudi Business Day during the Initial Offering Period.

Once listed, the Fund's Units can be traded on Tadawul's Business Days the same as REITs Units are traded thereon during the normal dealing hours, by any person authorized by CMA to provide trading services. Trading of the Fund's Units shall be subject to the prevailing dealing or brokerage rates. A Unitholder's purchase of any Fund Unit from the Tadawul shall constitute an acknowledgment thereby that he/she has read and accepted the Fund's Terms and Conditions.

CMA may at any time suspend the trading of REIT's Units or cancel its listing as it deems appropriate, in any of the following circumstances:

- CMA considers it necessary for the protection of investors or the maintenance of the orderly market;
- If the Fund Manager or the Custodian fails, in a manner which the CMA considers material, to comply with the Capital Market Law and its implementing regulations;
- If the liquidity requirements set out in Real Estate Investment Traded Funds Instructions are no longer met;
- If CMA considers that the Fund or its Assets do not have a sufficient level of operations to warrant the continuous trading of its securities on Tadawul;
- The Fund Manager makes a request in writing to CMA a temporary trading halt or cancelation of listing the REIT's Units. CMA may accept, reject or conditionally accept the request for the trading halt or cancelation as it deems appropriate.

## **12. Fund Termination**

The Fund shall terminate in any of the following circumstances (each referred to as "Termination Event"):

- Expiration of the Fund Term specified in these Terms and Conditions;
- Disposal of all its Assets and distribution of all resulting proceeds to investors;
- Changes to other laws, regulations or other regulatory requirements or material changes to the market conditions in Saudi Arabia and the Fund Manager considers that as a justification for termination of the Fund;
- If the Fund is to be terminated in accordance with a decision or request by CMA or under its Regulations.

The Unitholders and the CMA shall be notified within 30 Business Days from the date of termination.

If the Fund is to be terminated for any reason other than Termination Events mentioned above, the approval of the Board of Directors of the Fund and the CMA must be obtained.

If the Fund is terminated, CMA shall, where necessary, be notified in writing, and the Fund Manager shall then announce expiration of the Fund's term and liquidation thereof on its website as well as on Tadawul website. Subsequently, the Fund Manager then will request Tadawul to delist the Units, require CMA to terminate the Fund, announce a liquidation schedule, and then initiate liquidation procedures. The Fund Manager may act as a liquidator, thus being in charge of

carrying out the Fund's termination procedures and distributing its Assets to the Unitholders, or otherwise appoint another liquidator. The Fund's Assets may be distributed to the Unitholders in kind in the event that it is impossible to dispose of the Assets of the Fund or if the Fund Manager considers that this is in the interest of the Unitholders.

### **13. Board of Directors**

The Fund shall be managed by a Board of Directors appointed by the Fund Manager, with SAMA's approval. At least one third of the Board members shall be independent. In all cases, the number of independent members shall not be less than two.

The Fund Manager acknowledges that all Fund Board members have not been subject to any bankruptcy or insolvency claim or bankruptcy or liquidation proceedings; any fraudulent, dishonorable or cheating acts; or any violation involving fraud, dis-integrity, or dishonesty and have the necessary skills and expertise qualifying them to assume Board membership.

#### **Board Members and their Biographies in Brief**

The Board of Directors of the Fund shall consist of the following six members, with at least two independent members. The Fund Manager acknowledges that the two independent members meet the definition of the Independent Member included in the list of terms used in CMA regulations and rules, and this shall apply to any independent member appointed by the Fund Manager throughout the lifetime of the Fund.

#### **Abdulrahman M. AlRashed (Independent Member – Chairman of the Board of Directors of The Fund**

Abdulrahman M. AlRashed enjoys a long-term expertise in capital markets. He participated in establishing the Capital Market Authority, by taking the lead in enhancing and restructuring the CMA strategy. Earlier in his career, AlRashed worked at Saudi Arabian Monetary Agency SAMA as the head of Listed Equity Monitory Department, which gave birth to the idea of establishing CMA, where he occupied several positions, till he was appointed as the Vice Chairman of the Capital Market Authority (2009 – 2016). Mr. Abdulrahman sits on the Board of a number of companies and committees in the field of Real Estate development and investment, including Chairman of Tadawul Real Estate, Vice Chairman of Umm Al-Qura Company, Board Member of Aqarat Real Estate Development Company, as well as a member of the Constitutional Committee of the Real Estate General Authority. In addition, he has worked as a part-time consultant to the Ministry of Housing. He holds a bachelor's degree in Business Administration from King Saud University.

#### **Mohammed bin Omar Al Oaidi – Independent Member**

Al Oaidi, the founder of OCPAs, has more than 14 years of experience in the area of stock exchange, accounting, auditing and risk management. He has also worked in some international companies and agencies such as KPMG, Ernst & Young, the World Bank and the Saudi Capital Market Authority. He received a Master of Business Administration from Oklahoma City University and a Bachelor's degree in Accounting from King Saud University. He was awarded

CPA Fellowship as well as SOCPA Fellowship. Al Oaidi is a Real Estate Valuer certified by Saudi Authority for Accredited Valuers (TAQEEM).

**Mr. Naif Al Mesned – Non-Independent Member**

Currently he is the head of Wealth Management at NCB Capital. Prior to joining NCB Capital, he held multiple managerial positions with Barclays Saudi Arabia, the Saudi Capital Market Authority (CMA) and Ernst & Young. He has also participated in a number of executive programs in Wharton Executive Education, University of Pennsylvania and Massachusetts Institute of Technology “MIT”. Naif holds a master’s degree in Business Administration (MBA) from Clark University, a B.S. in Accounting from King Fahad University of Petroleum and Minerals, and has passed the American Certified Public Accounting “CPA” exam.

**Mohammed Jaafar Al Saqqaf – Non-Independent Member**

Mr. Al Saqqaf is currently the Head of Retail Sales at NCB Capital. He joined NCB Capital since inception, and worked with NCB Group in Retail and Investment departments. He has more than 23 years of experience in the financial sector. He has a diploma in Personal Financial Planning and Wealth Management from IOB, Dalhousie Alum, Canada.

**Saleh Mohammed Al Habib – Non-Independent Member**

He is currently the CEO of Mohammed Abdulaziz Al Habib Holding Company. He has more than 17 years of experience in various fields, especially in Real Estate development. He sits on the Board of a number of companies, in which he holds shares, including: Alandalus Property Company, Asala Holding Company and Hamat Real Estate Company, not to mention being a chairman of Whites Pharmacies Group. Al Habib holds a bachelor's degree in architecture and a training certificate in financial management.

**Ahmed Bin Abdulrahman Al Mousa – Non-Independent Member**

Mr. Ahmed is the Chief Operating Officer and Board Member of Abdulrahman Al Mousa & Sons since its inception. He also sits on the Board of Abdurrahman Almousa Holding Co. since its establishment, Tourism and Real Estate Development Company and Al Jazeera Markets Company. He holds a bachelor's degree in Business Administration from the London School of Economics and Political Science.

**Total Remuneration Expected to be Paid to Board Members**

All of the Independent Fund Board Members shall receive a fixed amount of SAR 100 thousand annually, including SAR 60 thousand for the Chairman of the Fund and SAR 40,000 for the other independent member. Non-Independent Board member shall not receive any remuneration from the Fund for their membership on the Fund Board.

**Nature of the Services Provided by the Board of Directors of The Fund**

The Fund Manager shall provide all necessary information on the Fund's affairs to all of the Fund's Board members to enable them to carry out their duties. The responsibilities of the Fund's Board of Directors include:

- Ensuring that the Fund Manager fulfills its responsibilities to the benefit of the Unitholders in

accordance with the Terms and Conditions, Real Estate Investment Funds Regulations and Real Estate Investment Traded Funds Instructions;

- Approving all of the Fund's' material contracts, reports and decisions, including, but not limited to, development contracts, custody contract, marketing, valuation, and Real Estate purchase contract;
- Approving the Terms and Conditions of the Fund and any amendments thereto;
- Deciding on any conflict of interest Transactions disclosed by the Fund Manager;
- Approving the appointment of Investment Fund's auditor nominated by the Fund Manager;
- Meeting at least twice a year with the Fund Manager's Compliance Officer and AML/CFT Reporting Officer to ensure the Fund Manager's compliance with applicable laws and regulations;
- Ensuring that the Fund Manager is committed to disclosing material information to the Unitholders and other stakeholders;
- Working faithfully for the benefit of the Fund and the Unitholders. Responsibilities of the Fund's Board of Directors' secretariat towards the Unitholders include the duty of loyalty, diligence, and reasonable care;
- Approving the Fund's project plans, if any, and schedules;
- Reviewing the periodic reports on projects, if any, to monitor the progress of work compared to the approved project plans and schedules.

#### **Other Funds supervised by the Board of Directors**

| <b>Fund Board Member</b>  | <b>Other Funds supervised by the Board Member</b> |
|---|---|
| <b>Abdulrahman AlRashed</b><br><b>(Independent Board Member)</b>          | None  |
| <b>Mohammed Al Oaidi</b><br><b>(Independent Board Member)</b>             | None  |
| <b>Saleh Mohammed Al Habib</b><br><b>(Non – Independent Board Member)</b> | None  |
| <b>Ahmed Al Mousa (Non – Independent Board Member)</b>                    | None  |
|   | AlAhli GCC Growth and Income Fund                 |
|   | AlAhli Freestyle Saudi Equity Fund                |
| <b>Mohammed Al Saqqaf (Non– Independent Board Member)</b>                 | AlAhli SEDCO Residential Development Fund         |
|   | AlAhli IPO Fund                                   |



AlAhli Global Equity Fund  
 AlAhli Global Real Estate Income Fund  
 AlAhli Health Care Trading Equity Fund  
 AlAhli GCC Trading Equity Fund  
 AlAhli Saudi Trading Equity Fund  
 AlAhli Asia Pacific Index Fund  
 AlAhli Emerging Markets Index Fund  
 AlAhli North America Index Fund  
 AlAhli Europe Index Fund  
 AlAhli Saudi Small and Mid-Cap Equity Fund

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**Mr. Naif Al Mesned (Non-Independent Board Member)**

AlAhli Sadaqqat Fund  
 AlAhli Diversified US Dollar Fund  
 AlAhli Diversified Saudi Riyal Fund  
 AlAhli Saudi Riyal Trade Fund  
 AlAhli US Dollar Sukuk Fund  
 AlAhli Multi-Asset Conservative Fund  
 AlAhli Multi-Asset Moderate Fund  
 AlAhli Multi-Asset Growth Fund  
 AlAhli Multi-Asset Additional Income Plus Fund  
 NCB Capital Tier One Sukuk Fund  
 NCB Capital Tier One Sukuk Fund II

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#### **14. Fund Manager**

##### **a. Fund Manager's Name and Address**

NCB Capital Company

Tower B, King Saud Road, P.O. Box 22216, Riyadh 11495 Kingdom of Saudi Arabia

Tel: +966 92000 0232

Website: [www.alahlicapital.com](http://www.alahlicapital.com)

##### **b. License of The Fund Manager as an Authorized Person and its Date**

NCB Capital Company (NCB Capital) is a closed joint stock company incorporated and operated in accordance with the laws of The Kingdom of Saudi Arabia under commercial registration No. 1010231474 issued in Riyadh on 29/3/1428H corresponding to 4/17/2007G, and shall be treated as a person authorized by the CMA by virtue of authorization No. (06046-37) dated 17/7/1428H,

corresponding to 1/7/2007G.

**c. Services of the Fund Manager**

NCB Capital has been authorized by the CMA to carry out dealing, as principal and agent, and underwriting, managing, arranging, advising and custody, with respect to securities.

**d. Business Activity or Interest Important to the Fund Manager and likely to Conflict with the Interests of the Fund.**

Until the date at which these Terms and Conditions are prepared, there have been no Transactions involving a material conflict of interest that would affect the Fund Manager or the Fund Board or have an adverse impact on the performance of their duties towards the Fund.

**e. A Material Conflict of Interest that would Affect The Fund Manager's Performance of its Duties Towards The Fund**

The Fund Manager and other NCB Capital affiliates may from time to time act as Fund Managers, Fund advisors or other sub-Funds that may seek similar Investment Objectives for the Fund. Therefore, the Fund Manager may, in the exercise of its business, find that it is involved in a situation that may entail a potential conflict of interest with one or more Funds. In such cases, The Fund Manager will take into account its obligations to disclose the conflict of interest event and act in the best interests of the Unitholders to the fullest extent practicable and not to overlook its obligations to its other clients when considering any investment that may involve potential conflicts of interest.

**f. Appointment of a Third Party to Perform the Duties of The Fund Manager**

The Fund Manager will not appoint a third party to manage the Fund.

**g. Investment of the Fund Manager in Fund's Units**

The Fund Manager may, at its discretion, subscribe in the Fund as an investor upon or after the establishment of the Fund and listing of its Units. Total value of such Investments will be disclosed, if any, at the end of each Financial Year in the annual financial statements.

**15. Custodian and Fund Administrator**

**a. The Custodian**

The Fund Manager appointed AlBilad Investment Company (Albilad Capital) as the Custodian of Fund Assets, being a company licensed by the Capital Market Authority as an "Authorized Person" under License No. 37-08100. The Custodian will separate the Assets of the Fund from any other Assets and independently, and the Fund Manager will establish one or more of SPVs the Custodian will have no right to, or claim against, the Assets of the Fund, except as a potential owner of the Units. The Custodian's creditors will have no right to any of the Fund's Assets.

Custodian Address:

AlBilad Investment Company (Albilad Capital)

King Fahad Road, P.O. Box 140, Riyadh 11411, Kingdom of Saudi Arabia.

Tel: +966 92000 3636, Website: [www.albilad-capital.com](http://www.albilad-capital.com)

## **b. Fund Administrator**

NCB Capital will act as the Fund Administrator of the Fund's Assets and will have the right to assign this service in whole or in part to subsidiaries or other institutions. In case of the Fund Administrator entitlement to additional fees, The Fund will pay them upon amendment of the Fund's Terms and Conditions to be published by the Fund Manager on its website and Tadawul's website 10 days before such amendment enters into effect. The Fund Administration shall maintain records of the Fund's various accounts, including Assets, liabilities, income and expenses. The Fund Manager will also provide other related administrative services and will be responsible for overall administrative affairs of the Fund, which include valuation of the Fund's Units and other services such as coordination with the auditor and calculation of all fees and expenses.

## **16. Developer**

The initial Assets acquired by the Fund do not require any Real Estate development activities or services. If the Fund invests in Real Estate development activities, it will appoint one or more Developers, and this will be disclosed to CMA and the Unitholders.

## **17. Auditor**

The Fund Manager appointed KPMG Al Fozan & Partners (Public Accountants) as the auditor of the Fund, with the address of:

Zahran Business Center, Prince Sultan Road, P.O. Box 55078, Jeddah 21534, Kingdom of Saudi Arabia.

Website: [home.kpmg.com/sa](http://home.kpmg.com/sa)

The Fund Manager may replace the Fund's auditor upon approval by the Board of Directors of the Fund.

## **18. Financial Statements**

- The Fund Manager shall prepare unaudited (semi-annual) financial statements and audited annual financial statements in accordance with the standards or requirements of accounting and auditing issued by the Saudi Organization for Certified Public Accountants. The statements shall be made available to the public free of charge.
- The interim financial statements of the Unitholders shall, upon examination, be made available within a period not exceeding 25 Business Days from the end of the financial period set out in the statements. The audited financial statements of the Unitholders shall be made available within a period not exceeding forty 40 Business days from the end of the Financial Year set out in the statements. The Fund Manager will announce the financial statements on the Fund Manager's website and Tadawul website.
- The annual financial statements will be issued for a financial period normally expiring at the end of the calendar year. The first or last Financial Year may be limited to a period of less than six months or may be extended for a period not exceeding eighteen months. The first interim financial statements of the Unitholders will be issued for the period ended June 30, 2018G. The

first audited annual financial statements will be issued for the Financial Year ended December 31, 2018G.

## **19. Conflicts of Interest**

The disclosures below do not include a full and comprehensive explanation and a summary of each potential conflict of interests involved in investment in the Fund's Units.

### **Fund Manager**

The Fund Manager may carry out a wide range of business involving a conflict of interest and may act as an Adviser or participate in Funds, companies or other portfolios, including those with similar Investment Objectives. The Fund Manager may provide similar services to third parties provided that it does not adversely affect the services it provides and shall at any time take into account its obligations to the Fund and endeavor to ensure that any disputes are equitably resolved. The Unitholders will be notified of any Transactions that result in a conflict of interest.

### **Fund Board**

The Fund may be subject to various types of conflict of interest. The Fund may, from time to time, deal with persons, institutions or companies associated with the Fund Manager's subsidiaries to seek investment opportunities. In such cases, the interests of the Fund's independent Board members, the management of the Fund, and the Fund Manager partners or its subsidiaries' interests may conflict with the interests of the Fund. Any Transactions that result in a conflict of interest will be disclosed to the Unitholders; if so, the concerned Board member shall not have the right to vote.

### **A Unitholder, with a Shareholding Exceeding 5% of the Net Assets of the Fund.**

A Unitholder, with a shareholding exceeding 5% of the net Assets of the Fund, or any Related Party may also be exposed to various types of conflict of interest with the Fund, as they may, from time to time, enter into Transactions with the Fund or the Fund Manager.

The Fund Manager will comply with the requirements of the Real Estate Investment Funds Regulations, Real Estate Investment Traded Funds Instructions, and other regulations related to conflict of interests and disclosure thereof.

It shall be noted that Alandalus Property Company shall constitute a Related Party, for it will hold more than 5% of the net Fund Assets. Alandalus Property Company has conducted two Transactions with The Fund, causing the conflict of interests set out in the Real Estate Investment Funds Regulations:

First: Master Transfer Agreement with Alandalus Property Company (as detailed in Sub-Paragraph G of Paragraph 6 of these Terms and Conditions), including, among other things:

1. Alandalus Property Company shall transfer all contracts related to the Target Assets, including but not limited to: lease contracts, service contracts such as cleaning, security, maintenance, etc., hotel management contracts, and insurance policies related to the Target Assets.

2. Alandalus Property Company shall as Agent to the Fund Manager in respect of these contracts.

Second: The Shopping Mall management and operation agreement entered into by Hamat Property Co. and Alandalus Property Company (as per the details included in Clause C of Paragraph 6 of these Terms and Conditions), which has been assigned by Alandalus Property Company to the Fund Manager; however, such agreement still serves as a transaction involving conflict of interests, for Alandalus Property Company holds (33.33%) of the shopping mall operating company, i.e. Hamat Property Co.

Except for the foregoing, the Fund Manager acknowledges that, up to the date of these Terms and Conditions and to the best of its knowledge, there is no other cases of direct/indirect conflict of interests between:

- Fund Manager;
- Manager/ Property Manager for the properties associated with the Fund;
- Owner /owners of the real properties associated with the Fund;
- Lessee/lessees of real Assets whose returns account for 10% or more of the Fund's annual rental returns.

## **20. Reporting to the Unitholders**

### **Disclosures:**

The Fund Manager shall disclose to the Capital Market Authority and the Unitholders the following:

- Any material developments falling within the scope of its business activity, which are not available to the public, and which may affect the Fund's Assets, liabilities, financial position, or general course of business; or any change affecting the Fund's position, which could reasonably lead to the Fund Manager's voluntary abandonment of its position and could reasonably result in a change in the price of the listed Unit or would have a material impact on the ability of the Fund to meet its debt instrument obligations;
- Any transaction for the purchase, sale, pledge or lease of an asset at a price equal to or greater than 10% of the total value of the Fund's Assets in accordance with the most recent audited financial statements or audited annual financial statements;
- Any losses equal to or greater than 10% of the net Assets of the Fund in accordance with the most recent audited financial statements or audited annual financial statements;
- Any change in the composition of the Board of Directors of the Fund;
- Any dispute, including any litigation, arbitration or brokerage, where the disputed or claimed amount is equal to or greater than 5% of the net Assets of the Fund in accordance with the most recent audited financial statements or audited annual financial statements;
- Increase or decrease in gross profit of the Fund equal to or greater than 10% in accordance with the most recent audited annual financial statements;
- Any interruption in any of the Fund's principal activities equal to or greater than 5% of the total income of the Fund in accordance with the most recent audited annual financial statements;

- Replacement of the auditor;
- Replacement of the Custodian;
- Delivery of a judgment, decision, summons or order by a court or judicial body, whether at the first instance or appeal level, which may have an adverse impact on the use of any part of the Fund's Assets with a total value exceeding 5% of the net Assets of the Fund in accordance with the most recent audited financial statements or audited annual financial statements;
- Any proposed change in the Fund's share capital.

### **Semi-Annual Reports**

The Fund Manager shall disclose the following every six months at maximum in its semi-annual reports:

- Amendments to the Fund's Terms and Conditions;
- Any Fundamental, significant or material changes affecting the work of the Fund;
- Dividends to the Unitholders.

### **Annual Reports**

The Fund Manager shall prepare and disclose the annual reports to the Unitholders through its website. Annual reports shall include the following information:

- Assets in which the Fund invests;
- Assets where the Fund aims to invest;
- Clarification of the proportion of leased and non-leased Real Estates to the total properties owned by the Fund;
- A comparative table illustrating the performance of the Fund during the last three Financial Years (or since its inception):
  - Fund's NAV at the end of each Financial Year;
  - NAV per Unit at the end of each Financial Year;
  - Higher and lower NAV per Unit at the end of each Financial Year;
  - Number of Units issued at the end of each Financial Year;
  - Income distribution per Unit;
  - Percentage of expenses borne by the Fund.
- A performance record covering the following:
  - Total return for one year, three years, five years (or since incorporation);
  - Annual total return for each of the last ten Financial Years (or since inception);
  - A table showing the fees, charges and expenses payable by the Fund to third parties throughout the year. The total percentage of expenses will be clearly disclosed, including whether there are any circumstances that require the Fund Manager to waive or reduce any fees.
- In case material changes materialize during the relevant period to the detriment of the performance, they shall be disclosed clearly;
- The annual report of the Board of Directors of the Fund, including, but not limited to, the issues discussed, and the decisions made thereon, involving, among other things, the performance of

the Fund and the extent to which its objectives have been achieved;

- A statement of special commissions received by the Fund Manager during the period, indicating clearly their amounts and how to use them.

## **21. Other Information**

### **Zakat and Tax Considerations:**

AlAhli REIT Fund (1) will supply Zakat to the General Authority of Zakat and Income, starting from 2019.

### **Anti-Money Laundering:**

Additional documentation may be required in compliance with the Saudi Anti Money Laundering Regulation, along with verifying the investors' identity, noting that such information shall remain confidential. The Fund Manager and the Registrar maintain the right to request the necessary documentation or additional information. Failure to provide identification documents to the satisfaction of the Fund can lead to the subscription being rejected by the Fund Manager.

The Fund Manager will comply with the Anti-Money Laundering and Terrorist Financing Regulations issued by the CMA Board under Resolution No. 1-39-2008G, dated 3/12/1429H, corresponding to 12/1/2008G, as amended. The Unitholder hereby confirms that the amounts used to subscribe to the Fund are not coming from any suspicious or illegal sources. If the Fund Manager has reason to suspect the legal source of the Funds associated with the investor's investment Transactions, it shall notify NCB Capital's AML/CFT Reporting Officer, who will, in turn, review the relevant circumstances to determine the grounds for suspicion, and, accordingly, decide to report or not to report to AML/CFT competent authority in the Kingdom. However, according to the Saudi Law, the Fund Manager may not inform, or warn Unitholders of any suspected Transactions reported to competent official bodies.

### **Confidentiality of Fund Information:**

The Fund's business is managed with the highest degree of confidentiality at all times. This does not limit the right of the Fund's regulatory authority (CMA) to access the Fund's records for legal oversight purposes. The information required to open and operate the investor's account and to comply with applicable regulations will be shared between the Fund Manager and other parties as determined by the Fund Manager. The Unitholder also agrees that such information may be shared with competent regulatory authorities.

### **Death of Unitholders:**

The investor's consent to these Terms and Conditions shall survive upon their death or disability, till their heirs, executors, administrators, personal representatives, trustees and successors provide the documentation required by the Fund Manager if the investor is an individual. If the investor is a corporate entity, these Terms and Conditions shall not terminate upon the occurrence of any of the above to any partner or shareholder. Therefore, the Fund Manager shall have the right to suspend any Transactions relating to the Information Memorandum until the Fund Manager

receives a court order, power of attorney, or such other sufficient evidence to prove the power of those mentioned above before allowing them to dispose of the Units.

**The Unitholders clearly Acknowledge and Agree to the following:**

- The Fund Manager does not make any guarantees relating to the performance or profitability of any Investment managed in the Fund, and the Fund Manager will have no legal or consequential liability for any decline in the value of the managed Investments or the Fund's Assets except those resulting from negligence, infringement or omission.
- If the Unitholder is subject to the laws of an authority other than the Kingdom of Saudi Arabia, they shall be subject to such laws without any obligation on the Fund or the Fund Manager.

**Severability of Provisions:**

Should any provision of this agreement be or become invalid or unenforceable, the remaining provisions shall remain in full force and effect.

**Language:**

The Terms and Conditions of the Fund shall be in Arabic and made available upon request free of charge on the Fund Manager's website and Tadawul website. These Terms and Conditions may be issued in English. However, in case of any semantic difference between the Arabic and English versions, the Arabic text shall prevail.

**22. Meetings of Unitholders and Governing Policies**

- The Fund Manager may call for a Unitholders meeting on their own initiative.
- The Fund Manager shall call for a Unitholders meeting within 10 Business Days of receipt of a written request from the Custodian.
- The Fund Manager shall call for a Unitholders meeting within 10 Business Days of receipt of a written request from one or more of the Unitholders, who together or individually hold at least 25% of the value of the Fund's Units.
- A Unitholders meeting may be convened through an announcement on the Fund Manager's website and Tadawul website and by sending a written notice to all the Unitholders and the Custodian within at least ten 10 days prior to the date of the meeting and not later than 21 days prior to the meeting. The announcement and notice shall specify the date, place, time and proposed resolutions of the meeting. The Fund Manager, having directed a notice to the Unitholders, shall send a copy thereto to CMA.
- The Unitholders' meeting is valid only if attended by a number of Unitholders who together hold at least 25% of the value of the Fund's Units. In case the quorum is not met, The Fund Manager will call for a second meeting through an announcement on the Fund Manager's website and Tadawul's website, and by sending a written notice to all Unitholders and the Custodian at least 5 days prior to the meeting. The second meeting shall be considered valid regardless of the percentage value owned by the attendees.
- Each Unitholder may appoint an Agent to represent him at the Unitholders' meeting.



- and the Unitholder may make one vote at the Unitholders' meeting for each Unit owned at the time of the meeting.
- The Fund Manager may also hold Unitholders' meetings, participate in its deliberations and vote on its decisions by means of modern technology in accordance with CMA's controls.
- A Unitholders' resolution shall be valid by affirmative vote of the Unitholders of more than 50% of the Units in the Investment Fund present or presented by proxy at a meeting of Unitholders or by modern means of technology.

### **23. Unitholders' Rights**

The Fund Manager acknowledges that Unitholders are entitled to vote on matters raised in the Unitholders' meetings. In addition, the approval of the majority of the Unitholders with more than 50% of the value of the Units shall be obtained in respect of any fundamental changes to the Fund, which includes the following:

- Significant change to the Fund's objectives or nature;
- A change that may have a material and adverse effect on the Unitholders or their rights in the Fund;
- A change that may alert the risk profile of the Fund; and
- Any increase in the Fund's share capital.

### **24. Amendment of Terms and Conditions**

- The Fund Manager may, at his discretion, make amendments to these Terms and Conditions, subject to the approval of the Board of Directors of the Fund and the Capital Market Authority. However, the Fund Manager must obtain the consent of the Unitholders to fundamental changes in accordance with Paragraph 6 of Real Estate Investment Traded Funds Instructions. The Fund Manager shall publish the details of the fundamental changes to the Terms and Conditions on its website and on Tadawul's website within 20 Business Days upon a change coming into force.
- The Fund Manager shall publish on its website and on Tadawul website the details of fundamental changes to the Terms and Conditions of the Fund within ten 10 days upon a change coming into effect. The Fund Manager shall also publish a copy of the Terms and Conditions on its website and Tadawul website within 10 days of any update thereof, including the annual update of the Fund's performance.

### **25. Shariah Board**

Shariah Board supervises the Fund and its Investments in terms of compliance with Shariah Guidelines. It consists of the following Shariah scholars:

#### **Sheikh Abdullah Bin Suleiman Al-Maniya (Chairman)**

Member of the Senior Council of Scholars and an advisor to the Royal Court in the Kingdom of Saudi Arabia. He is also a member of the Shariah Committee for preparing the judicial code of the

Kingdom. He is a member of the Islamic Fiqh Academy of the Organization of Islamic Conference, and Fiqh Academy of the Muslim World League. He has also been a member of the Supreme Judiciary Committee of the Kingdom since its inception in 1391H (1971G) and was formerly Deputy President of the Mecca Courts and a former Judge of the Court of Cassation in Mecca. Sheikh Abdullah Almaniya is a member of several supervisory committees supervising banks in the Kingdom, and a member of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). He has also authored several books on Islamic finance and Fiqh. He holds a master's degree from the Higher Judicial Institute of Imam Muhammad bin Saud Islamic University.

**Sheikh Dr. Abdullah Bin Abdulaziz Al Musleh (Member)**

Sheikh Al Musleh is a well-known Sharia Scholar. He is the General Director of the Panel of Scientific Miracles in the Quran and Sunnah. He established a branch of Al Imam Muhammad bin Saud Islamic University in Abha and was its rector from the year 1396H until 1415H (1976–1994G). He has also served as the Dean of Sharia and Principles of Religion at the Imam Muhammad bin Saud Islamic University. Sheikh Al Musleh is also a member of many Shariah supervisory committees supervising banks in the Kingdom and is a frequent speaker on Islamic television programs. He is also an author of several books in Islamic finance and Fiqh.

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

Sheikh Dr. Abdulla Bin Mohammed Al Mutlaq is a member of the Senior Scholars Board and the Dar Al-Ifta Committee, both in Saudi Arabia. He is also an advisor of the Royal Court of Saudi Arabia and a former Dean of the Comparative Fiqh Department at Imam Muhammad Ibn Saud Islamic University in Riyadh. Sheikh Dr. Al Mutlaq is a member of Shariah Boards of several Islamic banks and financial institutions.

**Sheikh Dr. Muhammad Ali Al Gari (Member)**

Dr. Elgari was a former professor of Islamic Economics at King Abdulaziz University, Jeddah, Saudi Arabia and a former Director of the Center for Research in Islamic Economics, in the same university. He is a member of numerous Shariah committees of several banks and financial institutions. He is a well-known expert in the field at the Islamic Jurisprudence Academy of the OIC, the Islamic World League and a Member of Sharia Supervisory Board. He is also a member of the editorial Board of several academic publications in the field of Islamic Finance and Jurisprudence, Journal of the Jurisprudence Academy, Journal of Islamic Economic Studies published by the Islamic Development Bank, Journal of Islamic Economics published by the International Association of Islamic Economists (IAIE), London, and the advisory Board of Harvard Series in Islamic Law, Harvard Law School. Dr. Mohamed Ali Elgari holds a PhD in economics from the University of California and is a recipient of the Islamic Development Bank's International Prize in Islamic Banking and Finance for the year 2004. He has authored several books and articles on Islamic finance in Arabic and English and is a frequent speaker at Islamic Banking and Finance conferences around the world.

## **26. Governing Laws**

The Fund operates in accordance with the laws applicable in the Kingdom and is governed by the laws and regulations issued by the Capital Market Authority.

## **27. Appointment of Developers, Real Estate Operator and other Third Parties**

The Fund Manager has appointed Hamat Property Company as the Operator of the mall, and Intercontinental Hotels Group (IHG) as the Operator of the Hotel Tower “Staybridge Suites Jeddah Alandalus Mall”. The Fund Manager may appoint a manager or Operator for each property to be acquired subsequently, with the approval of the Fund's Board of Directors, so as to carry out the administrative affairs of the property, including establishment of management rules and policies, continuous follow-up of the Real Estate and tenants thereof, collection of rents, regular maintenance and effective use of the property to achieve the best returns. The Fund Manager may change the property manager based on his performance. The Fund Manager is entitled to act as a property manager or to appoint a subsidiary to act as a property manager for one or more of the Fund's Assets.

The Fund Manager shall, with the approval of the Board of Directors of the Fund, contract with one or more Developers for each Real Estate, and as required in the case of a Real Estate developed by the Fund. The Developer shall devise a master plan for each project, obtain all necessary approvals, conclude contracts with design consultants, and supervise the design of the Project. In each case, a Developer may be appointed to contract with the contractors required to complete the project in accordance with the project design approved by the Board of Directors of the Fund. Then, the Developer shall receive the completed project from the contractors and initiate marketing and sales campaigns related to the project. For the avoidance of doubt, the Fund Manager may appoint a subsidiary to act as the Developer on behalf of the Fund.

The Fund Manager may use additional consultants and external service providers with respect to one or more Assets, including, but not limited to, enterprise managers, project managers, contractors, architects, designers, legal Advisers and others. Any third party will be involved under an agreement negotiated on a purely arm's length basis. For the avoidance of doubt, the Fund Manager may appoint a subsidiary to provide such services to the Fund.

## **28. Complaint Procedures**

If the Unitholder has any complaint related to the Fund, he should send it to NCB Capital, through the Fund Manager's website: [www.alahlicapital.com](http://www.alahlicapital.com) through dial-up phone number 920000232. A copy of the Fund Manager's policies and procedures for handling client complaints will be made available free of charge upon written request. If no response to the complaint is received within 14 Business Days, the subscriber shall be entitled to submit his/ her complaint to CMA, investor complaint unit. The subscriber may also submit the complaint to the Committee for the Resolution of Securities Disputes after 90 calendar days following the date of submission of complaint to CMA, unless CMA has notified the complainant to file the complaint to the committee prior to the

expiration of such period.

## Summary of the Financial Disclosure

| <b>Subscription Fees</b>                              | 2% of the subscription amounts of cash subscriptions in the initial offering phase, to be paid, in addition to the amount to be invested in the Fund, be paid in advance upon subscription in Units and that shall ultimately be calculated after Unit allocation is complete.   |                       |              |                     |        |  |             |  |            |   |             |                            |           |                                      |           |                             |            |
|---|--|-----------------------|--------------|---------------------|--------|--|-------------|--|------------|---|-------------|----------------------------|-----------|--------------------------------------|-----------|-----------------------------|------------|
| <b>Management Fees</b>                                | 1% annually (on the basis of a year of 365 days or 366 days in a leap year) of the total Fund NAV, net of the expenses, falling due every six months at the end of each six-month period, with the Fund Manager reserving the right to waive or rebate all or part of the Management Fees.   |                       |              |                     |        |  |             |  |            |   |             |                            |           |                                      |           |                             |            |
| <b>Administrative and operational expenses</b>        | <p>The actual amounts of all costs, fees and expenses associated with activities related to the operation of the Fund, including charges, expenses and fees of lawyers, accountants, Shariah Advisers and other professional Advisers, including Advisers hired by the Fund Manager in the course of the Fund's business to provide specialized services to the Fund not provided by the Fund Manager, including: Custody Fees, auditor's fee, Shariah audit and advisory fees, remuneration of Independent Fund Board Members, fees relating to listing of Units on Tadawul, fees pertaining to the Depository Center and management of the Register of Unitholders, agency fees, other petty cash incurred by third parties in respect of the Fund's Transactions, and any extraordinary expenses incurred by the Fund. (Fund Administrator's fees) the total administrative and operational expenses will not exceed a maximum of 1% of the Fund NAV annually, and only actual fees and expenses will be deducted.</p> <table> <tr> <th>Type of fees/expenses</th><th>Amount/Ratio</th></tr> <tr> <td><b>Custody Fees</b></td><td>0.025%</td></tr> <tr> <td><b>Responsibilities of the Auditor</b></td><td>SAR 250,000</td></tr> <tr> <td><b>Shariah audit and advisory fees</b></td><td>SAR 27,000</td></tr> <tr> <td><b>Remuneration of Independent Fund Board Members</b></td><td>SAR 100,000</td></tr> <tr> <td><b>CMA Regulatory Fees</b></td><td>SAR 7,500</td></tr> <tr> <td><b>Publication fees (on Tadawul)</b></td><td>SAR 5,000</td></tr> <tr> <td><b>Initial listing fees</b></td><td>SAR 50,000</td></tr> </table> | Type of fees/expenses | Amount/Ratio | <b>Custody Fees</b> | 0.025% | <b>Responsibilities of the Auditor</b> | SAR 250,000 | <b>Shariah audit and advisory fees</b> | SAR 27,000 | <b>Remuneration of Independent Fund Board Members</b> | SAR 100,000 | <b>CMA Regulatory Fees</b> | SAR 7,500 | <b>Publication fees (on Tadawul)</b> | SAR 5,000 | <b>Initial listing fees</b> | SAR 50,000 |
| Type of fees/expenses                                 | Amount/Ratio   |                       |              |                     |        |  |             |  |            |   |             |                            |           |                                      |           |                             |            |
| <b>Custody Fees</b>                                   | 0.025%   |                       |              |                     |        |  |             |  |            |   |             |                            |           |                                      |           |                             |            |
| <b>Responsibilities of the Auditor</b>                | SAR 250,000  |                       |              |                     |        |  |             |  |            |   |             |                            |           |                                      |           |                             |            |
| <b>Shariah audit and advisory fees</b>                | SAR 27,000   |                       |              |                     |        |  |             |  |            |   |             |                            |           |                                      |           |                             |            |
| <b>Remuneration of Independent Fund Board Members</b> | SAR 100,000  |                       |              |                     |        |  |             |  |            |   |             |                            |           |                                      |           |                             |            |
| <b>CMA Regulatory Fees</b>                            | SAR 7,500  |                       |              |                     |        |  |             |  |            |   |             |                            |           |                                      |           |                             |            |
| <b>Publication fees (on Tadawul)</b>                  | SAR 5,000  |                       |              |                     |        |  |             |  |            |   |             |                            |           |                                      |           |                             |            |
| <b>Initial listing fees</b>                           | SAR 50,000   |                       |              |                     |        |  |             |  |            |   |             |                            |           |                                      |           |                             |            |

|  |  |   |
|--|--|---|
|  | <b>Continued listing fees</b>                  | 0.03%<br>At a minimum of:<br>SAR 50,000<br>A maximum of: SAR<br>300,000                           |
|  | <b>Depository Center fees</b>                  | SAR 50, 000, in<br>addition to two riyals<br>per Unitholder up to<br>a maximum of SAR<br>500, 000 |
|  | <b>Register of Unitholders Management Fees</b> | SAR 400,000   |
|  | <b>Agency fees*</b>                            | SAR 500,000   |

|  |  |
|--|--|
| <b>Finance costs</b>                   | Where the Fund obtained Sharia-compliant financing, the Fund should bear the cost or fees of such financing at the then prevailing financing rates.  |
| <b>Transaction fees</b>                | The Fund shall pay the Fund Manager a fee equal to (1.15%) of the purchase or sale price of each investment acquired or sold by the Fund, with the Fund Manager, in return, identifying the investment opportunity and facilitating the acquisition or sale thereof. Acquisition and sale fees are paid at the time of closing of the acquisition or sale of any investment.                                   |
| <b>Fees of the Property Management</b> | Property Management Fees are paid directly from the Target Assets in accordance with Paragraph 9 of these Terms and Conditions. Any Real Estate or Property Management Fees paid by the Fund to any Real Estate manager appointed by the Fund Manager in the future shall be negotiated on a purely arm's length basis.  |
| <b>Transaction fees</b>                | The Fund will pay the Fund Manager all fees of Transactions related to the acquisition of Real Estate Assets, including the cost of acquiring any asset and related feasibility studies, brokerage fees, legal consulting costs, expenses of due diligence studies, advisory, regulatory, and valuation fees, and expenses of establishing a SPV. Transaction fees will not exceed 0.5% of the total Fund NAV. |
| <b>Zakat</b>                           | The Fund will bear the cost of Zakat, which is equivalent to (2.5%) per annum of the Zakat base (and equals all assets subject to Zakat, minus the obligations that funded it)   |
| <b>Other expenses</b>                  | Insurance costs, and other government, municipal and regulatory fees and expenses. The Fund shall bear all costs and expenses of relevant SPVs.  |

**Appendix 1:**

Hypothetical example illustrating how fees are calculated:

Expenses charged to the Fund on the assumption that the size of the Fund and Assets under custody account for SAR 1 billion and the subscription amount is SAR 100,000:

| <b>Type of Fees/Expenses</b>                                       | <b>Amount in SAR</b> |
|--|----------------------|
| Custody Fees (0.025%)  | 25                   |
| Regulatory fees (7,500)  | 0.75                 |
| Publication fees (5,000)   | 0.5                  |
| Auditor's fees (250,000)   | 25                   |
| Shariah audit and advisory fees (27,000)                           | 2.7                  |
| Remuneration of Independent Fund Board Members (100,000)           | 10                   |
| Tadawul fees (700,000)   | 70                   |
| Agency fees (500,000)  | 50                   |
| Total Assets, net of expenses                                      | 99,816               |
| Management Fees 1%   | 998                  |
| Total annual recurring fees and expenses                           | 1,182                |
| Percentage of total annual recurring fees and expenses             | 1.18%                |
| Total expected dividend value (hypothetical rental yield of 8.25%) | 8,250                |
| Net expected dividend value (hypothetical rental yield of 8.25%)   | 7,068                |
| Hypothetical dividend ratio (hypothetical rental yield of 8.25%)   | 7.07%                |

## **Appendix 2:**

### Summary of the Fund performance

#### **First: Summary of distribution**

| <b>Description</b>   | <b>2018</b>     | <b>2019</b>     |
|--|-----------------|-----------------|
| <b>Total distribution</b>                                  | SAR 89,375,000  | SAR 89,375,000  |
| <b>Total distribution per Unit</b>                         | SAR 0.65 / Unit | SAR 0.65 / Unit |
| <b>Number of outstanding Units</b>                         | 137,500,000     | 137,500,000     |
| <b>Nominal value of Unit</b>                               | SAR 10          | SAR 10          |
| <b>Percentage of distribution to Unit's nominal value*</b> | 6.5%            | 6.5%            |

\*Second distributions for the period were made on the following year

#### **Second: Performance of the Unit price in SAR**

| <b>Description</b>                 | <b>2018</b>       |                     | <b>2019</b>       |                     |
|------------------------------------|-------------------|---------------------|-------------------|---------------------|
|                                    | <b>NAV / Unit</b> | <b>Market price</b> | <b>NAV / Unit</b> | <b>Market price</b> |
| <b>Opening value</b>               | 10.00             | 10.00               | 10.16             | 7.8                 |
| <b>Endign value</b>                | 10.16             | 7.76                | 9.95              | 9.5                 |
| <b>Change during the period</b>    | 0.16              | (2.24)              | (0.21)            | 1.7                 |
| <b>Income distribution / Unit*</b> | 0.65              | 0.65                | 0.65              | 0.65                |
| <b>Yield as of December 31</b>     | 6.4%              | 8.38%               | 6.5%              | 6.84%               |

\*Second distributions for the period were made on the following year