

DERAYAH REIT Fund

is a Shariah-compliant closed-end real estate investment fund (the "Fund"), to be listed on the Saudi Stock Exchange

Terms and Conditions



Fund Size: SAR 1,172,000,000

Fund Capital: SAR 1,075,070,350

Credit Facilities to the Fund: SAR 96,929,650

Size of Public Offering: SAR 361,744,210

Number of the Fund Units: 107,507,035 units

Number of Units Offered to the Public: 36,174,421 units

December 2017

Fund Manager

Derayah Financial

These Terms and Conditions were issued on 22/03/1439 AH, corresponding to 10/12/2017 AD. The last update of these Terms and Conditions was on 16/04/1445 AH, corresponding to 31/10/2023 AD.

The registration and listing of the Fund units on the Saudi Stock Exchange (Tadawul) was approved by the Capital Market Authority ("CMA") on 18/03/1439 AH, corresponding to 06/12/2017 AD.

issued by Derayah Financial, and the Fund Manager shall abide by the provisions of the Real Estate Investment Traded Funds Instructions, that were issued by the CMA's Board under Resolution No. (6-130-2016), dated (23/01/1438 AH), corresponding to (24/10/2016 AD), and in accordance with the relevant provisions stipulated in the Real Estate Investment Funds Regulations issued by the CMA's Board under Resolution No. (1-193-2006), dated (19/06/1427 AH), corresponding to (15/07/2006 AD). The Fund Manager shall bear the full responsibility for the accuracy of information set forth herein, and acknowledge, after having conducted all reasonable investigations, and to the best of its knowledge and belief, that there are no other facts whose failure to be included in herein might render any statement herein misleading. Neither the Saudi CMA nor the Saudi Stock Exchange shall assume responsibility for the contents hereof. Moreover, they do not make any representations or guarantees for their accuracy or completeness. They expressly disclaim any responsibility for any loss that may occur due to their reliance on any part of these Terms and Conditions.

Shariah Compliance Certification No.: DRYA-674-08-01-04-17

This is the amended version of the Terms and Conditions Derayah REIT Fund that reflects the following changes:

■ Amendments related to the Zakat Collection Rules for Investing in Investment Funds.

This is according to our letter sent to the Capital Market Authority on 31/10/2023G corresponding to 16/04/1445H.

Director of Compliance and Anti-Money Laundering  
Mohammed Ahmed Al-Yami

Chief Executive Officer  
Mohammed bin Saeed AlShammasi



## Important Notice

- (1) The investors should read these Terms and Conditions of Derayah REIT Fund carefully, before making any investment decision. If an investor has doubts or needs further clarifications about the suitability of the Fund or any part of the Terms and Conditions, then they should seek advice from an independent financial advisor licensed by the CMA. The investors who decide to invest in this Fund must be willing to assume all risks and responsibilities associated with the investment decision.
- (2) These Terms and Conditions have been prepared in accordance with the provisions stipulated in the Real Estate Investment Funds Regulations issued by the CMA's Board under Resolution No. (1-193-2006), dated (19/06/1427 AH), corresponding to (15/07/2006 AD), in addition to the Real Estate Investment Traded Funds Instructions, that were issued under Resolution No. (6-130-2016), dated (23/01/1438 AH), corresponding to (24/10/2016 AD), based on the Capital Market Law promulgated by the Royal Decree M/30, dated (02/06/1424 AH), corresponding to (31/07/2003 AD).
- (3) The Fund Manager shall be responsible for the information set forth herein. The Fund Manager confirms, to its knowledge (after having exerted reasonable due diligence to ensure), that this information does not include any false or misleading statement or omit any matters required to be included by the Executive Regulations issued by the CMA's Board.
- (4) The Saudi CMA shall not bear any responsibility for the accuracy of the data and information set forth herein or for the performance of Derayah REIT Fund. In addition, the CMA shall not bear any liability vis-à-vis any person, investor, or otherwise, for any losses or damages resulting from reliance on any statement or information set forth herein.
- (5) These Terms and Conditions contain detailed information on Derayah REIT Fund, in accordance with the requirements for registration and listing of the units of real estate investment traded funds on the Saudi Stock Exchange (Tadawul), in accordance with the Real Estate Investment Funds Regulations and the Real Estate Investment Traded Funds Instructions. Therefore, when purchasing the Fund units, investors will be dealt as they rely only on the information set forth herein, of which copies are available on the websites of Derayah Financial [www.derayah.com](http://www.derayah.com), as well as the Saudi Stock Exchange (Tadawul) [www.tadawul.com.sa](http://www.tadawul.com.sa)
- (6) The Fund Manager pledges to register the fund with the Zakat, Tax, and Customs Authority within the prescribed regulatory timeframe. Furthermore, the Fund Manager is committed to providing the declarations of information and data required by the Zakat, Tax, and Customs Authority for inspection and review purposes within the designated period and to furnish the unit holders, who are liable for zakat, with the necessary information for the calculation of the zakat base that is permissible for disclosure. The Fund Manager will also ensure to notify the Zakat, Tax, and Customs Authority of the fund's termination within the stipulated regulatory period. For related regulations and rules concerning investment funds issued by the Zakat, Tax, and Customs Authority, please refer to their website at: <http://zatca.gov.sa/ar/Pages/default.aspx>
- (7) The offering of the Fund units was approved in accordance with these Terms and Conditions by the CMA on 18/03/1439 AH, corresponding to 06/12/2017 AD. The Fund Manager applied to the CMA for registering and listing the Fund units on the Saudi Stock Exchange (Tadawul). All regulatory and other relevant approvals necessary to offer the Fund units on the Saudi Stock Exchange (Tadawul) have been procured, including those approvals relating to these Terms and Conditions. All supporting and relevant documents have been submitted to the CMA. These Terms and Conditions have been prepared for investors to consider and read before making any investment decision. It shall be prohibited to use these Terms and Conditions for any other purpose.
- (8) Derayah REIT Fund is a closed-end real estate investment traded fund that invests in income-generating real estate assets in accordance with the Shariah controls. The Fund aims to achieve income on the investors' capital, by investing in a variety of income-generating and existing real estate opportunities in the Kingdom of Saudi Arabia. The Fund may invest no more than 25% of the Fund's assets value in properties outside the Kingdom of Saudi Arabia, in addition to no more than 25% of the Fund's assets value in real estate development, in accordance with the Real Estate Investment Traded Funds Instructions, with the aim of achieving annual returns for investors during the Fund term, and enabling the Fund to distribute quarterly dividends to investors of no less than 90% of the Fund's net profits, in accordance with the instructions on real estate investment traded funds.
- (9) The risk level of Derayah REIT Fund is classified as high. So, it may not be suitable for investors who want low-risk investment, because the prices of the Fund units or cash returns may decline due to the risks that the Fund may be exposed to. Thus, the investor may not get back the invested principal amount. Therefore, we advise investors to consult an independent financial advisor licensed by the CMA before making any decision to invest in Derayah REIT Fund. For more information about the risks, please refer to Paragraph (G) hereof, entitled "Risks of Investment in the Fund".
- (10) The prospective investors must not consider these Terms and Conditions as an advice on any tax, legal, Shariah, investment, or any other matters. They are advised to consult their independent professionals, Shariah, and legal accountants and advisors about purchasing, owning, or disposing of units in Derayah REIT Fund, the statutory requirements applying to them, the foreign exchange restrictions in this regard, and the consequences of such purchase, ownership, sale, or disposal in terms of income, tax, and zakat, considering that Derayah REIT Fund is a real estate investment traded fund.
- (11) All views and opinions included herein represent the Fund Manager's judgment and interpretation of the information available on the date of these Terms and Conditions. There are no guarantees that these opinions and views are sound. The investors must decide by themselves the extent to which they can rely on these opinions and views, which the Fund Manager shall not be responsible for.

- (12) It is prohibited to reproduce or distribute these Terms and Conditions, in whole or in part, disclose the contents thereof, or use any information therein for any purpose other than considering the investment in Derayah REIT Fund, except for the purpose of providing information to the public.
- (13) The Fund Manager shall be obligated to abide by any change to the legislative system or the CMA's regulations, if applicable.
- (14) The forecasts included herein have been developed on the basis of certain assumptions that have been used by the Fund Manager according to its experience in the markets and sectors in which it operates, in addition to the publicly available market information. The future operating conditions may differ from the assumptions used. Accordingly, there is no guarantee or representation regarding the accuracy or completeness of any forecasts.

Some forecasts and statements set forth herein represent or may be deemed "Forward-Looking Statements". These forward-looking statements may be inferred from using some future words such as "intend", "estimate", "believe", "forecast", "expect", "may", "will", "must", "expected", or from the negatives of this vocabulary and other similar words or meanings. These forward-looking statements reflect the current view of the Fund Manager on the future events, but they are not a guarantee for future performance. There are many factors that may cause a significant difference between the actual results, performance, or accomplishments achieved by the Fund Manager and the explicitly or implicitly expected ones. Paragraph (G) "Risks of Investment in the Fund" herein provides a more detailed description of some risks and factors that may lead to such impact. If one or more of these risks or uncertainties are realised, or if any assumptions are found to be incorrect or inaccurate, the actual results of the Fund may substantially differ from those estimated, believed, expected, or planned herein. Subject to the Real Estate Investment Traded Funds Instructions, the Fund Manager shall, without delay, disclose to the CMA and the unitholders (and procure their consent, if applicable) if it finds: (a) A significant change to material matters set forth herein, or (b) The emergence of important matters that must be included herein. With the exception of the two above cases, the Fund Manager shall not intend to update or amend any information on the sector or market or the forward-looking statements herein, whether in consequence of new information, future events, or otherwise. In view of the above and based on the risks, assumptions, and other uncertainties, the forecasts of future events and conditions set forth herein may not occur as expected by the Fund Manager or may not occur at all. Therefore, the prospective investors must examine all forward-looking statements in light of these interpretations, without primary reliance on such statements.

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Definitions (in alphabetical order)

The following terms and words shall have the meanings assigned to each, unless the context requires otherwise:

Finance Structuring Fee	The fees to be received by the Fund Manager in consideration of arranging for Shariah-compliant bank finance from a bank operating in the Kingdom of Saudi Arabia and licensed by the Saudi Arabian Monetary Agency, or by any other banking institution outside the Kingdom of Saudi Arabia and licensed by the supervisory authorities and central banks, for the benefit of the Fund.
Total Asset Value	The total value of the Fund assets, including real estate assets, as valued by the appraiser at the end of each valuation period (June 30, December 31) before adding any due revenues or subtracting any outstanding financial liabilities owed by the Fund.
Fund Assets or Real Estate Assets	The current real estate owned or benefited from by the Fund and/or the real estates that will be acquired or benefited from later, in accordance with these Terms and Conditions.
Related Parties	This term means either of: <ul style="list-style-type: none"> <li>- The Fund Manager.</li> <li>- The Custodian.</li> <li>- The Appraiser.</li> <li>- The Chartered Accountant.</li> <li>- The Developer.</li> <li>- The Board Members, or any executive director or employee of the above parties.</li> <li>- Any unitholder whose ownership exceeds 5% of the Fund's net assets.</li> </ul> Any person who is controlled by or controlling any of the above parties.
Custodian	Alinma Investment Company, a juridical person licensed to practise the custody business and registered with the CMA under the provisions of the Authorised Persons Regulations under Licence No. 09134-37.
Offering Date	The start date of the Fund offering period, on which the target capital of the Fund shall be collected, which occurs on 09/04/1439 AH, corresponding to 27/12/2017 AD.
Offering End Date	The end date of the Fund offering period, on which the target capital of the Fund shall be collected, which occurs on 20/04/1439 AH, corresponding to 07/01/2018 AD.
Listing Date	The date on which the Fund begins its operations and which occurs within 60 business days from the Offering End Date.
The Saudi Stock Exchange (Tadawul)	The Saudi Stock Exchange (Tadawul).
The Real Estate Investment Traded Funds Instructions	The Real Estate Investment Traded Funds Instructions issued by the CMA's Board under Resolution No. (2016-130-6), dated (23/01/1438 AH), corresponding to (24/10/2016 AD).
Pre-emption	A right that gives the partner the priority in purchasing the property over any other buyer.
Riyal	The Saudi Riyal, which is the official currency in the Kingdom of Saudi Arabia.
SAIBOR	The Saudi Arabian Interbank Offered Rate.
Financial Year	The financial year of the Fund begins on January 1 and ends on December 31 of each calendar year. The financial year shall last for no more than 18 months.
Derayah Real Estate Custody	A limited liability company (for specific purpose SPV), holding CR No. 1010470413, dated 28/07/1437 AH, in which Alinma Investment Company owns 99% and Mr. Turki bin Abdulaziz bin Marshoud owns 1%, for the purpose of custody and registration of ownership of Derayah Real Estate Income Fund assets.
Terms and Conditions	They are the present Terms and Conditions of Derayah REIT Fund, issued by Derayah Financial in its capacity as the Fund Manager, pursuant to the Real Estate Investment Traded Funds Instructions issued by the CMA's Board under Resolution No. (6-130-2016), dated (23/01/1438 AH), corresponding to (24/10/2016 AD), and in accordance with the relevant provisions stipulated in the Real Estate Investment Funds Regulations issued by the CMA's Board under Resolution No. (1-193-2006), dated (19/06/1427 AH), corresponding to (15/07/2006 AD).
Partner	The lessee of property, who may have the pre-emption right to buy the property before offering to others when selling the same.
Fund's Net Profits	The total returns of the Fund after deducting the total expenses incurred by the Fund.
Net Asset Value	The total value of the Fund assets, including real estate assets, as valued by the appraiser at the end of each valuation period (June 30, December 31), in addition to any due revenues after subtracting all outstanding financial liabilities owed by the Fund.
The Fund	Derayah REIT Fund (DERAYAH REIT), a Shariah-compliant closed-end real estate investment traded fund, in accordance with the Real Estate Investment Funds Regulations and the Real Estate Investment Traded Funds Instructions.
Derayah Real Estate Income Fund	A closed-term private real estate investment fund licensed by the CMA and managed by the Fund Manager. It was operated on 24/07/1437 AH, corresponding to 01/05/2016 AD.

Value Added Tax (VAT)	An indirect tax imposed on all goods and services that are bought and sold by enterprises, with some exceptions. It is a new tax added to the system of taxes and fees to be applied by specific sectors in the Kingdom, including the real estate sector, as announced by the General Authority of Zakat and Tax, which will be effective as from January 1, 2018 AD.
Independent Board Member	An independent member of the Fund's Board, who enjoys complete independence. Such independence shall no longer exist in the following cases without limitation: 1) If the member is an employee for the Fund Manager, any subsidiary of the Fund Manager, a fund sub-manager, or the Fund Custodian, or has a substantial business or contractual relationship with the Fund Manager, a fund sub-manager, or the Fund Custodian, 2) If the member is a senior executive with the Fund Manager or any subsidiary thereof during the past two years, 3) If the member has a first degree kinship with any board member or a senior executive with the Fund Manager or any subsidiary thereof, or 4) If the member owns controlling shares in the Fund Manager or any subsidiary thereof during the past two years.
Structurally Developed Property	A developed and ready-to-use property, including residential, commercial, industrial, office, hotel, health, educational, warehouse, and agricultural properties.
Usufruct Contract	A contract whereby the usufruct over a specific property is purchased for a fixed term without acquiring the full ownership of the asset, which will be retained by the original owner.
Offering Period	The period between the Offering Date and the Offering End Date, including any extension interval.
Authorised Persons Regulations	The Authorised Persons Regulations issued by the CMA's Board under Resolution No. (1-83-2005), dated (21/05/1426 AH), corresponding to (28/06/2005 AD).
Real Estate Investment Funds Regulations	The Real Estate Investment Funds Regulations issued by the CMA's Board under Resolution No. (1-193-2006), dated 19/06/1427 AH), corresponding to (15/07/2006 AD).
Public Unitholders	Anyone who owns units in the Fund, excluding the following: - A unitholder who owns 5% or more of the total Fund units. - Fund Manager and its Subsidiaries. Fund Board Members.
Real Estate Appraisers or Appraisers	A person who is chosen by the Fund Manager to value the Fund assets, and has the know-how and experience necessary to provide real estate valuation services, in accordance with the CMA's requirements, provided that he/she is an active member of the Saudi Authority for Accredited Valuers (Tageem). They are Century 21 Saudi Arabia and Value Experts Company.
Fund Manager	Derayah Financial, a Saudi closed joint-stock company, holding CR No. 1010266977, dated 04/05/1430 AH. It is a juridical person licensed to practise dealing, custody, advice, and asset management, and registered with the CMA under the provisions of the Authorised Persons Regulations and Licence No. 08109-27, dated 16/06/2008 AD.
Investors / Unitholders	A person who owns units in the Fund, in accordance with the Terms and Conditions.
Internal Rate of Return	An annual percentage of income that makes the net current value of all future cash flows equal to zero.
Free Real Estate Ownership	The free ownership of lands and the buildings constructed thereon, without a specific period of time, where the title deed bears the name of the owner who shall have the full right to dispose of it, in accordance with the KSA Laws.
Kingdom or Saudi Arabia.	Kingdom of Saudi Arabia.
Companies Law	The Saudi Companies Law promulgated by Royal Decree No. M/3, dated 28/01/1437 AH, and any amendments made thereto.
Authority or Capital Market Authority (the "CMA")	The Capital Market Authority, the supervisory and oversight authority that is responsible for regulating the KSA financial market, including, wherever the context requires, any committee, subcommittee, employee, or agent authorised by the CMA.
Units	Common shares in the Fund's net assets, which have equal rights and obligations and give investors the right to participate in the ownership of the Fund's assets on a proportional basis, according to the number of units owned by each investor in the Fund.
Business Day	It means any day from Sunday to Thursday of each week, excluding the official holidays, according to the business days of the Saudi Stock Exchange (Tadawul).

Guide to Derayah REIT Fund

Role	Identity Description	Address
The Fund	Derayah REIT Fund	Olaya Main Road, Olaya Centre, 2nd Floor P.O. Box: 286546 - Riyadh 11323 Tel. +966 (11) 2998000 Fax: +966 (11) 4196498 <a href="http://www.derayah.com">www.derayah.com</a>
Fund Manager	Derayah Financial 	Olaya Main Road, Olaya Centre, 2nd Floor P.O. Box: 286546 - Riyadh 11323 Tel. +966 (11) 2998000 Fax: +966 (11) 4196498 <a href="http://www.derayah.com">www.derayah.com</a>
Custodian	Alinma Investment Company  الإيمان للاستثمار alinma investment	King Fahd Road, Olaya District Riyadh 11576, P.O. Box 66333 Tel. +966 (11) 218 5999 Fax: +966 (11) 218 5970 <a href="http://www.alinmainvestment.com">www.alinmainvestment.com</a>
Chartered Accountant	Ibrahim Al-Bassam and Abdul-Mohsen Al-Nimr Chartered Accountants (PKF Al-Bassam and Al-Nimr) 	Prince Mohammed Bin Abdulaziz (Tahlia) Street, AlSalmanyah District P.O. Box 28355, Riyadh 11437 Tel. +966 (11) 206 5333 Fax: +966 (11) 206 5444 <a href="http://www.pkf.com/saudi-arabia">www.pkf.com/saudi-arabia</a>
Shariah Advisor	Shariyah Review Bureau 	P.O. Box 21051 Manama Kingdom of Bahrain Tel. +973 1721 5898 <a href="http://www.shariyah.com">www.shariyah.com</a>
Real Estate Appraiser	Value Expert Company 	P.O. Box 396132, Riyadh 11375, Tel. +966 (11) 401 1292 <a href="http://www.valuexperts.net">www.valuexperts.net</a>
Real Estate Appraiser	Century 21 Saudi Arabia 	P.O. Box 300317, Riyadh 11372 Tel. 0360 400 (11) 966+ Fax: 7338 485 (11) 966+ <a href="http://www.century21saudi.com">www.century21saudi.com</a>
Feasibility Study Developer	Century 21 Saudi Arabia 	P.O. Box 300317, Riyadh 11372 Tel. +966 (11) 400 0360 Fax: +966 (11) 485 7338 <a href="http://www.century21saudi.com">www.century21saudi.com</a>
Property Manager	Motoon Real Estate Company 	P.O. Box 54807, Riyadh 11524 Tel. +966 (11) 219 7222 Fax: +966 (11) 7333 219 <a href="http://www.motoon.com.sa">http://www.motoon.com.sa</a>

Property Manager	<p>Tadbeir Real Estate Company</p> 	<p>Prince Turki Street, Corniche, Khobar  P.O. Box 38, Khobar 31955  Tel. +966 (11) 13 3840 909  <a href="http://www.tadbeir.com">http://www.tadbeir.com</a></p>
Recipients of Subscription Applications	<p>Derayah Financial</p> 	<p>Olaya Main Road, Olaya Centre, 2nd Floor  P.O. Box: 286546 - Riyadh 11323  Tel. +966 (11) 2998000  Fax: +966 (11) 4196498  <a href="http://www.derayah.com">www.derayah.com</a></p>
	<p>Arab National Bank</p> 	<p>King Faisal Road, Riyadh  P.O. Box 56921, Riyadh 11564  Kingdom of Saudi Arabia  + 966 (0) 402 9000  + 966 (0) 402 7747  Telex: 402660 ARNA SJ  <a href="http://www.anb.com.sa">www.anb.com.sa</a></p>
	<p>National Commercial Bank</p> 	<p>Jeddah - Tahlia Street  P.O. Box 51266, Jeddah 21543  Kingdom of Saudi Arabia  +966 (12) 646 4999 Jeddah  +966 (11) 478 7877 Riyadh  +966 (13) 834 0088 Dammam  +966 (12) 646 5892 Fax  <a href="http://www.alahli.com">www.alahli.com</a></p>
	<p>Riyad Bank</p> 	<p>King Abdulaziz Road, Riyadh  P.O. Box 22622, Riyadh 11416  Kingdom of Saudi Arabia  +966 920 002 470  +966 (11) 401 3030  <a href="http://www.riyadbank.com">www.riyadbank.com</a></p>
Organiser	<p>Capital Market Authority</p> 	<p>King Fahd Road  P.O. Box 87171  Riyadh 11642  Kingdom of Saudi Arabia  <a href="http://www.cma.org.sa">www.cma.org.sa</a></p>
Trading Platform	<p>The Saudi Stock Exchange (Tadawul)</p> 	<p>Tawuniya Towers, North Tower, King Fahd Road,  Riyadh  P.O. Box 60612, Riyadh 11555  Kingdom of Saudi Arabia  <a href="http://www.tadawul.com.sa">www.tadawul.com.sa</a></p>



## Fund Outlines

Fund Name	Derayah REIT Fund (Derayah REIT).
Fund Manager	Derayah Financial, a Saudi closed joint-stock company, holding CR No. 1010266977, dated 04/05/1430 AH. It is a juridical person licensed to practise dealing, custody, advice, and asset management, and registered with the CMA under the provisions of the Authorised Persons Regulations and Licence No. 08109-27, dated 16/06/2008 AD.
Fund Type	It is a Shariah-compliant closed-end real estate investment traded fund, in accordance with the Real Estate Investment Funds Regulations and the Real Estate Investment Traded Funds Instructions.
Fund Currency	Saudi Riyal.
Fund Term	Ninety-nine (99) years, commencing from the date of listing units in Tadawul, renewable for similar terms at the Fund Manager's discretion after approval of the CMA.
Investment Objectives of the Fund	The Fund aims to achieve income on the investors' capital, through investing in a range of income-generating and existing real estate opportunities in the Kingdom of Saudi Arabia. The Fund may invest no more than 25% of the Fund's assets value, according to the latest audited financial statements, in real estates outside the Kingdom of Saudi Arabia, in addition to no more than 25% of the Fund's assets value, according to the latest audited financial statements, in real estate development, in accordance with the Real Estate Investment Traded Funds Instructions, with the aim of achieving annual returns for investors during the Fund Term, and enabling the Fund to distribute quarterly dividends to investors of no less than 90% of the Fund's net profits, in accordance with the Real Estate Investment Traded Funds Instructions.
Total Size of the Fund	SAR 1,172,000,000
Total Assets Value of the Fund Upon Offering	SAR 1,086,403,679, which is the total purchase price of real estates to be acquired through this Offering.
Fund's Capital Upon Offering	SAR 1,075,070,350
Size of Public Offering	SAR 361,744,210
Number of Fund Units	107,507,035 units
Number of Units Offered to the Public	36,174,421 units
Fund Manager's Subscription During This Offering	Up to the maximum of SAR 16,600,000.
Unit Price Upon Offering	The nominal value of the unit is ten riyals.
Minimum Subscription	SAR 10,000.
Maximum Subscription	SAR 50,000,000.
Dividend Distribution Policy	Quarterly dividends of no less than ninety percent (90%) of the Fund's net profits will be distributed to unitholders.
Risk Level	The risk level of the Fund is classified as high. Please refer to Paragraph (G) hereof, entitled "Risks of Investment in the Fund".
Number of Valuation Times	At least once every six (6) months, by two independent appraisers, at the end of the last business day of June and December of each calendar year.
Subscription Fees	2% of the subscription amount, to be deducted in advance and paid to the Fund Manager once only.
Fund Management Fees	0.85% annually of the Fund's net assets value, to be paid by the Fund to the Fund Manager on a semi-annual basis.
Dealing Fees	The Fund shall pay the Fund Manager the maximum of 1% of the property value upon sale or purchase, in exchange for investigation, negotiation, and inspection. These fees shall fall due on the properties to be acquired during this Offering and on any properties the Fund intends to acquire or sell in the future. These fees shall be paid immediately after emancipation.
Fund Manager's Performance Incentive	Upon exit from any assets of the Fund, the Fund shall pay the Fund Manager 20% of any returns above 8% of the internal rate of return on the asset, after distributing the due quarterly dividends.
Brokerage Fees	The Fund shall pay the broker or the Fund Manager the maximum of 2.5% of the property value upon purchase, in exchange for its search for the property. These fees shall fall due on the properties to be acquired during this Offering and on any properties the Fund intends to acquire in the future. These fees shall be paid immediately after emancipation.
Finance Structuring Fee	The Fund shall pay the Fund Manager or any third party a finance structuring fee up to the maximum of 1% of the total amount withdrawn under any credit facilities compliant with Shariah controls.
Custody Fees	0.03% of the annual net assets of the Fund, to be paid to the Custodian on a semi-annual basis, up to the maximum of SAR 120,000 per year.

Chartered Accountant Fees	SAR 30,000 annually.
Shariah Committee Fees	SAR 18,750 annually.
Appraisal Fees	At the prevailing market rates, up to the maximum of SAR 10,000 to each appraiser for the appraisal of each real estate asset of the Fund, twice a year.
Remunerations of Independent Board Members	SAR 2,000 to each member for each meeting held by the Board, up to the maximum of SAR 24,000 a year to all independent members, jointly, to be paid when falling due.
Property Management Fees	The Property Manager shall be entitled to the property management fees, as a percentage of the total realised rent, up to the maximum of 7% of the total rents collected each year, and shall receive them on a quarterly basis.
Financing Expenses	At the prevailing market rates, including the financing arrangement expenses and the financing rate. These expenses shall be paid to the financier.
Other Expenses	Any other fees or expenses up to the maximum of 0.05% of the total assets value of the Fund, including, but not limited to, the cost of acquisition of real estate assets for the Fund, advisory, legal, and technical costs, regulatory fees, publication fees, and others.
Fees of Listing on the Saudi Stock Exchange (Tadawul)	The Fund is expected to pay the Saudi Stock Exchange (Tadawul) the following listing fees: 1. Initial listing service for the Fund Units: SAR 50,000 (once). 2. Service of continued listing of the Fund Units: 0.03% of the market value of the Fund, at the minimum of SAR 50,000, and the maximum of SAR 300,000 annually. The above fees may be changed as determined by the Saudi Stock Exchange (Tadawul).
Securities Depository Centre Fees	The Fund is expected to pay the following fees for registration on the Saudi Stock Exchange (Tadawul): 1. SAR 50,000, in addition to SAR 2 for each unitholder, up to the maximum of SAR 500,000, to Tadawul in exchange for creating a register for unitholders (to be paid once). 2. Annually, such fees will be paid at the market value of the Fund, as follows: - From zero to SAR 100 million: SAR 180 thousand - From SAR 100 million to SAR 200 million: SAR 220 thousand - From SAR 200 million to SAR 500 million: SAR 300 thousand - From SAR 500 million to SAR 2 billion: SAR 400 thousand - From SAR 2 billion to SAR 5 billion: SAR 500 thousand - From SAR 5 billion to SAR 10 billion: SAR 600 thousand - More than SAR 10 billion: SAR 700 thousand The above fees may be changed as determined by the Saudi Stock Exchange (Tadawul).
Zakat	The Fund Manager shall not be responsible for paying the zakat of units on behalf of investors, and it shall be incumbent upon the unitholder to pay the zakat for any units held in the Fund.
Shariah Standards	The Fund invests and deals in a manner compliant with the controls of Islamic Shariah.
Trading	The units shall be traded through the Tadawul System, using an integrated mechanism that covers the entire trading process, starting from the conclusion of deal to the settlement thereof. Trading shall take place every business day of the week over one period from 10:00 am to 3:00 pm from Sunday to Thursday of each week. During this period, orders shall be executed. However, in other times, orders shall be allowed to be entered, modified, and cancelled from 9:30 am to 10:00 am. The trading times shall be changed in the holy month of Ramadan, as determined by Tadawul. The dealings shall be concluded through an automated order matching process. Each valid order shall be produced according to the price level. In general, the market orders (those placed based on the best price) shall be executed first, and followed by the price-limit orders (those placed at a specific price), taking into account that if several orders are entered at the same price, they shall be executed respectively by the time of entry. The Tadawul System shall distribute a comprehensive range of information through various channels, the most important of which are the website "Tadawul" on the Internet and the link to information on "Tadawul", which provides the market data immediately to the information agencies, such as Reuters. The deals shall be settled automatically during the day, i.e. the transfer of units shall take place immediately after the execution of the related deal.
Applicable Law	The Fund shall be subject to the provisions of the Real Estate Investment Traded Funds Instructions issued by the CMA's Board under Resolution No. (2016-130-6), dated (23/01/1438 AH), corresponding to (24/10/2016 AD), and the relevant provisions stipulated in the Real Estate Investment Funds Regulations Issued by the CMA's Board under Resolution No. (2006-193-1), dated (19/06/1427 AH), corresponding to (15/07/2006 AD), including all relevant instructions and regulations in force in the Kingdom, especially the regulations on property ownership by non-Saudis.

#### a. Name and Type of the Fund

Derayah REIT Fund (DERAYAH REIT), a Shariah-compliant closed-end real estate investment traded fund, to be listed in the Saudi Financial Market, in accordance with the Real Estate Investment Funds Regulations and the Real Estate Investment Traded Funds Instructions.

#### b. Head Office and Website of the Fund Manager

Derayah Financial  
Olaya Main Road, Olaya Centre, 2nd Floor  
P.O. Box: 286546 - Riyadh 11323  
Kingdom of Saudi Arabia  
Tel. 2998000 (11) 966+  
Fax: 4196498 (11) 966+  
[www.derayah.com](http://www.derayah.com)

#### c. Fund Term

Ninety-nine (99) years, commencing from the date of listing units in Tadawul, renewable for similar terms at the Fund Manager's discretion after approval of the CMA.

#### d. Objectives of the Fund

It is a closed-end, exchange-traded, real estate investment fund that invests in income-generating real estate assets in compliance with Islamic Shariah. The Fund aims to generate income from the unitholders' capital, by investing in income-generating real estate opportunities in the Kingdom (excluding Makkah and Madinah), with the aim of achieving annual returns for the unitholders during the term of the Fund and enabling the Fund to distribute quarterly dividends of no less than 90% of Fund's net profits, as directed by the exchange-traded real estate investment funds.

#### e. Purpose and Investment Objectives of the Fund

To purchase commercial, residential, industrial, office, warehouse, health, educational, hotel, or agricultural properties in the Kingdom in accordance with the terms stipulated in Paragraph (F) below, "Summary of the Fund's Strategies to Achieve its Objectives", with the aim of achieving annual rental returns for the unit owners and enabling the Fund to distribute quarterly dividends of no less than 90% of net profits to the unitholders, as directed by the exchange-traded real estate investment funds.

#### f. Summary of the Fund's Strategies to Achieve Its Objectives

The Fund aims to acquire the income-generating properties that fall within the fifteen real estate assets mentioned in Paragraph (F), Clause (5) entitled "Description of the Fund's Current Assets", within 60 business days as of the successful completion of the Offering. In the event that the Offering is not completed for failure to collect the required amounts, the Fund Manager will take the actions referred to in Paragraph (H) "Subscription" hereof. In the future, the Fund intends to acquire commercial, residential, industrial, office, warehouse, health, educational, hotel, or agricultural properties in the Kingdom of Saudi Arabia (excluding Makkah and Madinah), in accordance with the conditions mentioned in such Paragraph.

The Fund Manager acknowledges that the target properties in Paragraph (F), Clause (5) "Description of the Fund's Current Assets" have no statutory violations that prevent or may impede the use or operation thereof. The Fund Manager also acknowledges that the property is technically safe and free from any material engineering defects that may prevent or impede the use or operation thereof or may require expensive considerable repairs or changes.

#### 1) Investment Concentration Policy

Investment Type	Minimum#	Maximum#
Structurally developed properties that are able to generate periodic rental income	75%	100%
Real estate development	N/A	25%
Investment outside the Kingdom of Saudi Arabia	N/A	25%
Usufruct contracts	N/A	25%
Shariah-compliant real estate investment traded funds	N/A	20%

Shariah-compliant closed-end real estate investment funds that are put to public offering	N/A	20%
Cash	N/A	10%
The money market instruments that are compliant with Shariah controls, directly or indirectly, by investing in money market funds ##	N/A	10%
Properties in Makkah or Madinah	The Fund shall not invest in these two cities	

Notes:

# The minimum and maximum limits are the total value of the Fund's assets according to the latest audited financial statements

## The direct investment shall be in the Saudi Riyal and through instruments issued by banks operating in the Kingdom of Saudi Arabia, whether by one or several entities (these instruments include investment in Murabaha and trade finance contracts), that are supervised by the Saudi Arabian Monetary Agency and have at least an investment rating (BBB-) from Standard & Poor's (equivalent to BBB- from Fitch, and Baa3 from Moody's). The indirect investment shall be in the units of money market instrument funds in the Saudi Riyal, whose units are put to the public and licensed by the CMA through the Fund Manager or any other manager, or both.

## 2) Financing Powers of the Fund and the Fund Manager's Policy on Exercising such Powers

All bank financing that may be obtained by the Fund's Manager after taking the necessary actions to finance the purchase of real estate assets to be included in the Fund's assets must be compliant with Islamic Shariah and approved by the Shariah Committee, the Board of the Fund, and the Shariah Board. The finance of the Fund must not exceed 50% of the total value of assets according to the latest audited financial statements. It is worth noting that the Fund's current funding amounts are less than 50% of the total value of the Fund's assets. It is noteworthy that the current funding ratio represents 8.3% of the total value of current assets and the current Shariah-compliant credit facilities with the Arab National Bank are fully paid at the end of the term only, while the profit margin is paid on an annual basis.

On 12 May 2016, the Fund Manager, on behalf of Derayah Real Estate Custody, signed a credit facilities agreement compliant with Islamic Shariah, with the Arab National Bank to finance the acquisition of the property dubbed Jubail Views Residential Compound (the details of which are available in Paragraph (F), Clause (5) "Description of the Fund's Current Assets"), at the amount of SAR 96,929,650, for the term of five years, extendable for two additional years, as of the date of amount withdrawal on 13 June 2016. The amount of the Shariah-compliant credit facilities shall be paid in full only at the end of the term, while the profit margin shall be paid annually at 2.5% plus the Saudi interbank interest rate for a year ("SAIBOR").

The Fund Manager expects to obtain other Shariah-compliant credit facilities in the future, to acquire other properties for the benefit of the Fund and the unitholders. Each property will be mortgaged or registered separately from the other assets of the Fund, if possible.

The real estate assets of the Fund may be registered or mortgaged in the name of a subsidiary of an entity authorised financier that has provided financing for the Fund, as a guarantee for the finance. The Fund Manager may not use the Fund's assets to provide finance or credit facilities to third parties. The title deeds of real estate assets will be registered in the name of a subsidiary of the Fund Custodian or the financier.

## 3) How to Invest the Fund's Cash

The Fund's Manager may maintain liquidity in the form of available cash until it is invested in the target real estate assets or distributed to the unit owners. The Fund's Manager may temporarily invest the available cash in Murabaha, before making distributions to the unitholders or acquiring any property in the future, as applicable, provided that the available cash is invested directly in money market instruments issued by Saudi authorities subject to the supervision of the Saudi Arabian Monetary Authority (SAMA) in the Saudi Riyal. The issuers of such money market instruments shall be selected based on their credit rating with the minimum investment category of (BBB-) according to S&P (equivalent to BBB- according to Fitch, and Baa3 according to Moody's). The liquidity can be invested indirectly through Murabaha Funds in the Saudi Riyal that are put to public offering and licensed by the CMA, whether managed by the Fund's Manager or a third party. The surplus cash may be invested in other publicly traded real estate investment funds that are put to public offering and licensed by the CMA in compliance with Islamic Shariah, or in public real estate investment funds licensed by the CMA in compliance with Islamic Shariah. The exposure to any fund or counterparty shall not exceed 10% of the Fund's total assets.

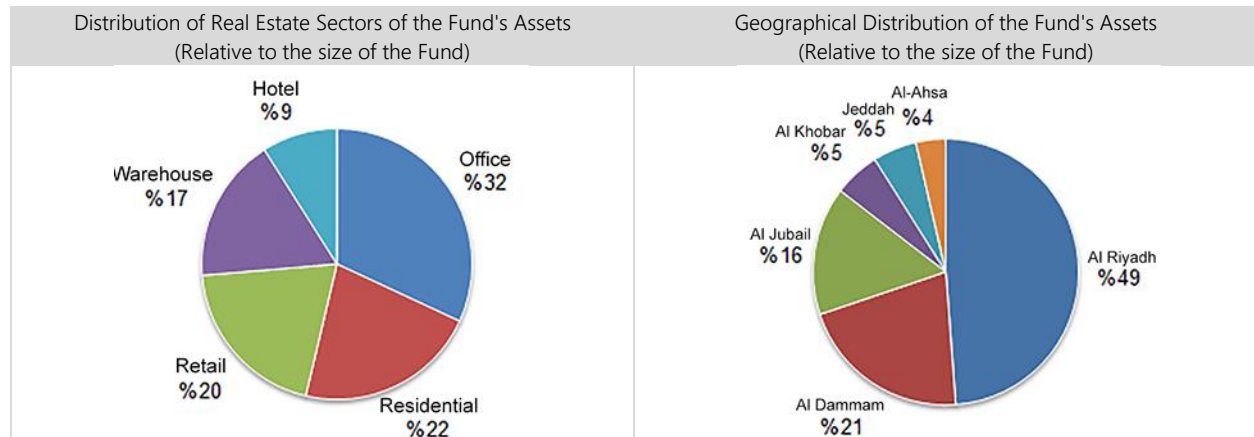
## 4) Overview of the Fund Assets

The Fund has multiple assets in terms of the diversity of real estate sectors and geographical distribution of assets, leading to the diversification of rental income sources.

### Geographical Distribution of the Fund's Assets in Saudi Arabia



The Fund's fifteen assets are mainly concentrated in both cities of Riyadh and Dammam, followed by the cities of Jubail, Khobar, Jeddah, and AlAhsa. The investment may be made in other cities in the Kingdom in the future, excluding Makkah and Madinah. For the real estate sectors, they are balanced between office, residential, and retail sectors. These are followed by warehouse and hotel sectors. In the future, investment may be made in such real estate or other sectors.



Outlines of the Fund's Properties:

Number	Property Name	City	Ownership/Usufruct	Development Status	Purchase Price (SAR)	Annual Rent (SAR)	Total Return Ratio	Net Return Ratio
1	Smart Tower	Riyadh	Ownership	Developed	263,500,000	20,000,000	7.59%	6.49%
2	Jubail Views Residential Compound	Jubail.	Ownership	Developed	145,500,000	13,617,000	9.36%	8.19%
3	Dammam Warehouses Complex	Dammam	Ownership	Developed	130,000,000	10,400,000	8.00%	6.88%

4	City Life Plaza	Riyadh	Ownership	Developed	106,250,000	8,500,000	8.00%	6.87%
5	Motoon Towers	Riyadh	Ownership	Developed	98,000,000	6,737,450	6.87%	5.45%
6	Al-Fanar Commercial Complex	Khobar	Ownership	Developed	60,600,000	5,149,322	8.49%	6.52%
7	Grand (A) Residential Building	Dammam	Ownership	Developed	58,800,000	5,000,000	8.50%	7.34%
8	Al-Wadi District Warehouses	Jeddah	Ownership	Developed	58,000,000	4,640,000	8.00%	6.86%
9	Al-Sitteen Commercial Centre	Riyadh	Ownership	Developed	52,125,000	3,462,250	6.64%	4.88%
10	The Valley Commercial Centre	Al-Ahasa	Usufruct	Developed	39,500,000	5,340,200	13.52%	7.63%
11	Grand (B) Commercial Building	Dammam	Ownership	Under development	31,250,000	2,500,000	8.00%	6.83%
12	Staff Residential Buildings	Jubail.	Ownership	Developed	24,273,685	2,289,000	9.43%	7.73%
13	City Walk Commercial Centre	Riyadh	Usufruct	Developed	10,504,994	3,400,000	*32.37%	30.25%
14	Staff Residential Buildings	Dammam	Ownership	Developed	5,087,559	569,500	11.19%	8.78%
15	Staff Residential Building	Khobar	Ownership	Developed	3,012,441	328,000	10.89%	8.79%

\* Note: The thirteenth property, City Walk Commercial Centre, is subject to a usufruct that will expire on 28/02/2021 AD. Accordingly, the cash flows of such property are a recovery of part of the capital invested, in addition to the profits until the termination of the usufruct contract, where all rights will be recovered by the landlord. For details, please refer to Paragraph (F), Clause (5) dubbed "Description of the Fund's Current Assets", with regard to Property No. 13.

Introductory Summary of Real Estate Assets:

Description	Number/Value
Total number of properties and usufruct contracts to be acquired	15
Number of income-generating properties	14
Number of usufruct properties	2
Number of properties under development	1
Proportion of income-generating properties to the total asset value of the Fund	97.12%
Proportion of usufruct properties to the total asset value of the Fund	4.61%
Proportion of properties under development to the total asset value of the Fund	2.88%
Total asset value of the Fund	SAR 1,086,403,679
Total rents of all assets of the Fund during the past 12 months	SAR 59,010,122
Target total rents of all assets of the Fund during the past 12 months#	SAR 91,932,722
Total building areas as per the building permits	235,443 m <sup>2</sup>
Percentage of total occupancy in the Fund	98%
Fund Total Return Ratio ##	8.99%
Fund Net Return Ratio ##	7.22%

Notes:

# The following properties were constructed in 2017 AD. Therefore, they had no rental returns in 2017 AD. They are: 1) Dammam Warehouses Complex, 2) City Life Plaza, 3) Grand (A) Residential Building, and, 4) The Valley Commercial Centre. Moreover, Grand (B) Commercial Building Property is under development and is expected to be completed in December 2017.

## The Fund Total Return Ratio is the total rents of all assets of the Fund in proportion to the Fund capital.

### The Fund Net Return Ratio is the total rents of all assets of the Fund less all expenses of the Fund (including the profit margin of credit facilities) in proportion to the Fund capital.

5) Description of the Fund's Current Assets (ordered by the size of the asset)

First Asset: Smart Tower in Riyadh



#### General Information about the Asset

Location	Riyadh
Real Estate Sector	Office & retail
Type of Real Estate Possession	Freehold
Land Area	3,910 m <sup>2</sup>
Total Building Area	28,414 m <sup>2</sup>
Property Components	Eight-story building
Year of Property Completion	2007

- Property Description: Commercial offices from the ground floor to the eighth floor and 4 showrooms on the ground floor.
- Property Location: The property is located in Olaya District at the intersection of King Fahd Road and Prince Mohammad Bin Abdulaziz Road.
- Property Facilities: The property consists of two basement floors accommodating about 186 cars.

#### Acquisition and Lease Details

Purchase Price	SAR 263,500,000
Average Valuation	SAR 264,028,327
Current Owner	Khaled Abdulaziz Al Mukairin
Number of Lessees	One, Khaled Abdulaziz Al Mukairin & Sons Holding Company.
Target Annual Rent	SAR 20,000,000
Annual Total Return	7.59%
Annual Net Return	6.49%
Annual rent in the last 3 years	2014: SAR 19,000,000 2015: SAR 19,000,000 2016: SAR 19,000,000
Current Occupancy Ratio	100%
Start/End of Lease	Ten years from the date of emancipation, a term that is binding on both parties.
Property Manager	Not available because the property is leased under a main lease.
Other Notes	Promissory notes from the lessee to cover the ten-year lease term. The lease term may be renewed after expiry under a mutual written consent of both parties. If the lessee breaches any clause of the lease and fails to remedy the same within the prescribed period, the lessor shall be entitled to revoke the lease.

#### Disclosure and Acknowledgment

Disclosure	<ul style="list-style-type: none"> <li>- The building completion certificate of the property is not available and it is being procured. Please refer to Paragraph (G) "Risks of Investment in the Fund" under the sub-clause "Risks of potential inability to procure some building completion certificates"</li> </ul>
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Acknowledgment	<p>The Fund Manager hereby acknowledges that there is no direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- The Fund Manager.</li> <li>- Managers of properties related to the Fund.</li> <li>- Owners of properties related to the Fund.</li> <li>- Lessees of real estate assets with returns of 10% or more of the Fund's annual rent revenue</li> </ul> <p>The Fund Manager also acknowledges that the property has no statutory violations that may prevent or impede the utilization or operation thereof. The Fund Manager also acknowledges that the property is technically safe and free from any material engineering defects that may prevent or impede the use or operation thereof or may require expensive considerable repairs or changes.</p>
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Second Asset: Jubail Views Residential Compound



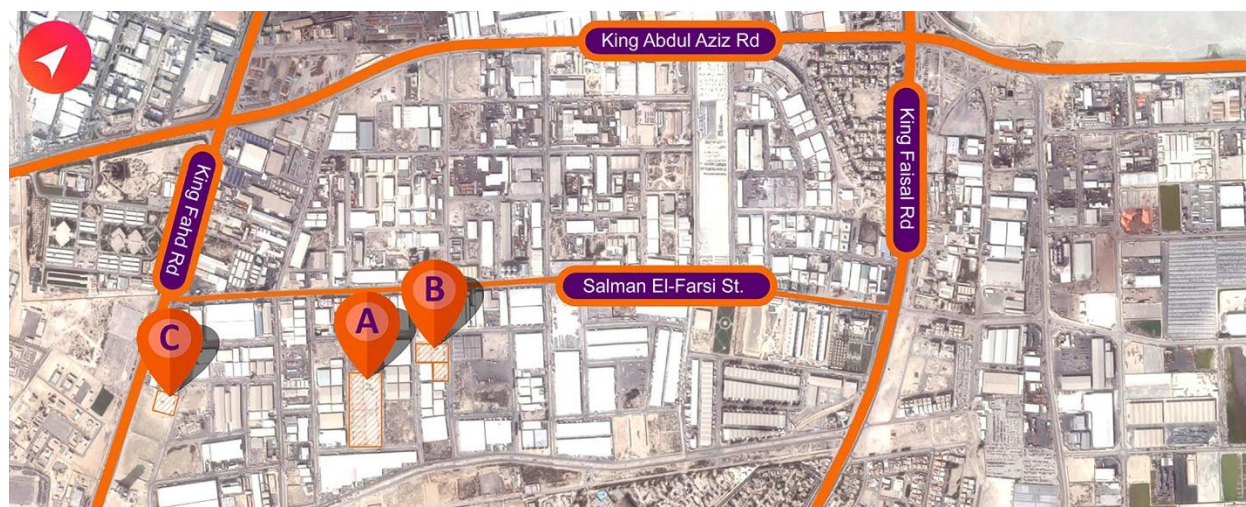
General Information about the Asset	
Location	Jubail
Real Estate Sector	Residential
Type of Real Estate Possession	Freehold
Land Area	21,600 m <sup>2</sup>
Total Building Area	26,643 m <sup>2</sup>
Property Components	The compound consists of 40 villas and 64 apartments.
Year of Property Completion	2014

- **Property Description:** The property is a private residential compound in Jubail. It includes the following furnished villas and apartments:
  - 40 Two-storey villas with three rooms and a BUA of 240 per square metre.
  - 16 Two-storey apartments with three rooms and a BUA of 235 per square metre.
  - 16 One-storey apartments with two rooms and a BUA of 84 per square metre.
  - 16 One-storey apartments with two rooms and a BUA of 75 per square metre.
  - 8 One-storey apartments with two rooms and a BUA of 80 per square metre.
  - 8 One-storey apartments with two rooms and a BUA of 77 per square metre.
- **Property Location:** The property is located in Khalidiyah District, in Jubail. To the north of the property, there is the Industrial Zone. At the level of the district, the property is bordered by a neighbour to the northern limit, a neighbour to the southern limit, a 30-metre-wide street to the eastern limit, and by a neighbour to the western limit.
- **Property Facilities:** The property includes two swimming pools, gardens, entertainment building, gymnasium, library, playgrounds, administration building, restaurant, supermarket, and health clinic. It also includes a desalination plant, backup power generator, telephone system, and central TV system.

Acquisition and Lease Details	
Purchase Price	SAR 145,500,000
Average Valuation	SAR 152,801,421
Current Owner	Derayah Real Estate Custody
Number of Lessees	One, Tharaa Real Estate Investment Co.
Target Annual Rent	SAR 13,617,000
Annual Total Return	9.36%
Annual Net Return	8.19%
Annual rent in the last 3 years	2014: Not applicable as the property was completed at the end of 2014. 2015: SAR 15,120,000 2016: SAR 13,617,000
Current Occupancy Ratio	100%
Start/End of Lease	From 1 May 2016 to 30 April 2019, a term that is binding on both parties.
Property Manager	Not available because the property is leased under a main lease.
Other Notes	Promissory notes from the lessee to cover the lease term that will expire on 30 April 2019. These notes will be in sequence so that when the annual rent is paid, the lessee will recover the promissory note of the previous year and gives the lessor another one for the next year. The lease term may be renewed after expiry under a mutual written consent of both parties. If the lessee breaches any clause of the lease and fails to remedy the same within the prescribed period, the lessor shall be entitled to revoke the lease.

Disclosure and Acknowledgment	
Disclosure	<ul style="list-style-type: none"> <li>- The property is a part of Derayah Real Estate Income Fund, which is a closed-end private real estate investment fund managed by the Fund Manager. It was operated on 24/07/1437 AH, corresponding to 01/05/2016 AD.</li> <li>- The building completion certificate of the property is not available and it is being procured. Please refer to Paragraph (G) "Risks of Investment in the Fund" under the sub-clause "<i>Risks of potential inability to procure some building completion certificates</i>"</li> </ul>
Acknowledgment	<p>The Fund Manager hereby acknowledges that there is direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- The Fund Manager. The Fund Manager hereby acknowledges that there is direct conflict of interest because the property is currently owned by Derayah Real Estate Income Fund (a private fund) that is managed by the Fund Manager.</li> <li>- Property Owner: Directly, as Mr. Mohammed bin Saeed AlShammasi, Chairman of Derayah Real Estate Income Fund and of Derayah REIT Fund, owns 0.26% of Derayah Real Estate Income Fund.</li> <li>- Fund Board: Directly, as Mr. Mohammed bin Saeed AlShammasi is the Chairman of Derayah Real Estate Income Fund and of Derayah REIT Fund. Mr. Abdulwahab bin Saeed Al-Sayed is an independent member of the Board of Derayah Real Estate Income Fund and a non-independent Board member of Derayah REIT Fund.</li> </ul> <p>The Fund Manager hereby acknowledges that there is no direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- Managers of properties related to the Fund.</li> <li>- Lessees of real estate assets with returns of 10% or more of the Fund's annual rent revenue.</li> </ul> <p>The Fund Manager also acknowledges that the property has no statutory violations that may prevent or impede the utilization or operation thereof. The Fund Manager also acknowledges that the property is technically safe and free from any material engineering defects that may prevent or impede the use or operation thereof or may require expensive considerable repairs or changes.</p>

Third Asset: Dammam Warehouses Complex



General Information about the Asset

Location	Dammam
Real Estate Sector	Warehouses
Type of Real Estate Possession	Freehold
Land Area	<ul style="list-style-type: none"> <li>- Block 21: 28,598 m<sup>2</sup></li> <li>- Block 17: 12,084 m<sup>2</sup></li> <li>- Block 33: 6,000 m<sup>2</sup></li> <li>- Total Area: 46,682 m<sup>2</sup></li> </ul>
Total Building Area	<ul style="list-style-type: none"> <li>- Block 21: 27,773 m<sup>2</sup></li> <li>- Block 17: 11,121 m<sup>2</sup></li> <li>- Block 33: 5,652 m<sup>2</sup></li> <li>- Total Area: 44,547 m<sup>2</sup></li> </ul>
Property Components	Warehouses constructed in three blocks.
Year of Property Completion	2017

- Property Description: The property consists of warehouses and annexed mezzanine (administrative and service offices) on 3 adjacent plots of land. Each site has parking areas and electricity-generating rooms.
- Property Location: The property is located in Mena District, in Dammam. It is bordered by King Abdulaziz City to the northern limit, Al-Nahda District to southern limit, Al-Safa District to the eastern limit, and Industrial Area No. (1) to the western limit. As for the roads, the property is near King Fahd Road at the intersection with Prince Saud Al Faisal Road.
- Property Facilities: The property is equipped with fire alarm and fighting systems and CCTV surveillance systems.

Acquisition and Lease Details

Purchase Price	SAR 130,000,000
Average Valuation	SAR 129,001,536
Current Owner	Mr. Abdullah bin Saeed bin Abdullah Al-Sayed, Mr. Abdulaziz bin Saeed bin Abdullah Al-Sayed, Mr. Mohammed bin Saeed bin Abdullah Al-Sayed, Mr. Ahmed bin Saeed bin Abdullah Al-Sayed, Mr. Abdulrahman bin Saeed bin Abdullah Al-Sayed, Mr. Abdulwahab bin Saeed bin Abdullah Al-Sayed, Mr. Khaled bin Saeed bin Abdullah Al-Sayed, Mrs. Munira bint Saeed bin Abdullah Al-Sayed, Mrs. Haya bint Saeed bin Abdullah Al-Sayed, Mrs. Asma bint Saeed bin Abdullah Al-Sayed, and Mrs. Noura bint Jubran bin Hizam Al-Qahtani.
Number of Lessees	One, Motoon Real Estate Company.
Target Annual Rent	SAR 10,400,000
Annual Total Return	8.00%
Annual Net Return	6.88%

Annual rent in the last 3 years	Not applicable because the property is newly constructed.
Current Occupancy Ratio	100%
Start/End of Lease	Five years from the date of emancipation, a term that is binding on both parties.
Property Manager	Not available because the property is leased under a main lease.
Other Notes	If the lessee fails to pay the rent within (15) days as from the date of a written notification, the lessor shall have the right to revoke the lease.

Disclosure and Acknowledgment	
Disclosure	<ul style="list-style-type: none"> <li>- The main lessee of the property is Motoon Real Estate Company, in which Mr. Abdulwahab bin Saeed Al-Sayed owns 22%. Mr. Abdulwahab is the Vice Chairman of Motoon Real Estate Company. He also owns a share of 3.2% in Derayah Financial. Mr. Abdulwahab bin Saeed Al-Sayed is a non-independent Board member of the Fund.</li> <li>- The building completion certificate of the property is not available and it is being procured. Please refer to Paragraph (G) "Risks of Investment in the Fund" under the sub-clause "<i>Risks of potential inability to procure some building completion certificates</i>"</li> </ul>
Acknowledgment	<p>The Fund Manager hereby acknowledges that there is direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- The Fund Manager. The Fund Manager acknowledges that there is a direct conflict of interest because Mr. Abdulwahab bin Saeed Al-Sayed owns a share of 3.2% in the Fund Manager, and is a non-independent Board member of the Fund.</li> <li>- Property Owner: Directly, as Mr. Abdulwahab bin Saeed Al-Sayed owns a share of 10.7% in the property, is a non-independent Board member of the Fund, and owns a share of 3.2% in the Fund Manager.</li> <li>- Property Lessee: Directly, as Mr. Abdulwahab bin Saeed Al-Sayed owns a share of 22% in the lessee (Motoon Real Estate Company), owns a share of 1.98% in the Fund, is a non-independent Board member of the Fund, and owns a share of 5.63% in the Fund.</li> </ul> <p>The Fund Manager also acknowledges that the property has no statutory violations that may prevent or impede the utilization or operation thereof. The Fund Manager also acknowledges that the property is technically safe and free from any material engineering defects that may prevent or impede the use or operation thereof or may require expensive considerable repairs or changes.</p>

Fourth Asset: City Life Plaza



General Information about the Asset	
Location	Riyadh
Real Estate Sector	Retail
Type of Real Estate Possession	Freehold
Land Area	13,355 m <sup>2</sup>
Total Building Area	8,350 m <sup>2</sup>
Property Components	28 supermarkets, a hypermarket, and a separate restaurant.
Year of Property Completion	2017

- Property Description: A shopping mall in the north of Riyadh, Monsiya District. The project consists of commercial facilities and a mezzanine on the ground floor, lobbies for restaurants with various areas, a hypermarket, and a separate restaurant. The property also has parking areas accommodating for 172 cars.
- Property Location: The property is located in Monsiya District in Riyadh. It is bordered by Al-Thumama Road to the northern limit, Ghernata District to the southern limit, Al-Rimal District to the eastern limit, and Cordoba District to the western limit. It overlooks Dammam Road.
- Property Facilities: The property is equipped with fire alarm and fighting systems and CCTV surveillance systems.

Acquisition and Lease Details	
Purchase Price	SAR 106,250,000
Average Valuation	SAR 109,677,419
Current Owner	Mr. Abdullah bin Saeed bin Abdullah Al-Sayed, Mr. Abdulaziz bin Saeed bin Abdullah Al-Sayed, Mr. Mohammed bin Saeed bin Abdullah Al-Sayed, Mr. Ahmed bin Saeed bin Abdullah Al-Sayed, Mr. Abdulrahman bin Saeed bin Abdullah Al-Sayed, Mr. Abdulwahab bin Saeed bin Abdullah Al-Sayed, Mr. Khaled bin Saeed bin Abdullah Al-Sayed, Mrs. Munira bint Saeed bin Abdullah Al-Sayed, Mrs. Haya bint Saeed bin Abdullah Al-Sayed, Mrs. Asma bint Saeed bin Abdullah Al-Sayed, and Mrs. Noura bint Jubran bin Hizam Al-Qahtani.
Number of Lessees	One, Motoon Real Estate Company.
Target Annual Rent	SAR 8,500,000
Annual Total Return	8.00%
Annual Net Return	6.87%
Annual rent in the last 3 years	Not applicable because the property is newly constructed.
Current Occupancy Ratio	100%
Start/End of Lease	Five years from the date of emancipation, a term that is binding on both parties.
Property Manager	Not available because the property is leased under a main lease.
Other Notes	If the lessee fails to pay the rent within (15) days as from the date of a written notification, the lessor shall have the right to revoke the lease.

Disclosure and Acknowledgment	
Disclosure	<ul style="list-style-type: none"> <li>The main lessee of the property is Motoon Real Estate Company, in which Mr. Abdulwahab bin Saeed Al-Sayed owns 22%. Mr. Abdulwahab is the Vice Chairman of Motoon Real Estate Company. He also owns a share of 3.2% in Derayah Financial. Mr. Abdulwahab bin Saeed Al-Sayed is a non-independent Board member of the Fund.</li> <li>The building completion certificate of the property is not available and it is being procured. Please refer to Paragraph (G) "Risks of Investment in the Fund" under the sub-clause "<i>Risks of potential inability to procure some building completion certificates</i>"</li> </ul>
Acknowledgment	<p>The Fund Manager hereby acknowledges that there is direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>The Fund Manager. The Fund Manager acknowledges that there is a direct conflict of interest because Mr. Abdulwahab bin Saeed Al-Sayed owns a share of 3.2% in the Fund Manager, and is a non-independent Board member of the Fund.</li> <li>Property Owner: Directly, as Mr. Abdulwahab bin Saeed Al-Sayed owns a share of 10.7% in the property, is a non-independent Board member of the Fund, and owns a share of 3.2% in the Fund Manager.</li> </ul>

- Property Lessee: Directly, as Mr. Abdulwahab bin Saeed Al-Sayed owns a share of 22% in the lessee (Motoon Real Estate Company), owns a share of 1.98% in the Fund, is a non-independent Board member of the Fund, and owns a share of 5.63% in the Fund.

The Fund Manager also acknowledges that the property has no statutory violations that may prevent or impede the utilization or operation thereof. The Fund Manager also acknowledges that the property is technically safe and free from any material engineering defects that may prevent or impede the use or operation thereof or may require expensive considerable repairs or changes.

#### Fifth Asset: Motoon Towers



#### General Information about the Asset

Location	Riyadh
Real Estate Sector	Retail & Hospitality
Type of Real Estate Possession	Free Real Estate Ownership
Land Area	1,950 m <sup>2</sup>
Total Building Area	11,579 m <sup>2</sup>
Property Components	The property consists of 4 showrooms on the ground floor and hotel rooms on the other 7 floors.
Year of Property Completion	2010

- Property Description: A four-star hotel project consists of seven floors and four commercial showrooms on the ground floor. The hotel has multiple floors and a parking basement accommodating for 110 cars. The project is adjacent to Al Faisaliah Tower.
- Property Location: The property is located in Olaya District. It is bordered by Al Wurud District to the northern limit, Al-Wezarat District to the southern limit, As Sulaymaniyah District to the eastern limit, and Al-Mazar Al-Shamali District to the western limit. It overlooks Olaya Street at the intersection with Prince Sultan bin Abdulaziz Road.
- Property Facilities: The tower is equipped with 4 lifts, an air conditioning system, a CCTV surveillance system, and security.

#### Acquisition and Lease Details

Purchase Price	SAR 98,000,000
Average Valuation	SAR 100,857,148
Current Owner	Mr. Mohammed bin Saeed bin Abdullah Al-Sayed, Mr. Ahmed bin Saeed bin Abdullah Al-Sayed, Mr. Abdulrahman bin Saeed bin Abdullah Al-Sayed, Mr. Abdulwahab bin Saeed bin Abdullah Al-Sayed, Mr. Khaled bin Saeed bin Abdullah Al-Sayed, Mrs. Munira bint Saeed bin Abdullah Al-Sayed, Mrs. Haya bint Saeed bin Abdullah Al-Sayed, Mrs. Asma bint Saeed bin Abdullah Al-Sayed, and Mrs. Noura bint Jubran bin Hizam Al-Qahtani.
Number of Lessees	One lessee of the hotel part, and two lessees of the commercial halls.
Target Annual Rent	SAR 6,737,450

Annual Total Return	6.87%
Annual Net Return	5.45%
Annual rent in the last 3 years	2014: SAR 1,737,450 2015: SAR 1,737,450 2016: SAR 6,737,450
Current Occupancy Ratio	96%
Start/End of Lease	<ul style="list-style-type: none"> <li>- The lessee is the National Jewellery Company: From 1 Muharram 1437 AH to 30 Dhu al-Hijjah 1441 AH, under an annual lease of SAR 891,000.</li> <li>- The lessee is High Energy Investment Company: From 1 Rajab 1436 AH to 30 Jumada II 1439 AH, under an annual lease of SAR 846,450.</li> <li>- The lessee is Action Hotels Company: From 1 June 2016 AD to 31 December 2035 AD, under an annual lease of SAR 5,000,000, whereby the rent will increase by 5% every three years.</li> </ul>
Property Manager	Motoon Real Estate Company.
Other Notes	If the lessee fails to pay the rent within (15) days as from the date of a written notification, the lessor shall have the right to revoke the lease.

Disclosure and Acknowledgment	
Disclosure	<ul style="list-style-type: none"> <li>- The Property Manager is Motoon Real Estate Company, in which Mr. Abdulrahman bin Saeed Al-Sayed owns 22%. He is the Vice Chairman of Motoon Real Estate Company. He also owns a share of 3.2% in Derayah Financial. Mr. Abdulwahab bin Saeed Al-Sayed is a non-independent Board member of the Fund.</li> <li>- The building completion certificate of the property is available.</li> </ul>
Acknowledgment	<p>The Fund Manager hereby acknowledges that there is direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- The Fund Manager. The Fund Manager acknowledges that there is a direct conflict of interest because Mr. Abdulwahab bin Saeed Al-Sayed owns a share of 3.2% in the Fund Manager, and is a non-independent Board member of the Fund.</li> <li>- Property Owner: Directly, as Mr. Abdulwahab bin Saeed Al-Sayed owns a share of 13.7% in the property, is a non-independent Board member of the Fund, and owns a share of 3.2% in the Fund Manager.</li> <li>- Property Manager: Directly, as Mr. Abdulwahab bin Saeed Al-Sayed owns a share of 22% in the Property Manager (Motoon Real Estate Company), owns a share of 1.98% in the Fund, is a non-independent Board member of the Fund, and owns a share of 5.63% in the Fund.</li> </ul> <p>The Fund Manager acknowledges that there is no conflict of interest with any lessee of the property.</p> <p>The Fund Manager also acknowledges that the property has no statutory violations that may prevent or impede the utilization or operation thereof. The Fund Manager also acknowledges that the property is technically safe and free from any material engineering defects that may prevent or impede the use or operation thereof or may require expensive considerable repairs or changes.</p>

## Sixth Asset Al-Fanar Commercial Complex



### General Information about the Asset

Location	Khobar
Real Estate Sector	Showrooms and warehouses
Type of Real Estate Possession	Freehold
Land Area	14,025 m <sup>2</sup>
Total Building Area	12,395 m <sup>2</sup>
Property Components	12 commercial showrooms and 6 warehouses
Year of Property Completion	2000

- Property Description: The property is commercial showrooms on King Al Fahd Road with warehouses at the rear.
- Property Location: The property is located in Khobar, Al-Rakah District. It is bordered by Al-Rakah District to the northern limit, Al-Rawabi District to the southern limit, the Corniche to the eastern limit, and Cordoba District to the western limit. The property overlooks King Fahd Road at the intersection with Mousa Bin Nusair Street.
- Property Facilities: There is parking in front of the building. The air conditioning is split hidden and the floors are marble and porcelain.

### Acquisition and Lease Details

Purchase Price	SAR 60,600,000					
Average Valuation	SAR 64,588,190					
Current Owner	Abdullatif and Mohammad Al Fozan Company					
Number of Lessees	Five lessees of warehouses, nine lessees of showrooms, and two lessees of billboards.					
Target Annual Rent	SAR 5,149,322					
Annual Total Return	8.49%					
Annual Net Return	6.52%					
Annual rent in the last 3 years	2014: SAR 5,245,130 2015: SAR 4,854,420 2016: SAR 5,085,100					
Current Occupancy Ratio	100%					
Start/End of Lease	Lessee	Unit Type	Rental Area (m <sup>2</sup> )	Start of Lease	End of Lease	Annual Rent (SAR)
	01	Warehouse	2,136	25/05/2017 AD	24/05/2018 AD	463,500
	02	Warehouse	712	01/01/2017 AD	31/12/2017 AD#	142,400
	03	Warehouse	712	01/01/2017 AD	31/12/2019 AD	169,000
	04	Warehouse	712	01/06/2016 AD	31/05/2021 AD	146,672
	05	Warehouse	178	01/01/2017 AD	31/12/2017 AD#	35,000
	01	Showroom	1,000	15/05/2017 AD	14/05/2018 AD	669,500
	05	Showroom	500	17/06/2017 AD	16/01/2020 AD	360,500
	07	Showroom	1,000	17/04/2017 AD	31/12/2021 AD	630,000



	04	Showroom	500	01/06/2016 AD	31/05/2021 AD	334,750
	08	Showroom	500	09/10/2015 AD	08/10/2018 AD	325,000
	02	Showroom	500	01/01/2017 AD	31/12/2017 AD#	325,000
	03	Showroom	1,000	15/07/2016 AD	14/07/2019 AD	669,500
	09	Showroom	500	01/09/2017 AD	31/12/2018 AD	386,250
	10	Showroom	500	01/04/2015 AD	31/12/2017 AD#	300,000
	05	Billboards	-	01/03/2018 AD	31/12/2018 AD	82,250
	03	Billboards	-	01/08/2017 AD	31/07/2018 AD	110,000
	<p># This lease shall be automatically renewed for a similar term or as agreed by the lessee, unless the lessee sends a written notice at least two months prior to the expiry. In such case, the lessee shall vacate the leased property at the termination of the lease term and hand over the same according to the lease terms. The Fund Manager asserts that on 1 November 2017, no written notice had been received from the lessee regarding the termination.</p>					
Property Manager	Tadbeir Real Estate Company.					
Other Notes	<ul style="list-style-type: none"> <li>- The lessor may terminate the lease if the lessee fails to pay rent after a written notification thereto.</li> <li>- The leases shall be automatically renewed for a similar term, unless the lessee expresses its intention not to renew the same two months prior to the termination of the lease term.</li> <li>- The Fund Manager expects the operating expenses of the property (cleaning, maintenance, security, and cultivation) to be SAR 300,000 in the first year, which will be paid by the Fund to other parties.</li> <li>- The Fund shall pay the Property Manager the property management fees and the above operating expenses.</li> </ul>					

Disclosure and Acknowledgment	
Disclosure	<ul style="list-style-type: none"> <li>- The building completion certificate of the property is not available and it is being procured. Please refer to Paragraph (G) "Risks of Investment in the Fund" under the sub-clause "<i>Risks of potential inability to procure some building completion certificates</i>"</li> </ul>
Acknowledgment	<p>The Fund Manager hereby acknowledges that there is direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- Property Owner: Directly, as the current owner of property owns a share of 4.74% in Derayah Reit Fund.</li> <li>- Property Manager: Indirectly, as the Property Manager, Retal for Structural Development, owns a direct share of 2.66% in the Fund and an indirect share of 5.03% in the Fund (through its full ownership of Nesaj Project Management Co.).</li> </ul> <p>The Fund Manager hereby acknowledges that there is no direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- Fund Manager.</li> <li>- Lessees of real estate assets with returns of 10% or more of the Fund's annual rent revenue.</li> </ul> <p>The Fund Manager also acknowledges that the property has no statutory violations that may prevent or impede the utilization or operation thereof. The Fund Manager also acknowledges that the property is technically safe and free from any material engineering defects that may prevent or impede the use or operation thereof or may require expensive considerable repairs or changes.</p>

Seventh Asset: Grand (A) Residential Building



General Information about the Asset

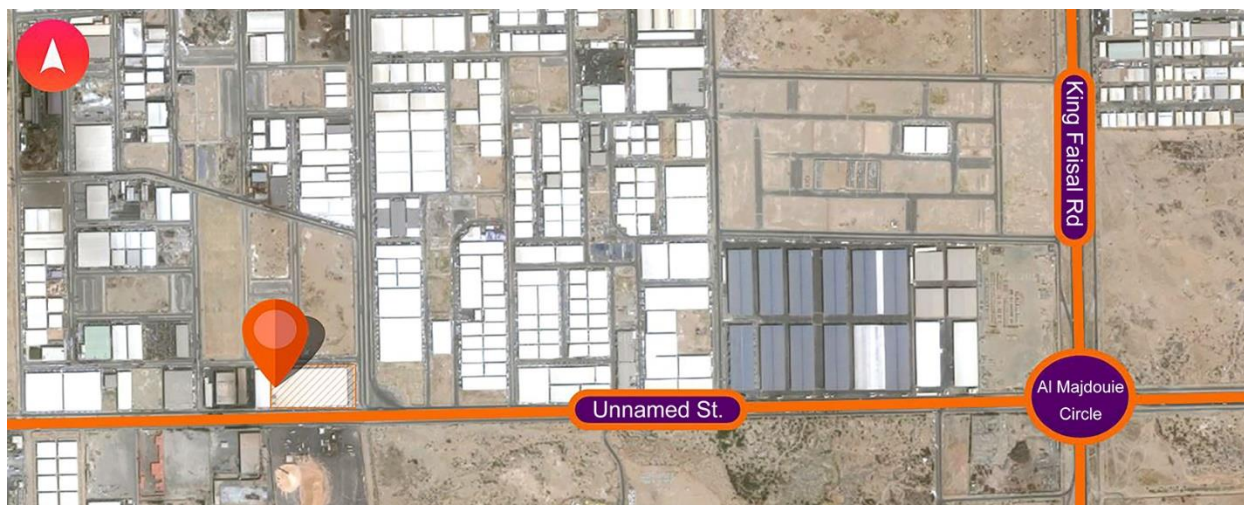
Location	Dammam
Real Estate Sector	Residential
Type of Real Estate Possession	Freehold
Land Area	5,563 m <sup>2</sup>
Total Building Area	31,536 m <sup>2</sup>
Property Components	The property consists of 12-floor residential units of various sizes and designs, and a recreational floor.
Year of Property Completion	2017

- **Property Description:** The property is an integrated residential compound with main facade of cladding and glass, and other facades of painting. The residential compound consists of 64 apartments with the following specifications:
  - 18 three-room apartments in the area of 212 m<sup>2</sup> per each. There are two apartments in each floor from the first to the ninth floors.
  - 18 three-room apartments in the area of 186 m<sup>2</sup> per each. There are two apartments in each floor from the first to the ninth floors.
  - 18 two-room apartments in the area of 137 m<sup>2</sup> per each. There are two apartments in each floor from the first to the ninth floors.
  - Two two-room apartments in the area of 96 m<sup>2</sup> per each. They are located on the tenth floor.
  - Two two-room apartments in the area of 110 m<sup>2</sup> per each. They are located on the tenth floor.
  - Two three-room apartments of penthouse style (on two floors, the tenth and eleventh floors), in the area of 277 m<sup>2</sup> per each.
  - Two three-room apartments of penthouse style (on two floors, the tenth and eleventh floors), in the area of 286 m<sup>2</sup> per each.
  - Two three-room apartments of penthouse style (on two floors, the tenth and eleventh floors), in the area of 315 m<sup>2</sup> per each.
  - The twelfth floor has a spa, games hall, multi-purpose hall, children's pool, and open hall.
- **Property Location:** The property is located in Dammam, Al-Anwar District. It is bordered by King Fahd Road to the northern limit in the direction of Dammam International Airport, Al-Anwar District to the southern limit, Al-Manar District to the eastern limit, and Al Sharq District to the western limit.
- **Property Facilities:** A spa (sauna and jacuzzi), gymnasium, children's pool, children's playroom, multi-purpose hall, open hall, central air-conditioned units, parking for each residential unit, 3-year free maintenance, and free transportation to malls.

Acquisition and Lease Details	
Purchase Price	SAR 58,800,000
Average Valuation	SAR 64,516,129
Current Owner	Nesaj Project Management Co.
Number of Lessees	One, Tadbeir Real Estate Company.
Annual Rent	SAR 5,000,000
Annual Total Return	8.50%
Annual Net Return	7.34%
Annual rent in the last 3 years	Not applicable because the property is newly constructed.
Current Occupancy Ratio	100%
Start/End of Lease	Five years from 1 November 2017, a term that is binding on both parties.
Property Manager	Not available because the property is leased under a main lease.
Other Notes	The lease shall be automatically renewed after expiry on a yearly basis, unless either party notifies the other in writing of its desire not to renew the same. If the lessee fails to pay the rent for 90 days from the maturity date, the lessor shall have the right to cut off utilities from the buildings of the property. The lessor shall also have the right to revoke the lease.

Disclosure and Acknowledgment	
Disclosure	<ul style="list-style-type: none"> <li>- The building completion certificate of the property is not available and it is being procured. Please refer to Paragraph (G) "Risks of Investment in the Fund" under the sub-clause "<i>Risks of potential inability to procure some building completion certificates</i>"</li> </ul>
Acknowledgment	<p>The Fund Manager hereby acknowledges that there is direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- Property Owner: Directly, as the current owner of property owns a share of 5.28% in the Fund.</li> <li>- Property Lessee: Indirectly, as the owner of the property lessee, Retal for Structural Development, owns a direct share of 2.66% in the Fund and an indirect share of 5.03% in the Fund (through its full ownership of Nesaj Project Management Co.).</li> </ul> <p>The Fund Manager hereby acknowledges that there is no direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- Fund Manager.</li> </ul> <p>The Fund Manager also acknowledges that the property has no statutory violations that may prevent or impede the utilization or operation thereof. The Fund Manager also acknowledges that the property is technically safe and free from any material engineering defects that may prevent or impede the use or operation thereof or may require expensive considerable repairs or changes.</p>

Eighth Asset: Al-Wadi District Warehouses in Jeddah



General Information about the Asset

Location	Jeddah
Real Estate Sector	Warehouses & Residential
Type of Real Estate Possession	Freehold
Land Area	32,462 m <sup>2</sup>
Total Building Area	<ul style="list-style-type: none"> <li>- Warehouses: 23,310 m<sup>2</sup></li> <li>- Residential: 1,077 m<sup>2</sup></li> <li>- Other: 957 m<sup>2</sup></li> <li>- Total Area: 25,345 m<sup>2</sup></li> </ul>
Property Components	The warehouses consist of a ground floor and a first floor.
Year of Property Completion	2013.

- Property Description: The property is a warehouse and a residential building overlooking three streets and the facade is of block building.
- Property Location: The property is located in Wadi District. It is bordered by As Sarawat District to the northern limit, Al Moulaysaa District to the southern limit, and the coast to the western limit.
- Property Facilities: The property has a safety system.

Acquisition and Lease Details

Purchase Price	SAR 58,000,000
Average Valuation	SAR 57,554,531
Current Owner	Motoon Real Estate Company
Number of Lessees	One, Motoon Real Estate Company.
Annual Rent	SAR 4,640,000
Annual Total Return	8.00%
Annual Net Return	6.86%
Annual rent in the last 3 years	2014: SAR 3,740,000 2015: SAR 3,740,000 2016: SAR 3,740,000
Current Occupancy Ratio	100%
Start/End of Lease	Five years from the date of emancipation, a term that is binding on both parties.
Property Manager	Not available because the property is leased under a main lease.
Other Notes	If the lessee fails to pay the rent within (15) days as from the date of a written notification, the lessor shall have the right to revoke the lease.

Disclosure and Acknowledgment	
Disclosure	<ul style="list-style-type: none"> <li>- The main lessee of the property is Motoon Real Estate Company, in which Mr. Abdulwahab bin Saeed Al-Sayed owns 22%. He is the Vice Chairman of Motoon Real Estate Company. He also owns a share of 3.2% in Derayah Financial. Mr. Abdulwahab bin Saeed Al-Sayed is a non-independent Board member of the Fund.</li> <li>- The building completion certificate of the property is not available and it is being procured. Please refer to Paragraph (G) "Risks of Investment in the Fund" under the sub-clause "<i>Risks of potential inability to procure some building completion certificates</i>"</li> </ul>
Acknowledgment	<p>The Fund Manager hereby acknowledges that there is direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- The Fund Manager. The Fund Manager acknowledges that there is a direct conflict of interest because Mr. Abdulwahab bin Saeed Al-Sayed owns a share of 3.2% in the Fund Manager, and is a non-independent Board member of the Fund.</li> <li>- Property Owner: Directly, as Mr. Abdulwahab bin Saeed Al-Sayed owns a share of 22% in the current owner of the property, is a non-independent Board member of the Fund, and owns a share of 3.2% in the Fund Manager.</li> <li>- Property Lessee: Directly, as Mr. Abdulwahab bin Saeed Al-Sayed owns a share of 22% in the lessee (Motoon Real Estate Company), owns a share of 1.98% in the Fund, is a non-independent Board member of the Fund, and owns a share of 5.63% in the Fund.</li> </ul> <p>The Fund Manager also acknowledges that the property has no statutory violations that may prevent or impede the utilization or operation thereof. The Fund Manager also acknowledges that the property is technically safe and free from any material engineering defects that may prevent or impede the use or operation thereof or may require expensive considerable repairs or changes.</p>

Ninth Asset: Al-Sitteen Commercial Centre



General Information about the Asset	
Location	Riyadh
Real Estate Sector	Office & Commercial
Type of Real Estate Possession	Freehold
Land Area	1,800 m <sup>2</sup>
Total Building Area	9,310 m <sup>2</sup>

Property Components	The Centre consists of 7 floors, 26 offices, and a main showroom.
Year of Property Completion	1985, and is being renovated in 2017.

- Property Description: A commercial and office centre in Salahiddin AlAyyoubi Street in the heart of Riyadh, adjacent to many governmental facilities and hospitals. The property consists of six office floors, a ground floor for commercial use, and a parking floor accommodating for 36 cars.
- Property Location: The property is located in AlDhubbat District in Riyadh. It is bordered by As Sulaymaniyah District to the northern limit, Al Murabba District to the southern limit, Rabwah District to the eastern limit, and Al-Wezarat District to the western limit. The property overlooks Salahiddin AlAyyoubi Road.
- Property Facilities: The property is equipped with two lifts, an air conditioning system, a CCTV surveillance system, and security.

Acquisition Details						
Purchase Price	SAR 52,125,000					
Average Valuation	SAR 53,806,451					
Current Owner	Motoon Real Estate Company					
Number of Lessees	Twenty					
Annual Rent	SAR 3,462,250					
Annual Total Return	6.64%					
Annual Net Return	4.88%					
Annual rent in the last 3 years	2014: SAR 3,780,279 2015: SAR 4,426,682 2016: SAR 4,300,812					
Current Occupancy Ratio	80%					
Start/End of Lease	Lessee's Identity	Unit Type	Rental Area (m <sup>2</sup> )	Start of Lease	End of Lease	Annual Rent (SAR)
	01	Showroom	1,188	01/06/1434 AH	30/05/1449 AH	1,097,250
	02	Offices	188	01/07/1430 AH	30/06/1431AH	160,400
	03	Offices	94	20/03/1438 AH	19/03/1439 AH	104,500
	04	Offices	102	01/02/1436 AH	30/01/1437 AH	132,000
	04	Offices	102	07/04/1435 AH	06/04/1438 AH	126,500
	05	Offices	102	01/02/1436 AH	30/01/1438 AH	132,000
	06	Offices	94	22/06/1438 AH	21/06/1439 AH	94,500
	07	Offices	94	22/08/1434 AH	21/08/1435 AH	126,000
	08	Offices	106	20/09/1438 AH	19/09/1439 AH	93,500
	09	Offices	91	01/08/1432 AH	30/07/1433 AH	80,500
	10	Offices	91	10/08/1433 AH	09/08/1434 AH	100,500
	11	Offices	91	01/12/1435 AH	30/11/1436 AH	88,200
	12	Offices	182	12/05/1432 AH	11/05/1433 AH	160,000
	13	Offices	306	12/05/1433 AH	11/05/1434 AH	240,000
	14	Offices	91	01/07/1437 AH	30/06/1438 AH	105,000
	15	Offices	91	15/12/1431 AH	14/12/1432 AH	80,300
	16	Offices	93	15/06/1432 AH	14/06/1433 AH	80,300
	17	Offices	185	01/05/1431 AH	30/04/1432 AH	160,500
	18	Offices	106	20/06/1438 AH	19/06/1439 AH	110,000
	19	Offices	91	10/06/1438 AH	09/06/1439 AH	120,300
20	Roof	45	20/01/2017 AD	19/01/2027 AD	70,000	
Property Manager	Motoon Real Estate Company					
Other Notes	<ul style="list-style-type: none"> <li>The property is going through the phase of renovation and improvement, which is expected to be completed by 30 November 2017. Motoon Real Estate Company shall be responsible for completing such renovation and improvement at its own expense, in accordance with the agreed specifications, while the Fund will pay no development fees.</li> <li>The total amount of renovation and improvements equals SAR 4,100,000, including the following works: Exterior facades, interior panels, lifts, cladding, interior restoration, air conditioning, fire fighting systems, and insulation.</li> </ul>					

	<ul style="list-style-type: none"> <li>- The Fund Manager expects the operating expenses of the property (cleaning, maintenance, security, and cultivation) to be SAR 181,000 in the first year, which will be paid by the Fund to other parties.</li> <li>- The Fund shall pay the Property Manager the property management fees and the above operating expenses.</li> <li>- All above rents have been renewed automatically and will be renewed automatically, unless either party notifies the other of its desire not to renew the same.</li> </ul>
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Disclosure and Acknowledgment	
Disclosure	<ul style="list-style-type: none"> <li>- The Property Manager is Motoon Real Estate Company, in which Mr. Abdulrahman bin Saeed Al-Sayed owns 22%. He is the Vice Chairman of Motoon Real Estate Company. He also owns a share of 3.2% in Derayah Financial. Mr. Abdulwahab bin Saeed Al-Sayed is a non-independent Board member of the Fund.</li> <li>- The building completion certificate of the property is not available and it is being procured. Please refer to Paragraph (G) "Risks of Investment in the Fund" under the sub-clause "<i>Risks of potential inability to procure some building completion certificates</i>"</li> </ul>
Acknowledgment	<p>The Fund Manager hereby acknowledges that there is direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- The Fund Manager. The Fund Manager acknowledges that there is a direct conflict of interest because Mr. Abdulwahab bin Saeed Al-Sayed owns a share of 3.2% in the Fund Manager, and is a non-independent Board member of the Fund.</li> <li>- Property Owner: Indirectly, as Mr. Abdulwahab bin Saeed Al-Sayed owns a share of 22% in the current owner of the property, is a non-independent Board member of the Fund, and owns a share of 3.2% in the Fund Manager</li> <li>- Property Manager: Directly, as Mr. Abdulwahab bin Saeed Al-Sayed owns a share of 22% in the Property Manager (Motoon Real Estate Company), owns a share of 1.98% in the Fund, is a non-independent Board member of the Fund, and owns a share of 5.63% in the Fund.</li> </ul> <p>The Fund Manager acknowledges that there is no conflict of interest with any lessee of the property.</p> <p>The Fund Manager also acknowledges that the property has no statutory violations that may prevent or impede the utilization or operation thereof. The Fund Manager also acknowledges that the property is technically safe and free from any material engineering defects that may prevent or impede the use or operation thereof or may require expensive considerable repairs or changes.</p>

Tenth Asset: The Valley Commercial Centre



General Information about the Asset	
Location	AlAhssa
Real Estate Sector	Commercial
Type of Real Estate Possession	Usufruct
Land Area	9,858 m <sup>2</sup>
Total Building Area	9,708 m <sup>2</sup>
Property Components	Strip Mall with 37 commercial units.
Year of Property Completion	2017

- Property Description: A shopping centre in the City of AlAhssa, Riyadh Road, near the College of Arts and King Fahd Hospital.
- Property Location: The property is located in the city of AlAhssa in AlSalmanyah District. It is bordered by AlSalmanyah Al-Shamalia District to the northern limit, AlSalmanyah Al-Janobia District to the southern limit, Al-Mualmein District to the eastern limit, and Riyadh Road to the western limit.
- Property Facilities: Parking areas, 23 commercial showrooms on the ground floor, and a restaurant mezzanine, and 13 commercial showrooms on the first floor.

Acquisition and Lease Details						
Purchase Price	SAR 39,500,000					
Average Valuation	SAR 40,000,389					
Current Owner	Retal for Structural Development (usufruct owner)					
Number of Lessees	Nine					
Annual Rent	SAR 5,340,200					
Annual Total Return	13.52%					
Annual Net Return	7.63%					
Annual rent in the last 3 years	Not applicable because the property is newly constructed.					
Current Occupancy Ratio	100%					
Start/End of Lease	Lessee's Identity	Unit Type	Rental Area (m <sup>2</sup> )	Start of Lease	End of Lease	Annual Rent (SAR)
	01	Commercial	1,570	01/01/2017 AD	31/12/2032 AD	650,000
	02	Commercial	146	01/03/2017 AD	31/12/2021 AD	122,640
	02	Commercial	252	01/03/2017 AD	31/12/2021 AD	317,520
	02	Commercial	292	01/03/2017 AD	31/12/2021 AD	367,920
	03	Commercial	2,642	01/11/2017 AD	31/10/2022 AD	3,000,000
	04	Commercial	218	01/05/2017 AD	31/12/2019 AD	183,120
	05	Commercial	94	23/04/2017 AD	31/12/2019 AD	80,000
	06	Commercial	62	01/03/2017 AD	31/12/2019 AD	85,000
	07	Commercial	335	01/01/2017 AD	31/12/2019 AD	263,000
	08	Commercial	69	01/01/2017 AD	31/12/2019 AD	51,000
09	Commercial	278	01/06/2017 AD	31/12/2019 AD	220,000	
Property Manager	Tadbair Real Estate Company.					
Other Notes	<ul style="list-style-type: none"> <li>The land is leased for 21.6 years, as from 22 October 2015, renewable with mutual consent of both parties. The annual rent of the land is SAR 1,100,000, which may not exceed SAR 1,500,000 in the tenth year.</li> </ul>					



	<ul style="list-style-type: none"> <li>- The Fund Manager expects the operating expenses of the property (cleaning, maintenance, security, and cultivation) to be SAR 545,500 in the first year, which will be paid by the Fund to other parties.</li> <li>- The Fund shall pay the Property Manager the property management fees and the above operating expenses.</li> </ul>
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Disclosure and Acknowledgment	
Disclosure	<ul style="list-style-type: none"> <li>- The building completion certificate of the property is not available and it is being procured. Please refer to Paragraph (G) "Risks of Investment in the Fund" under the sub-clause "<i>Risks of potential inability to procure some building completion certificates</i>"</li> </ul>
Acknowledgment	<p>The Fund Manager hereby acknowledges that there is direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- Property Owner: Directly, as the current owner of the property owns a share of 2.79% in the Fund.</li> <li>- Property Manager: Indirectly, as the Property Manager, Retal for Structural Development, owns a direct share of 2.66% in the Fund and an indirect share of 5.03% in the Fund (through its full ownership of Nesaj Project Management Co.).</li> <li>- Property Lessee: Tadbeir Real Estate Company, owned by Retal for Structural Development, leases a part of the property for an annual rent representing 56% of the total annual rent of the property.</li> </ul> <p>The Fund Manager hereby acknowledges that there is no direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- Fund Manager.</li> </ul> <p>The Fund Manager also acknowledges that the property has no statutory violations that may prevent or impede the utilization or operation thereof. The Fund Manager also acknowledges that the property is technically safe and free from any material engineering defects that may prevent or impede the use or operation thereof or may require expensive considerable repairs or changes.</p>

Eleventh Asset: Grand (B) Commercial Building



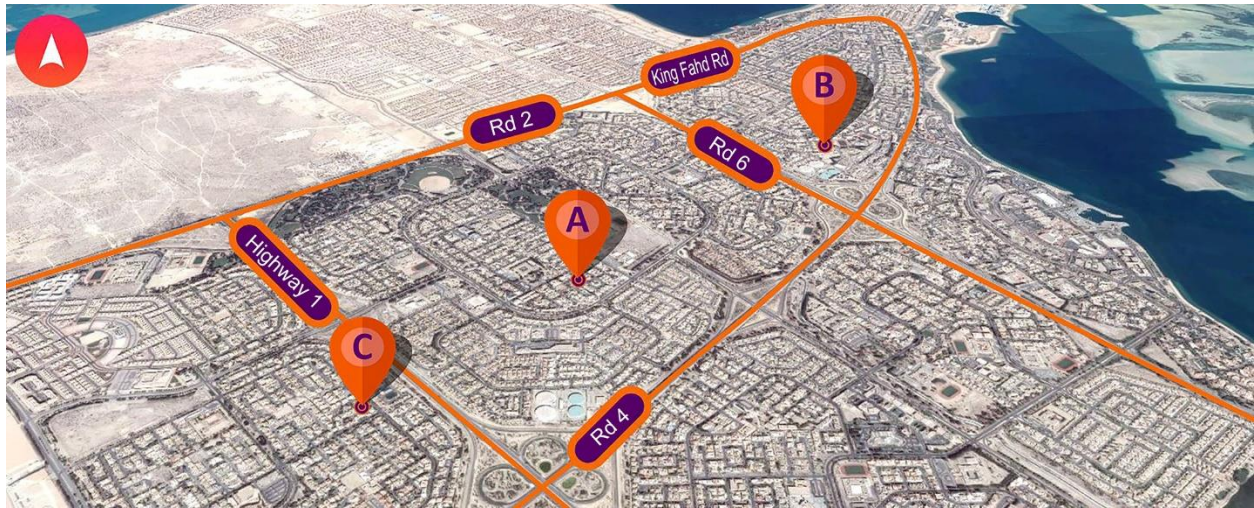
General Information about the Asset	
Location	Dammam
Real Estate Sector	Office
Type of Real Estate Possession	Freehold
Land Area	2,495 m <sup>2</sup>
Total Building Area	8,108 m <sup>2</sup>
Property Components	A ground floor and 6 upper floors.
Year of Property Completion	The property is expected to be completed on 31 December 2017 AD.

- Property Description: The property is under development and is expected to be completed on 31 December 2017. The current completion rate is 100% for infrastructure and concrete structure works, 56% for plumbing, electrical, and mechanical works, and 55% for final finishing works, according to the contractor's last report, dated 31 October 2017.
- Property Location: The property is located in Dammam, Al-Anwar District. It is bordered by King Fahd Road to the northern limit in the direction of Dammam International Airport, Al-Anwar District to the southern limit, Al-Manar District to the eastern limit, and Al Sharq District to the western limit.
- Property Facilities: 6 office floors and parking areas.

Acquisition and Lease Details	
Purchase Price	SAR 31,250,000
Average Valuation	SAR 31,935,484
Current Owner	Nesaj Project Management Co.
Number of Lessees	One, the Arab Open University.
Annual Rent	SAR 2,500,000
Annual Total Return	8.00%
Annual Net Return	6.83%
Annual rent in the last 3 years	Not applicable because the property is under development.
Current Occupancy Ratio	Under development.
Start/End of Lease	The lease was signed with the Arab Open University for the whole property for five years, as from 1 January 2018, a term that is binding on both parties.
Property Manager	Not available because the property is leased under a main lease.
Other Notes	The property is under development and is expected to be completed on 31 December 2017. Nesaj Project Management Co. shall, under the sale contract, complete the finishing and development works at its own expense until the property is delivered to the principal lessee, while the Fund will pay no development fees to any entity.

Disclosure and Acknowledgment	
Disclosure	The building completion certificate of the property is not available because it is under development and has not been completed yet.
Acknowledgment	<p>The Fund Manager hereby acknowledges that there is direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>Property Owner: Directly, as the current owner of the property owns a share of 5.03% in the Fund.</li> </ul> <p>The Fund Manager hereby acknowledges that there is no direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>Fund Manager.</li> <li>Lessees of real estate assets with returns of 10% or more of the Fund's annual rent revenue.</li> </ul> <p>The Fund Manager also acknowledges that the property has no statutory violations that may prevent or impede the utilization or operation thereof. The Fund Manager also acknowledges that the property is technically safe and free from any material engineering defects that may prevent or impede the use or operation thereof or may require expensive considerable repairs or changes.</p>

Twelfth Asset: Staff Residential Buildings in Jubail



#### General Information about the Asset

Location	Jubail
Real Estate Sector	Residential
Type of Real Estate Possession	Freehold
Land Area	<ul style="list-style-type: none"> <li>- Makkah's Two Buildings: 4,556 m<sup>2</sup></li> <li>- Al-Quds Building: 3,070 m<sup>2</sup></li> <li>- Al-Farouk Building: 1,966 m<sup>2</sup></li> <li>- Total Area: 9,592 m<sup>2</sup></li> </ul>
Total Building Area	<ul style="list-style-type: none"> <li>- Makkah's Two Buildings: 3,610 m<sup>2</sup></li> <li>- Al-Quds Building: 2,500 m<sup>2</sup></li> <li>- Al-Farouk Building: 2,407 m<sup>2</sup></li> <li>- Total Area: 8,516 m<sup>2</sup></li> </ul>
Property Components	4 residential buildings, including a total of 53 apartments.
Year of Property Completion	1996 AD

- Property Description: Four residential buildings located in three adjacent districts to the north of Jubail. Each building consists of 3 floors with 12 apartments. The apartments are of various areas, as they consist of 2 bedrooms or 3 bedrooms.
- Property Location: The property is located in Al-Dafah District in Jubail, near King Fahd Industrial Port and Jubail Beach.
- Property Facilities: The residential buildings are furnished and equipped with an air-conditioning system.

#### Acquisition and Lease Details

Purchase Price	SAR 24,273,685
Average Valuation	SAR 27,518,750
Current Owner	<ul style="list-style-type: none"> <li>- Makkah's Two Buildings: Abdullatif Al Fozan</li> <li>- Al-Quds Building: Abdullatif and Mohammed Al Fozan Company and Shiyadh Al-Ardh Trading Company</li> <li>- Al-Farouk Building: Abdullatif and Mohammed Al Fozan Company</li> </ul>
Number of Lessees	One, the Saudi Basic Industries Corporation (SABIC).
Annual Rent	SAR 2,289,000
Annual Total Return	9.43%
Annual Net Return	7.73%
Annual rent in the last 3 years	2014 AD: SAR 2,331,000 2015 AD: SAR 2,331,000 2016 AD: SAR 2,331,000
Current Occupancy Ratio	100%

Start/End of Lease	<ul style="list-style-type: none"> <li>- First Contract: Five years from 14 October 2016, a term that is binding on both parties under an annual lease of SAR 765,000.</li> <li>- Second Contract: Five years from 22 November 2016, a term that is binding on both parties under an annual lease of SAR 480,0000.</li> <li>- Third Contract: Five years from 22 November 2016, a term that is binding on both parties under an annual lease of SAR 480,0000.</li> <li>- Fourth Contract: Five years from 28 December 2016, a term that is binding on both parties under an annual lease of SAR 564,000.</li> </ul>
Property Manager	Tadbeir Real Estate Company.
Other Notes	<ul style="list-style-type: none"> <li>- The contract shall be renewed for a similar term, less or more, as mutually agreed by both parties. A party who does not desire for renewal shall notify the other party in writing at least than 90 days prior to the expiry of the lease.</li> <li>- The Fund Manager expects the operating expenses of the property (cleaning, maintenance, security, and cultivation) to be SAR 25,000 in the first year, which will be paid by the Fund to other parties.</li> <li>- The Fund shall pay the Property Manager the property management fees and the above operating expenses.</li> </ul>

Disclosure and Acknowledgment	
Disclosure	<ul style="list-style-type: none"> <li>- The building completion certificate of the property is not available and it is being procured. Please refer to Paragraph (G) "Risks of Investment in the Fund" under the sub-clause "<i>Risks of potential inability to procure some building completion certificates</i>"</li> </ul>
Acknowledgment	<p>The Fund Manager hereby acknowledges that there is direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- Property Owner: Directly, as the owner of Al-Farouk Building owns a share of 4.74% in the Fund.</li> <li>- Property Manager: Indirectly, as the Property Manager, Retal for Structural Development, owns a direct share of 2.66% in the Fund and an indirect share of 5.03% in the Fund (through its full ownership of Nesaj Project Management Co.).</li> </ul> <p>The Fund Manager hereby acknowledges that there is no direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- Fund Manager.</li> <li>- Lessees of real estate assets with returns of 10% or more of the Fund's annual rent revenue.</li> </ul> <p>The Fund Manager also acknowledges that the property has no statutory violations that may prevent or impede the utilization or operation thereof. The Fund Manager also acknowledges that the property is technically safe and free from any material engineering defects that may prevent or impede the use or operation thereof or may require expensive considerable repairs or changes.</p>

Thirteenth Asset: Usufruct of City Walk Commercial Centre



#### General Information about the Asset

Location	Riyadh
Real Estate Sector	Retail
Type of Real Estate Possession	Usufruct
Land Area	12,060 m <sup>2</sup>
Total Building Area	6,433 m <sup>2</sup>
Property Components	45 showrooms and a supermarket
Year of Property Completion	2015 AD

- Property Description: A strip mall to the east of Riyadh in Salman Al Farsi Street, near Souk Khalij, Sudair Village Residential Compound, and King Fahd International Stadium. .
- Property Location: The City Walk Commercial Centre is located to the east Riyadh in Salman Al Farsi Street, near Souk Khalij.
- Property Facilities: There is parking, an ATM entrance, glass-fronted showrooms, and a supermarket.

#### Acquisition and Lease Details

Purchase Price	SAR 10,504,994
Average Valuation	SAR 11,103,494
Current Owner	Derayah Real Estate Custody
Number of Lessees	One, Mazen Mohammed Al-Saeed Holding Company.
Annual Rent	SAR 3,400,000
Annual Total Return	32.37%
Annual Net Return	30.25%
Annual rent in the last 3 years	2014 AD: Not applicable, as the property was completed at the end of 2015. 2015 AD: Not applicable, as the property was completed at the end of 2015. 2016 AD: SAR 3,400,000
Current Occupancy Ratio	100%
Start/End of Lease	From 01 December 2016 to 28 February 2021, a term that is binding on both parties. Table of rents up to the termination of the usufruct of the property: <ul style="list-style-type: none"> <li>- A payment of SAR 3,400,000, for the period from 01/12/2017 to 30/11/2018.</li> <li>- A payment of SAR 2,000,000, for the period from 01/12/2018 to 29/05/2019.</li> <li>- A payment of SAR 2,000,000, for the period from 30/05/2019 to 25/11/2019.</li> <li>- A payment of SAR 2,000,000, for the period from 26/11/2019 to 23/05/2020.</li> <li>- A payment of SAR 1,900,000, for the period from 24/05/2020 to 19/11/2020.</li> <li>- A payment of SAR 1,900,000, for the period from 20/11/2020 to 28/02/2021.</li> </ul> After the termination of the usufruct, the property will devolve to the landowner without financial returns other than those mentioned above.

Property Manager	Not available because the property is leased under a main lease.
Other Notes	The lessee provided the lessor with a duly signed sight order instrument for the full remaining rent throughout the lease, in the name of and for the latter, of which the value will be gradually reduced by the due payment paid to the lessor.

Disclosure and Acknowledgment	
Disclosure	<ul style="list-style-type: none"> <li>- The property is a part of Derayah Real Estate Income Fund, a closed-term private real estate investment fund managed by the Fund Manager.</li> <li>- The building completion certificate of the property is available.</li> </ul>
Acknowledgment	<p>The Fund Manager hereby acknowledges that there is direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- Fund Manager: The Fund Manager hereby acknowledges that there is direct conflict of interest because the property is currently owned by Derayah Real Estate Income Fund (a private fund) that is managed by the Fund Manager.</li> <li>- Property Owner: Directly, as Mr. Mohammed bin Saeed AlShammasi, Chairman of Derayah Real Estate Income Fund and of Derayah REIT Fund, owns 0.26% of Derayah Real Estate Income Fund.</li> <li>- Fund Board: Directly, as Mr. Mohammed bin Saeed AlShammasi is the Chairman of Derayah Real Estate Income Fund and of Derayah REIT Fund. Mr. Abdulwahab bin Saeed Al-Sayed is an independent member of the Board of Derayah Real Estate Income Fund and a non-independent Board member of Derayah REIT Fund.</li> </ul> <p>The Fund Manager hereby acknowledges that there is no direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- Managers of properties related to the Fund.</li> <li>- Lessees of real estate assets with returns of 10% or more of the Fund's annual rent revenue.</li> </ul> <p>The Fund Manager also acknowledges that the property has no statutory violations that may prevent or impede the utilization or operation thereof. The Fund Manager also acknowledges that the property is technically safe and free from any material engineering defects that may prevent or impede the use or operation thereof or may require expensive considerable repairs or changes.</p>

#### Fourteenth Asset: Staff Residential Buildings in Dammam



General Information about the Asset	
Location	Dammam
Real Estate Sector	Residential
Type of Real Estate Possession	Freehold

Land Area	<ul style="list-style-type: none"> <li>- Al-Mina (A) Building: 600 m<sup>2</sup></li> <li>- Al-Mina (B) Building: 600 m<sup>2</sup></li> <li>- Total Area: 1,200 m<sup>2</sup></li> </ul>
Total Building Area	<ul style="list-style-type: none"> <li>- Al-Mina (A) Building: 1,456 m<sup>2</sup></li> <li>- Al Mina B building: 1,456 m<sup>2</sup></li> <li>- Total Area: 2,912 m<sup>2</sup></li> </ul>
Property Components	Two Staff Residential Buildings in Dammam.
Year of Property Completion	<ul style="list-style-type: none"> <li>- Al-Mina (A) Building: 2011 AD</li> <li>- Al Mina B building: 2011 AD</li> </ul>

- Property Description: The property consists of two staff residential buildings, each of which consists of three floors with 11 furnished apartments. They are located in Al-Mina District in Dammam.
- Property Location: Dammam's two properties are located in Al-Mina District, near King Faisal Road.
- Property Facilities: Furnished apartments.

Acquisition and Lease Details						
Purchase Price	SAR 5,087,559					
Average Valuation	SAR 6,167,708					
Current Owner	Retal for Structural Development					
Number of Lessees	Five					
Annual Rent	SAR 569,500					
Annual Total Return	11.19%					
Annual Net Return	8.78%					
Annual rent in the last 3 years	2014 AD: SAR 528,234 2015 AD: SAR 478,016 2016 AD: SAR 506,845					
Current Occupancy Ratio	100%					
Start/End of Lease	Lessee's Identity	Building	Number of Apartments	Start of Lease	End of Lease	Annual Rent (SAR)
	01	Al-Mina (A) Building	11	01/06/2017 AD	31/05/2027 AD	305,500
	02	Al-Mina (B) Building	1	01/01/2017 AD	31/12/2017 AD#	22,000
	03	Al-Mina (B) Building	6	01/01/2017 AD	31/12/2017 AD#	132,000
	04	Al-Mina (B) Building	2	01/01/2017 AD	31/12/2021 AD	44,000
	05	Al-Mina (B) Building	2	01/11/2017 AD	31/10/2022 AD	66,000
#The leases shall be automatically renewed for a similar term, unless either party notifies the other party of its intention not to renew the same under modified new terms at least two months prior to the termination of the lease term. The Fund Manager asserts that on 1 November 2017, no notice had been received from the lessee expressing its intention not to renew the lease.						
Property Manager	Tadbeir Real Estate Company					
Other Notes	<ul style="list-style-type: none"> <li>- The contract shall be renewed for similar terms, less or more, as mutually agreed by both parties. A party who does not desire for renewal shall notify the other party in writing before the expiry of the lease.</li> <li>- The Fund Manager expects the operating expenses of the property (cleaning, maintenance, security, and cultivation) to be SAR 100,000 in the first year, which will be paid by the Fund to other parties.</li> </ul>					

	<ul style="list-style-type: none"> <li>- The Fund shall pay the Property Manager the property management fees and the above operating expenses.</li> </ul>
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Disclosure and Acknowledgment	
Disclosure	<ul style="list-style-type: none"> <li>- The building completion certificate of the property is not available and it is being procured. Please refer to Paragraph (G) "Risks of Investment in the Fund" under the sub-clause "<i>Risks of potential inability to procure some building completion certificates</i>"</li> </ul>
Acknowledgment	<p>The Fund Manager hereby acknowledges that there is direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- Property Owner: Directly, as the current owner of the property owns a share of 2.66% in the Fund.</li> <li>- Property Manager: Indirectly, as the Property Manager, Retal for Structural Development, owns a direct share of 2.66% in the Fund and an indirect share of 5.03% in the Fund (through its full ownership of Nesaj Project Management Co.).</li> </ul> <p>The Fund Manager hereby acknowledges that there is no direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>- Fund Manager.</li> <li>- Lessees of real estate assets with returns of 10% or more of the Fund's annual rent revenue.</li> </ul> <p>The Fund Manager also acknowledges that the property has no statutory violations that may prevent or impede the utilization or operation thereof. The Fund Manager also acknowledges that the property is technically safe and free from any material engineering defects that may prevent or impede the use or operation thereof or may require expensive considerable repairs or changes.</p>

Fifteenth Asset: Staff Residential Building in Khobar.



General Information about the Asset	
Location	Khobar
Real Estate Sector	Residential
Type of Real Estate Possession	Freehold
Land Area	660 m <sup>2</sup>
Total Building Area	1,648 m <sup>2</sup>
Property Components	One staff residential building in Khobar.
Year of Property Completion	2015 AD



- Property Description: The property is a staff residential building consisting of three floors with 11 furnished apartments.
- Property Location: The property is located in Khobar, Al-Thuqbah District, near King Khalid Road.
- Property Facilities: Furnished apartments.

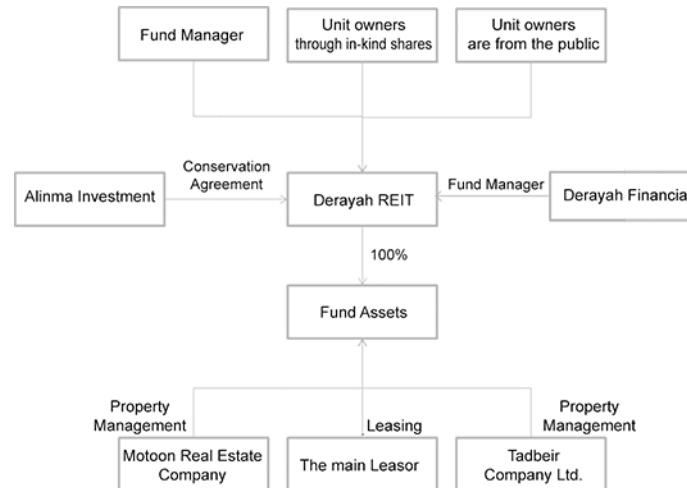
Acquisition and Lease Details																																														
Purchase Price	SAR 3,012,441																																													
Average Valuation	SAR 3,594,444																																													
Current Owner	Retal for Structural Development																																													
Number of Lessees	Eight																																													
Annual Rent	SAR 328,000																																													
Annual Total Return	10.89%																																													
Annual Net Return	8.79%																																													
Annual rent in the last 3 years	. 2015 AD: SAR 275,310 2016 AD: SAR 291,915																																													
Current Occupancy Ratio	100%																																													
Start/End of Lease	<table border="1"> <thead> <tr> <th>Lessee's Identity</th> <th>Number of Apartments</th> <th>Start of Lease</th> <th>End of Lease</th> <th>Annual Rent (SAR)</th> </tr> </thead> <tbody> <tr> <td>01</td> <td>2</td> <td>16/05/2017 AD</td> <td>15/05/2018 AD</td> <td>40,000</td> </tr> <tr> <td>02</td> <td>1</td> <td>10/09/2017 AD</td> <td>09/09/2018 AD</td> <td>25,000</td> </tr> <tr> <td>03</td> <td>1</td> <td>01/11/2017 AD</td> <td>31/10/2022 AD</td> <td>50,000</td> </tr> <tr> <td>04</td> <td>1</td> <td>23/03/2017 AD</td> <td>22/03/2018 AD</td> <td>40,000</td> </tr> <tr> <td>05</td> <td>1</td> <td>16/05/2017 AD</td> <td>15/05/2022 AD</td> <td>27,000</td> </tr> <tr> <td>06</td> <td>1</td> <td>28/03/2017 AD</td> <td>27/03/2018 AD</td> <td>30,000</td> </tr> <tr> <td>07</td> <td>3</td> <td>01/06/2017 AD</td> <td>31/05/2020 AD</td> <td>91,000</td> </tr> <tr> <td>08</td> <td>1</td> <td>11/03/2017 AD</td> <td>10/03/2018 AD</td> <td>25,000</td> </tr> </tbody> </table>	Lessee's Identity	Number of Apartments	Start of Lease	End of Lease	Annual Rent (SAR)	01	2	16/05/2017 AD	15/05/2018 AD	40,000	02	1	10/09/2017 AD	09/09/2018 AD	25,000	03	1	01/11/2017 AD	31/10/2022 AD	50,000	04	1	23/03/2017 AD	22/03/2018 AD	40,000	05	1	16/05/2017 AD	15/05/2022 AD	27,000	06	1	28/03/2017 AD	27/03/2018 AD	30,000	07	3	01/06/2017 AD	31/05/2020 AD	91,000	08	1	11/03/2017 AD	10/03/2018 AD	25,000
	Lessee's Identity	Number of Apartments	Start of Lease	End of Lease	Annual Rent (SAR)																																									
	01	2	16/05/2017 AD	15/05/2018 AD	40,000																																									
	02	1	10/09/2017 AD	09/09/2018 AD	25,000																																									
	03	1	01/11/2017 AD	31/10/2022 AD	50,000																																									
	04	1	23/03/2017 AD	22/03/2018 AD	40,000																																									
	05	1	16/05/2017 AD	15/05/2022 AD	27,000																																									
	06	1	28/03/2017 AD	27/03/2018 AD	30,000																																									
	07	3	01/06/2017 AD	31/05/2020 AD	91,000																																									
08	1	11/03/2017 AD	10/03/2018 AD	25,000																																										
Property Manager	Tadbeir Real Estate Company.																																													
Other Notes	<ul style="list-style-type: none"> <li>▪ The contract shall be renewed for similar terms, less or more, as mutually agreed by both parties. A party who does not desire for renewal shall notify the other party in writing before the expiry of the lease.</li> <li>▪ The Fund Manager expects the operating expenses of the property (cleaning, maintenance, security, and cultivation) to be SAR 50,000 in the first year, which will be paid by the Fund to other parties.</li> <li>▪ The Fund shall pay the Property Manager the property management fees and the above operating expenses.</li> </ul>																																													

Disclosure and Acknowledgment	
Disclosure	<ul style="list-style-type: none"> <li>▪ The building completion certificate of the property is not available and it is being procured. Please refer to Paragraph (G) "Risks of Investment in the Fund" under the sub-clause "<i>Risks of potential inability to procure some building completion certificates</i>"</li> </ul>
Acknowledgment	<p>The Fund Manager hereby acknowledges that there is direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>▪ Property Owner: Directly, as the current owner of the property owns a share of 2.79% in the Fund.</li> <li>▪ Property Manager: Indirectly, as the Property Manager, Retal for Structural Development, owns a direct share of 2.79% in the Fund and an indirect share of 5.28% in the Fund (through its full ownership of Nesaj Project Management Co.).</li> </ul> <p>The Fund Manager hereby acknowledges that there is no direct or indirect conflict of interest between the following parties:</p> <ul style="list-style-type: none"> <li>▪ Fund Manager.</li> <li>▪ Lessees of real estate assets with returns of 10% or more of the Fund's annual rent revenue.</li> </ul>

The Fund Manager also acknowledges that the property has no statutory violations that may prevent or impede the utilization or operation thereof. The Fund Manager also acknowledges that the property is technically safe and free from any material engineering defects that may prevent or impede the use or operation thereof or may require expensive considerable repairs or changes.

6) Fund Structuring

The following figure shows, in schematic form, the unitholders of the Fund and the Fund's relationship with other parties and their ownership of the Fund's assets:



The Fund's target size will be SAR 1,172,000,000.00, for purchasing the Fund's assets and paying for brokerage, transactions, registration, and other fees related to the establishment of the Fund. The size of public offering will be SAR 361,744,210, the equivalent of 36,174,421 units (or 33.6% of the Fund's units). The Fund's units will be 107,507,035 units. The following table shows the sources of capital and their uses:

Source		Use	
Fund's capital	SAR 1,075,070,350	Purchase of the Fund's assets	SAR 1,086,403,679
Credit facilities	SAR 96,929,650	Brokerage fees (to be paid to the Fund Manager)	SAR 12,142,187
		Brokerage fees (to be paid to other parties)	SAR 11,117,780
		Dealing Fees	SAR 9,303,987
		#VAT	SAR 51,819,934
		Other fees	SAR 1,212,434
<b>Total</b>	<b>SAR 1,172,000,000</b>	<b>Total</b>	<b>SAR 1,172,000,000</b>

Note:

#On 2 Jumada Al-Awwal 1438 AH, the Council of Ministers decided to endorse the Unified Agreement for VAT of the Cooperation Council for the Arab States of the Gulf, which will enter into effect on 1 January 2018. The VAT will be 5% of the price of property to be purchased. As the Fund Manager expects the emancipation of properties for the benefit of the Fund to be completed within 60 business days as of the allocation date, this might be done after 1 January 2018, i.e. the effective date of VAT. However, the Fund Manager will try to emancipate the properties before that date. If the emancipation of properties is completed before 01 January 2018, the Fund Manager will invest that amount in purchasing properties for the benefit of the Fund, according to the Fund Strategy.

## 7) Target Financial Returns

The following table shows the previous and target rents of each property in the Fund:

No	Asset's Name	2017		2018		2019		2020		2021		2022	
		Rental Returns (SAR)	Proportion to Total Rent	Target Rental Returns (SAR)	Proportion to Total Rent	Target Rental Returns (SAR)	Proportion to Total Rent	Target Rental Returns (SAR)	Proportion to Total Rent	Target Rental Returns (SAR)	Proportion to Total Rent	Target Rental Returns (SAR)	%
1	Smart Tower	19,000,000	32%	20,000,000	22%	20,000,000	24%	20,000,000	25%	20,000,000	25%	20,000,000	27%
2	Jubail Views Residential Compound	13,617,000	23%	13,617,000	15%	4,539,000	5%	-	0%	-	0%	-	0%
3	Dammam Warehouses Complex	-	0%	10,400,000	11%	10,400,000	12%	10,400,000	13%	10,400,000	13%	10,400,000	14%
4	City Life Plaza	-	0%	8,500,000	9%	8,500,000	10%	8,500,000	11%	8,500,000	11%	8,500,000	11%
5	Motoon Towers	6,737,450	11%	6,737,450	7%	6,737,450	8%	6,737,450	9%	6,737,450	9%	6,737,450	9%
6	Al-Fanar Commercial Complex	5,085,100	9%	5,149,322	6%	5,149,322	6%	5,149,322	7%	5,149,322	7%	5,149,322	7%
7	Grand (A) Residential Building	-	0%	5,000,000	5%	5,000,000	6%	5,000,000	6%	5,000,000	6%	5,000,000	7%
8	Al-Wadi District Warehouses	3,740,000	6%	4,640,000	5%	4,640,000	6%	4,640,000	6%	4,640,000	6%	4,640,000	6%
9	Al-Sitteen Commercial Centre	4,300,812	7%	3,462,250	4%	3,462,250	4%	3,462,250	4%	3,462,250	4%	3,462,250	5%
10	The Valley Commercial Centre	-	0%	5,340,200	6%	5,340,200	6%	5,340,200	7%	5,340,200	7%	5,340,200	7%
11	Grand (B) Commercial Building	-	0%	2,500,000	3%	2,500,000	3%	2,500,000	3%	2,500,000	3%	2,500,000	3%
12	Staff Residential Buildings in Jubail	2,331,000	4%	2,289,000	2%	2,289,000	3%	2,289,000	3%	2,289,000	3%	2,289,000	3%
13	City Walk Commercial Centre	3,400,000	6%	3,400,000	4%	4,000,000	5%	3,900,000	5%	1,900,000	2%	-	0%
14	Staff Residential Buildings in Dammam	506,845	0.9%	569,500	0.6%	569,500	0.7%	569,500	0.7%	569,500	0.7%	569,500	0.8%
15	Staff Residential Building in Khobar.	291,915	0.5%	328,000	0.4%	328,000	0.4%	328,000	0.4%	328,000	0.4%	328,000	0.4%
	<b>Total</b>	<b>59,010,122</b>	<b>100%</b>	<b>91,932,722</b>	<b>100%</b>	<b>83,454,722</b>	<b>100%</b>	<b>78,815,722</b>	<b>100%</b>	<b>76,815,722</b>	<b>100%</b>	<b>74,915,722</b>	<b>100%</b>
	Target Total Return			8.99%		8.16%		7.70%		7.51%		7.32%	
	Target Net Return			7.22%		6.54%		6.20%		6.05%		5.90%	

Please note the following points:

- The target total return is the target rental returns in proportion to the Fund's capital.
- The target net return is the target rental returns less all fees and charges imposed on the Fund (including the profit margin of credit facilities) in proportion to the Fund's capital.
- The following properties were newly constructed in 2017 and therefore they have no rental returns in 2017: Dammam Warehouses Complex, City Life Plaza, Grand (A) Residential Building, The Valley Commercial Centre, and Grand (B) Commercial Building.

- The lease of Jubail Views Residential Compound will expire on 30 April 2019. If the property is leased to another party or renewed for the current lessee, the rental returns will increase. However, if it is not leased, the rental returns of the Fund will be as mentioned in the above table.

## g. Risks of Investment in the Fund

### 1) Summary of main risks of investment in the Fund, which would affect the Fund's investments

All those who desire to invest in this Fund should be aware that the investment in the Fund involves high risks and no guarantee that the Fund will achieve its investment objectives can be granted, as the market conditions may constantly change and be influenced by macroeconomic conditions, financial markets, or corporate developments inside and outside the Kingdom of Saudi Arabia, as well as the real estate market trends. Thus, no guarantee can be granted that investors in this Fund will receive the main amount invested in the Fund, in whole or in part. Therefore, each investor wishing to invest in this Fund must consider the following risks before making any decision on investment in this Fund, bearing in mind that the risks below are not ordered by importance and that they are listed as examples without limitation. It must also be taken into account that the previous performance of real estate sector in general is not necessarily an indicator of the future performance. No guarantee can be given that the target profits will be achieved, or that the Fund will not suffer any significant losses. Therefore, the investor should be ready to lose most, if not all, of its investments.

- Risks of Real Estate Price Fluctuation: Investment in the real estate field is in general a medium and long-term one, which allows the real estate prices to fluctuate up and down. This may adversely affect the performance of the Fund and the value of its investment units, and accordingly the Fund's profits and/or the valuation of assets.
- Risks of Investment Nature: Investment in the Fund requires commitment as set out in these Terms and Conditions, with no guarantee for returns on the invested capital. There will be no guarantee that the Fund will be able to achieve positive returns on investments on time or at any time at all. Moreover, the Fund's assets may not be sold or disposed of. If it is decided to sell the Fund's assets, they may not be sold at a price that the Fund Manager believes to represent the fair value or to be sold within the time frame required by the Fund. In view of the above, the Fund may not be able to achieve any return on its assets, which may reflect negatively on the value of the investments of unitholders in the Fund and/or the periodic distributions to unitholders, and thus on the Fund's returns and distributions.
- Liquidity Risks: The Fund intends to apply for listing the units on the Saudi Stock Exchange (Tadawul). The acceptance of this application should not be deemed an indication that there will be an active liquidity market for the units, that it will develop, or it will, if it develops, continue to do so. If no market with high liquidity ratios is developed, the unit liquidity and trading prices may be negatively affected. In addition, if this market is not developed, the relatively small or scheduled unit transactions may have a significant negative impact on the unit price, while it may be difficult to carry out the actual or scheduled transactions for a large number of units at a fixed rate. The specific number of units/unitholders may indicate specific liquidity levels in these units, which may adversely affect: 1) The investor's ability to achieve return on all or some of its investments, and/or 2) The price at which an investor can achieve return, and/or 3) The price at which the units are traded in the secondary market. Moreover, a large number of units may be issued to a limited number of investors, which negatively affects the liquidity of the Fund. Although the Fund's units will be tradable, the market liquidity for tradable real estate investment fund units may be less than the market liquidity for corporate-issued shares. The Fund is also exposed to the risks of low and decreased liquidity, which may affect the sale of the Fund's assets and/or the failure of any lessee to fulfil its obligations on time, and accordingly have negative impact on the Fund's profits and/or valuation of assets.
- Risks of Price Changes: Many factors may adversely affect the market price of units, including the general movement of local and international stock markets, real estate markets, prevailing and expected economic conditions, interest rates, financing costs, investor trends, and general economic conditions. The units may be exposed to price fluctuations. The lack of liquidity may have a negative impact on the market value of the units. Accordingly, the purchase of these units is only suitable for investors who can afford the risks associated with such investments.
- General Real Estate Risks: Investments will be subject to the risks of property ownership, lease, process development, and/or redevelopment. These risks include, but not limited to, those risks associated with the general local economic climate, local real estate conditions, changes in supply and demand for competing properties in a region (as a result of over-construction, for example), insufficient energy supplies, all uninsured or uninsurable risks, natural disasters, government regulations (For example, the rent control), changes in real estate taxes, changes in rates of return, availability of mortgage funds that may provide difficult or impractical real estate sale or refinancing services, environmental liabilities, potential liabilities associated with disposal of assets, terrorist attacks, wars, and other factors beyond the control of the Fund Manager. There is no guarantee that there is a market ready for resale of investments, as investments will not be liquid in general. The lack of liquidity may result from the absence of

an existing investment market, as well as the presence of legal contractual restrictions on the resale thereof (Including any restrictions on the disposal of investments by financiers who provided financing for the acquisition of related investments). In addition, the negative changes in the operation of any properties or in the financial condition of any lessee may have negative impact on the rental payments received by the Fund, and accordingly on the Fund's ability to provide dividends to investors. A lessee may, from time to time, suffer from stagnation, which may weaken its financial position and result in its failure to pay the rental payments when they fall due. A lessee may, at any time, seek protection from the applicable bankruptcy or insolvency laws, which may result in the rejection or termination of the lease or other negative consequences, and accordingly to the decrease of the Fund's distributable cash flow. There is no guarantee that the lessees will not file lawsuits for protection from bankruptcy in the future, or that the lease will remain in effect if they do.

- Risks Related to the Developer's Inability to Finish Properties under Development: For investment in real estate development projects, it is known that the real estate development projects in the Kingdom face some risks, including the developer's inability to complete and finish the real estate development projects for a number of reasons beyond the Fund's control. These reasons may include, but are not limited to, the inability to obtain the necessary legal licences and permits, lack of building materials, lack of necessary labour, changes in the relevant laws and regulations, events of force majeure resulting from factors beyond the Fund's control relating in particular to the contracting and real estate development sector, and others). If this occurs, it will have a negative and substantial impact on the Fund, as well as its financial position, results of operations, and ability to distribute dividends to investors.
- Risks Related to the Sectors that the Fund Invests in: The Fund's investments may be in assets concentrated in specific sectors, including, but not limited to commercial real estate sector, office real estate sector, and/or real estate warehouse and store sector. Thus, the concentration of investment in specific sectors may expose the Fund to the risks of economic recession, particularly in the presence of demand contraction and weakness in such sectors in which the Fund invests, which may have negative and substantial impact on the Fund's financial position, results of its operations, and ability to distribute dividends to investors.
- Risks Related to the Inability to Transfer Properties to the Fund: The ownership of properties in the Kingdom raises some potential legal issues, as there are no effective and binding central real estate registers, the title deeds do not necessarily represent the full rights to dispose of the properties and they may be contested, and the presence of contracts or agreements between parties do not necessarily mean the possibility of claiming the property ownership. Thus, legal disputes may arise over the issues of transfer of properties acquired by the Fund (through the Fund Manager). Such legal disputes may, if any, undermine the Fund's ability (through the Fund Manager) to dispose of or transfer properties without mortgages or restrictions. This sometimes leads the Fund to lose the ownership of a property that it believed to have been acquired in accordance with legal and statutory manners. Such legal disputes also have a negative and substantial impact on the value of properties, and thus on the Fund's financial position, results of operations, and ability to distribute dividends to investors.
- Acquisition of the Target Real Estate Assets: The Fund entered into purchase agreements for acquisition of the target real estate assets before the listing date, i.e. within 60 business days as of the Offering End Date. Although the purchase agreements are legally binding, if either party fails to deliver the performance under the purchase agreement, the acquisition may not take place on the listing date or at any date at all. In this case, the Fund will need to identify and terminate the acquisition of other assets before it can distribute dividends to the unitholders. Although the Fund Manager expects the Fund will continue to provide the target returns to investors in the long term, the investors' returns may decline in the near future.
- Risks of Trading at Price Lower than Initial Offering Price: The units may be traded at a price lower than the offered value, and the unitholders may not be able to recover the full value of their investments. The units may be traded at an undervalued rate for several reasons, including, the unexpected market conditions, weak expectations of investors about the feasibility of the Fund's strategy and investment policy, and increase of demand for units. Accordingly, the unitholders' investments may be affected when they want to sell the units at the trading price if it is less than the offered value.
- Risks of Distribution Fluctuation: Despite, in accordance with the Real Estate Investment Funds Regulations and the Real Estate Investment Traded Funds Instructions issued by the CMA's Board, the Fund being required to distribute at least 90% of its net profits annually to the unitholders, there is no guarantee for the actual amounts to be distributed by the Fund. Moreover, the Fund may not be able to make any distributions due to unforeseen events that lead to the increase of costs (including capital expenditures in the event of urgent or sudden large-scale renovation works) or the decrease of revenue (as in the case of declined annual rent collection) if a lessee fails to pay the rent on time or is unable to pay or intends not to pay for any reason beyond its control. The Fund Manager, together with the current property and operations manager or another property manager and operations manager, will seek to find another lessee. Meanwhile, the Fund's financial situation, results of operations, cash flows, and ability to provide dividends to investors may be adversely affected by any adverse circumstances affecting the major lessees, which will affect the payment of quarterly cash dividends. In addition, the announcement, payment, and value of any future dividends (at least 90% of the net profits) are subject to the recommendation of the Fund Manager and they depend, among other things, on the Fund's performance, financial position, cash requirements, and its ability to meet the applicable legal

requirements relating to the payment of dividends. The Fund's inability to distribute annual dividends to the unitholders could expose the Fund to crises that may weaken its financial performance.

- Risks of Unit Sale Increase: The subsequent sale of a large number of units by unitholders may significantly reduce the trading price of units. Any sale of a large number of units in the public market may or be perceived to have a significant negative impact on the market price of units and the return to unitholders.
- Risks of Core Value Reflection: The trading market price of units may not reflect the value of the Fund's underlying investments. The capital markets, including the Saudi financial market, may expose to large fluctuations in prices and transaction volumes from time to time, which may, in addition to economic, political and other conditions, have a significant negative impact on the market price of each unit. Being a public traded real estate fund, the price of a unit may be affected by a number of factors, including, but not limited to: (A) False rumours or misleading news from unofficial sources; (B) Fluctuation of dividends as shown in the paragraph above,. As many factors are beyond the Fund's control and some relate to the Fund and its operations, they may have effect on real estate investment or equity markets in general, as well as negative affect on the Fund's investments and returns.
- Risks of Distribution and Financing: The distribution requirements and financing restrictions under the Real Estate Investment Traded Funds Instructions may limit the Fund's flexibility and ability to grow through acquisition. The Fund is supposed to distribute at least 90% of its net profits to the unitholders on a quarterly basis (excluding returns from the sale of properties). In addition, in order to maintain the status of the Fund as a traded real estate investment fund, the percentage of financing to the Fund must not exceed 50% of the total asset value thereof. Accordingly, the Fund has a limited capacity to improve its properties or achieve growth through the acquisition of additional properties. It is worth mentioning that as a part of procedure for obtaining financing, the Fund Manager may hedge against any financing received because although it provides certainty as to the Fund's returns, but it exposes the Fund to additional financing costs. This may therefore affect the Fund's investments and returns.
- Risk of Reliance on Rental Revenues: The Fund may acquire investments based on the values derived from the revenues obtained from investment lessees. There is no guarantee that the vacant spaces will be leased, the terminated leases will be renewed, or that there will be an increase in rents over time. If a lessee is exposed to business recession or any type of financial crisis, then it may become unable to pay the rental dues on time or to renew its lease. Some lessees may own large portions of related investments. Thus, as long as the Fund's investments are concentrated in those assets, the Fund's financial position and its results of operations, cash flows, and ability to distribute dividends to investors may be significantly adversely affected by any negative circumstances affecting these major lessees.
- Risks of Unit Liquidity: As an exception to the Fund's termination at the end of its term, the unitholders will be able to achieve return on their investments only through the trading of units in the financial market, and annual distributions of dividends. Although the units will be tradable, the liquidity ratios of real estate investment fund units may be lower than the market liquidity of shares of listed companies. Moreover, it is likely that there is no liquidity market for units, where unitholders may have difficulty in selling units at the offered market price and/or the prevailing net asset value of units or others. In addition, the CMA shall have the right to suspend or restrict the trading of the Fund's units. Any suspension or restriction on trading in the Fund's units may affect the unitholders' ability to yield return on their investments.
- Risks of Underlying Assets Liquidity: Real estate assets are illiquid assets compared to other assets. Thus, it may be difficult or impossible for the Fund to sell a real estate asset at a limited price and obtain returns at any time at its own will. The Fund's portfolio consists of real estate assets. It may be difficult for the Fund to sell its real estate assets without exposure to a discount in price, especially during the market downturn, especially those assets that are dissolved as large real estate assets, in particular if the Fund has to sell any of its assets within a short period of time. This may result in the decrease of unit value and have adverse impact on the Fund's performance and returns to the unitholders.
- Risks of Value Decrease: If the Fund decides to increase its size in the future, by issuing new units, the issuance of such new units will then decrease the relative shares of unitholders then to some degree, unless the unitholders exercise their rights to the priority rights of units. In addition, the increase of capital may have negative impact on the value of units and the investments of unitholders who do not exercise their priority rights by participating in the capital increase.
- Risks of Property Marketing and Sale: Some properties owned by the Fund may not achieve increase in rental returns over time or their increase may be lower than the fair market ratio in the future. For these reasons and others, the value of property for any prospective buyer may not increase over time, which limits the ability of the Fund Manager to sell the same. Even if the Fund can sell it, it may be sold at a price lower than the original purchase price, which means the decrease of amounts the Fund can use for acquiring other properties and the decrease of capital returns of the Fund, and accordingly the decrease of value of investment as a whole, which may have negative impact on the Fund's returns and distributions. Given the low liquidity in the property market, the Fund Manager may have to redevelop the properties to make them marketable or to attract buyers, which may affect the Fund's revenues and cause financial losses.

- Risks of the Lack of Guarantees for Investment Returns: There is no guarantee that the Fund will succeed in achieving returns to investors in the Fund or for the nature of transactions described in these Terms and Conditions. The value of units may decrease and investors are likely to lose some or all capital invested in this Fund. There will be no guarantee for returns from the Fund.
- Risks of Changing Market Conditions: The future performance will depend largely on changes in the supply and demand conditions of real estate sector, which can be affected by regional and local economic and political conditions or increased competition, leading to decreased value of properties, limited availability of amounts and mortgages, high mortgage rates, and fluctuation of supply and demand. Such changes can have a significant negative impact on the Fund's performance due to the decrease of rental income or net asset value of the Fund.
- Risks of Limitation of Liability and Compensation: The Terms and Conditions of the Fund specify the circumstances in which the Fund Manager and its advisers, shareholders, directors, officials, employees, agents, affiliates, and the Fund Board shall be held liable vis-à-vis the Fund. As a result, the investors' right to act in certain cases is limited compared to situations where such conditions are not provided for. In addition, the Terms and Conditions provide that the Fund will compensate the Fund Manager and advisers for certain claims, losses, damages, and expenses arising from their acts on behalf of the Fund. Such compensation obligation may substantially affect the investors' returns.
- Risks of Declining Investment Performance: The Fund is exposed to the risks that some or all of its current assets or new deals may not succeed. Furthermore, there is no guarantee that future investments will be made in accordance with the Fund Manager's expectations, or even that they will take place. This may have a negative impact on the Fund's operating results and financial position.
- Risks of Reliance on Key Employees: The Fund relies on the capacities of the Fund Manager and a limited number of other individuals, to develop and implement the Fund's investment policies. In the event that any of such persons cannot continue with the Fund, the Fund Manager will find another person with the same or better competence to perform the Fund's works. The failure of any service provider to continue may have negative impact.
- Risks of Failure to Participate in Management: Except for the provisions of these Terms and Conditions, investors shall not have the right or power to participate in the management of the Fund or influence any investment decision of the Fund. All management responsibilities are assigned to the Fund Manager.
- Risks of Laws: In case of changes to laws, legislations, regulations, instructions, or to tax, land, or environmental laws and legislations, this may result in certain actions that may in any way affect the performance of or expose the Fund to losses, leading to adverse effect on the unit price in the Fund.
- Risks of Unexpected Cash Outflows for Property Maintenance: For the payment of certain expenses, the Fund may be required, in the event that the Property Manager is unable to pay the same, to pay such expenses (for example, real estate taxes, (VAT), and maintenance fees), to preserve the value of investment property and avoid the attachment of a property and/or the transfer of a property to a new lessee. Such expenses will reduce the Fund's profits.
- Risks Related to VAT and its Relevance to the Fund's Properties: On 02 Jumada Al-Awwal 1438 AH, the Council of Ministers decided to endorse the Unified Agreement for VAT of the Cooperation Council for the Arab **States of the Gulf, which will enter into effect on 01 January 2018, as a new tax added to the system of taxes and fees to be applied** by specific sectors in the Kingdom, including the real estate sector, as announced by the General Authority of Zakat and Tax, according to the following table:

Real Estate Sector	VAT Calculation
Sale and lease of commercial property	5%
Sale of residential property	5%
Sale of personal residential property used by the owner or its close relative	Out of the tax scope
Lease of hotels, furnished residential units, and restrooms	5%
Lease of residential property	Exempted

Therefore, where any VAT case applies to any of the Fund's properties, this may have an impact on the Fund. As the adoption of this tax in the Kingdom will face many fundamental obstacles for its new application, being subject to the supervision of the concerned government authorities, this type of tax is complex by nature, and its application includes detailed procedures and instructions at the levels of government and enterprises that are bound by this tax, such enterprises will need to be fully aware of and to understand the nature of such tax, as well as its manner of application and how it will be calculated, and to provide special reports to the competent government authorities, according to the relevant laws and regulations. In case of breach of any obligation under the VAT-related laws and regulations, this will lead to the imposition of financial fines and other statutory penalties.

- **Risks of Previous Operating History:** The Fund has no previous operating history by which the prospective unitholders can evaluate the performance thereof or of the Fund Manager. In addition, the nature of future investments in the Fund and the nature of their associated risks may differ substantially from the previous investments and strategies of the Fund Manager, which may have a negative impact on the Fund's investments and returns.
- **Risks of Conflicts of Interest:** There may be a conflict between the interests of the Fund Manager or the related parties and the interests of unitholders of the Fund during the management of the Fund. Any conflicts of interest may limit the objective performance of duties by the Fund Manager, which may adversely affect the Fund's investments and returns.
- **Risks of Lower Income and Increased Expenses:** They include the risk of default, delay of payment or collection, or failure to fulfil their contractual obligations by the lessees, or the increase of maintenance and operating expenses more than expected by the Fund Manager, which may cause the fluctuation of distributions. This may therefore affect the Fund's profits and/or valuation of assets, which may adversely affect the price of its units.
- **Risks of Political Fluctuations and Economic Risks:** Given that the Fund concentrates its investments in the Kingdom of Saudi Arabia, the Fund's performance is expected to be closely relevant to the economic and political conditions that may arise in the region, which may have negative impacts on the real estate market and the prices of real estate assets in the Kingdom, by making it more fluctuating than the performance of the most geographically diversified funds. Such fluctuation may affect the Fund's profits and/or valuation of assets, which may negatively affect the price of its units.
- **Risks of Zakat and Fee Imposition:** The application of the Idle Lands Tax System may indirectly affect the invested properties of the Fund, as due to the haste of idle landowners to develop their lands, which increases the supply and may lead to the decrease rent of the property. In addition, in case a subsidiary of the Custodian is established for the Fund for the purpose of obtaining financing, it may be subject to zakat burdens. This may therefore affect the Fund's profits and/or valuation of assets, which may adversely affect the price of its units.
- **Risks of Investment Outside the Kingdom:** The international investment, outside the Kingdom, involves many risks, including those related to: (1) The currency exchange-related matters, (2) The difference between the Saudi real estate market and the non-Saudi real estate markets, (3) The lack of unified standards for accounting, auditing, financial reporting, practices, and disclosure requirements, as well as the different levels of government supervision and regulation, (4) Some economic and political risks, and (5) The potent imposition of non-Saudi taxes on income and gains associated with such assets. These factors may adversely affect the value of non-Saudi investments of the Fund, and thus the total value of units. The Fund Manager seeks to make organisational, supervisory and regulatory requirements-related investments at least similar to those applied by the Kingdom of Saudi Arabia. However, if any of the above occurs, it may affect the Fund's profits and/or valuation of its assets, which may adversely affect the price of its units.
- **Risks of Currency Exchange Rate:** The Fund's main currency is the Saudi Riyal, but the investments managed in the Fund may deal in a variety of other currencies. Any change to the exchange rates of these currencies may adversely affect the value and price of the Fund's units.
- **Risks of Unequal Access to Information:** The Fund will issue a number of units for the current property owners as an in-kind contribution. Given the nature of real estate business, there may be a number of other investors associated with the current property owners. Consequently, there is a risk that the current property owners and some or all stated investors will have access to substantial information of which the Fund Manager may not be aware or may not know that it is substantial. Moreover, they may be able to interpret information on time, while the Fund Manager and other investors may not be able so to do.
- **Risk of Real Estate Investments:** The investment in the Fund's units is exposed to some risks related to the ownership of real estate assets and the real estate field in general. The value of the Fund's investments can be negatively affected by a number of factors, such as the depreciation of properties, lack of investment liquidity, risks related to local economic conditions, natural disasters, high financing costs, financial conditions of lessees, increased taxes on properties, changes in land division laws, and increased competition. All these factors would negatively affect the Fund's investments and returns.



- Risks of Lack of Appropriate Investments: The Fund Manager selected the Fund's investment on the date of these Terms and Conditions and investors will not have the opportunity to assess the economic and financial data and relevant information on future investments. The Fund Manager will provide no guarantee to identify future investments that meet the Fund's investment objectives. There is strong competition in identifying and structuring the Fund's appropriate investments, which may adversely affect the Fund's investments and returns.
- Risks of Real Estate Development: While the future real estate development projects will not constitute a significant percentage of the Fund's assets, the real estate development sector in the Kingdom faces many risks and risks of participating in the development and marketing of a new real estate project, including, but not limited to: Delay in completing works on time, exceeding determined costs, inability to provide leases at the target levels, and force majeure resulting from factors beyond the Fund's control with regard, in particular, to the contracting sector. The initiation of new projects implies other risks, including obtaining governmental approvals and permits to divide lands and works, other governmental approvals and permits required, and real estate development costs related to projects that have not been continued until completion. The successful completion of those projects will have a direct and significant impact on the value of units and any failure to do so will affect the investors' distributions and the net value of the Fund's assets.
- Risk of Potential Inability to Issue Certain Building Completion Certificates: In the event of investment in real estate development projects, according to these Terms and Conditions, it is known that real estate development projects in the Kingdom face a number of risks, including the developer's delay or inability to finish and complete real estate development projects for the imposition of temporary measures by the Ministry of Municipal and Village Affairs, that may include the closure of the offending property, as well as fines ranging from SAR 500 to SAR 5,000 per violation contributing to the inability to issue certain building completion certificates of the project, which cannot be issued if any building permit requirement has not been met, in accordance with the applicable municipal laws and regulations. Among the reasons for inability to meet any of those requirements (to name but a few, the force majeure relating in particular to the contracting and real estate development sector, such as the change of relevant regulations and laws, and other reasons). Consequently, if this occurs, it may have a negative impact on the Fund and its financial position, results of operations, and ability to distribute dividends to investors. Let it be known that all work completion certificates to be issued by the project are under issuance to avoid the violations of municipal and village regulations and laws.
- Risks of Failure to Procure or Renew the Required Statutory Licences: The Fund may not succeed in achieving its investment objectives if the statutory licences required to operate are not procured or renewed. In such a case, the Fund may not be able to complete investments or develop the property, which will negatively affect the value of units as the expected returns from development will not be yielded on time.
- Risks of Increase in Building Costs: The building costs of a real estate project may exceed expectation for various reasons, including, but not limited to, delay due to industrial disputes, disputes with subcontractors, increased costs of building materials, equipment, and labour, bad weather, and unexpected problems and conditions. The problem of increased costs will be mitigated, if possible, by concluding construction contracts with fixed dates and lump sum amounts with contractors, provided that such contracts include appropriate provisions for emergencies, which may affect the Fund's investments and returns.
- Risks of Infrastructure: For the properties under development, the Fund will rely on the relevant government and municipality to provide the necessary infrastructure for the development site, including water, sewage, electricity, and roads. If the government and concerned municipality are unable to complete the infrastructure projects on time or as expected, this will weaken the Fund's ability to complete or operate properties and adversely affect the performance of the Fund for delay of property operation as planned, resulting in the decrease of distributions to unitholders.
- Risks of Financing: The Fund's assets are likely to be financed, which may have a negative impact on the income earned by the Fund or cause capital loss thereto. Any facilities granted to the Fund are expected to have a substantial impact on the increase or decrease of the assets of the Fund, as the leverage may cause random changes to the value of the Fund's assets or may expose the Fund to the loss of the invested amount. Resorting to financing represents an opportunity to increase returns, but at the same time it carries a high degree of financial risk and may expose the Fund to other factors, such as high financing costs and economic recession. Moreover, the Fund's assets can be mortgaged to a lender only in the interest of the Fund, and such lender may claim the assets upon any default by the special purpose company, the Fund Manager, or the Fund itself.
- Risks of Actions Taken by Competitors: The Fund competes with other owners, operators, and real estate developers in the Kingdom. Some of them may own properties similar to those owned by the Fund and in the same district. If the Fund's competitors hire residential or commercial areas similar to the properties owned or to be owned by the Fund or sell assets similar to those owned by the Fund for a value equal to or less than the Fund's valuation of comparable assets, the Fund may fail to hire commercial and residential areas at appropriate prices or under appropriate terms, or it may not succeed in hiring or selling at all. This will result in the increase of costs as the Fund incurs additional expenses to hedge the property, and also in the non-utilization of fixed income from the property, and consequently, the lower level of distributions to unitholders.

- Risks of Inability to Exit the Fund's Investments under Good Conditions: The Fund will exit from its properties and other assets at the time the Fund Manager deems appropriate for sale. The Fund's ability to dispose of properties under appropriate and suitable conditions relies on factors beyond its control, including competition from other vendors and availability of financing solutions that attract prospective buyers. If the Fund is unable to sell its assets according to conditions it deems appropriate, its financial position, results of operations, cash flow, and ability to distribute dividends to unitholders may be negatively affected.
- Risks of Failure of Compliance by the Other Party and Credit Risks: The Fund may be exposed to credit risks for the parties whom it works with. The Fund may also bear the risk of default settlement. In certain circumstances, the Fund may also be exposed to the risk of failure of the other party to fulfil the contractual obligations, including landowners, property manager, lending banks, and contractors. Any breach by a third-party contractor of its contractual obligations and the payment of dues to the Fund may result in the decrease of target income of the Fund, and thus returns to unitholders. In addition, the Fund will invest excess cash in Murabaha and speculation funds compliant with Shariah. While these investments have low risks, the counterparties and financial institutions whom the Fund deals with may fail to pay, which may have a negative impact on the financial position of the Fund.
- Risks of Lessees' Inability to Meet their Rental Obligations: The Fund's results may be adversely affected if a large number of lessees is unable to meet their rental obligations. In addition, if an investor resorts to bankruptcy, insolvency, or similar laws, it may terminate any private lease, which results in the decrease of cash flows to the Fund. In the event of a large number of breaches of obligations or bankruptcy cases on the part of lessees, the Fund's cash flow and ability to make distributions to unitholders may be adversely affected.
- Risks of Lease Termination: The leases concluded with current or future lessees may be terminated if either party breaches the lease, which will result in the termination of lease. In such case, the Fund's cash flows and ability to make distributions to investors may be negatively affected, unless the Fund is able to re-hire the properties immediately.
- Risks of Short Lease Term: Some leases of the Fund's assets are of short term, i.e. from one to two years. If such leases are not renewed prior to the expiry thereof, the leased spaces are likely to remain vacant for a period of time until there is a new lessee. If the economic situations are not favourable, the leased spaces are likely to remain vacant for a long period of time or the rent for the new lessee may be lower than expected, which may affect the cash distributions to unitholders and their investments in the Fund.
- Early Termination of Lease: Some assets of the Fund may be leased to one party, under a long-term lease. There may be factors beyond the parties' reasonable control, that may lead to the early termination of lease. This may result in the suspension or complete cessation of rents for a period of time until the Fund Manager and the lessee jointly determine the optimal way to manage the Fund. This event may lead to the significant decrease of revenues to the Fund and potential loss of capital.
- Risks of Entering into Long-Term Leases: The Fund may enter into long-term leases with lessees for terms exceeding 10 years. These leases may and may not provide for the increase of rents. Upon the increase of operating costs or inflation rates, change of exchange rates, or increase of property prices with fixed rents, the rental returns may decrease. In addition, given the lease term, the Fund may not be able to renegotiate the lease to reflect previous changes until the expiry thereof. This will decrease the returns of the Fund than those available in the market, which may also decrease the original price of assets and price of units of the Fund.
- Risks of Validity of the Lease, which Provides for the Obligation of Insurance and Complete Repair: Some target real estate assets have been hired under leases substantially similar to those dubbed leases with the obligation of insurance and complete repair, whereby the lessee shall bear all maintenance, service, and insurance costs and pay all taxes and fees related directly to the property. Although the leases are approved by the Shariah Board of the Fund, they do not guarantee that the competent courts of the Kingdom determine that the provisions of leases or other contracts conform to the Shariah standards. They can thus be performed in the Kingdom as per the provisions thereof, especially those provisions that hold the lessee liable for structural reforms and paying any taxes and fees related to the target real estate assets. If the competent court determines that this arrangement is non-compliant with Shariah, the expenses incurred by the Fund may significantly increase. This may have a significant negative impact on the Fund and its financial position and may lead to the decrease of dividends to unitholders, and consequently the decrease of unit value.
- Risks of Potential Inability to Renew the Lease or Re-rent the Hired Space upon the Termination of the Lease Term: The Fund will gain most of its income from the rents paid by the property lessees. Therefore, the Fund's financial position, results of operations, cash flows, and ability to make distributions to investors may be affected if the Fund is unable to re-hire those properties or renew the leases immediately, or if the rent at the time of renewal or re-hiring is significantly lower than the expected amount. Upon the termination thereof, there will be no guarantee that the lease will be renewed or the lessee will be replaced. The terms of any subsequent lease may be less useful to the Fund than the current lease. In the event of default by a lessee, the lessor may face delay or restriction on the fulfilment of rights and significant costs may be incurred to protect the Fund's investments. Furthermore,

the Fund's ability to hire rental space and the rent it receives may be affected not only by demand from lessees but also by the number of competing properties that attract lessees.

- Risks of Non-occupancy of Property for Long Periods: When a property remains vacant for a long period as a result of the termination of lease without renewal, if the lessee legally or illegally rescinds the lease, if the lessee declares bankruptcy, or if the lease is revoked or not renewed for any reasons, the Fund may suffer from the decrease of returns and, thus, the decrease of regular dividends to investors. Moreover, as the value of a property depends heavily on leases, the value of property that can be gained from the sale properties that remain, wholly or partially, unreleased for relatively long periods may decrease. Thus, the potential returns to investors may decrease, which may adversely affect the Fund's investments, returns, and distributions.
- Risks of Uninsured Losses: The Fund shall maintain the commercial liability insurance, property insurance, and other types of insurance that cover all properties owned and managed thereby, by the type and limits believed to be sufficient and appropriate for the relative risks of the property, and at the amount of appropriate coverage, with the application of good industry practices. Moreover, it is likely to insure against certain losses, such as those resulting from terrorist acts, storms, floods, or seismic activity, taking into account some restrictions, including insurance policy restrictions. Therefore, the Fund may suffer from heavy losses that may exceed the insurance proceeds, and may become unable to continue to receive commercially affordable insurance coverage. If the Fund faces an uninsured loss or loss beyond the insurance limits in respect of the ownership of one or more properties, the Fund is likely to lose the capital invested in the affected properties, as well as the anticipated future proceeds from such properties. Certainly, such loss is likely to adversely affect the Fund's financial position, results of operations, resulting cash flows, and ability to make distributions to investors.
- Risks of Property Valuation: For the purposes of the valuing of a property within the investment portfolio of the Fund, the Fund Manager shall conduct internal valuations in many cases for the Fund, in addition to the valuation prepared by third party appraisers. The valuations conducted by the Fund Manager shall be only for the purpose of valuating the property, not as an accurate measure of the value that can be obtained when selling the property, because the final investigation of the market value of a property depends heavily on negotiations between the seller and the buyer and it may be affected by economic and other circumstances beyond the control of the Fund and the Fund Manager, including, but not limited to, the market conditions. In general, if the Fund decides to liquidate its assets, the realised proceeds may be more or less than the estimated valuation of such assets. During economic volatilities, where the uncertainty of valuations increases and the similar operations when the value can be measured decrease, the difference between the estimated value of an asset and the final market value thereof increases.
- Risks of Expropriation: Some government agencies in the Kingdom have the right to compulsorily seize any property for public interest (to name but a few, for the construction of roads and public utilities). Practically, the purchase price of a property is usually equal to the market value. In case of expropriation, the property is compulsorily seized after an unfixed period of notice. Although it is likely to be pay compensation, there is a risk that the amount of compensation may be insufficient compared to the size of investment, lost profit, or increased value of investment. If the risk of expropriation occurs, the amount of distributions to unitholders, and the value and trading price of units may fall down and the unitholders may lose all or some of the capital invested.
- Risks of Non-compliance with Relevant Laws: The Fund may become ineligible to be a traded real estate investment fund under the Real Estate Investment Traded Funds Instructions, which may have negative impacts on the value of their investments. The requirements for maintaining the Fund's status as a real estate investment traded fund have not been verified. In addition, there may be subsequent changes (including change in interpretation) to the requirements for maintaining the Fund's status as a real estate investment traded fund. Moreover, the regulations are newly issued and have no previous interpretations, and there may be subsequent changes (including change in interpretation) to the requirements for maintaining the Fund's status as a real estate investment traded fund. The prospective investors should note that there is no guarantee that the Fund, upon selection as a real estate investment traded fund, will maintain or continue to maintain this status (whether for failure to meet the regulatory or other requirements). If the Fund fails to meet any of the regulatory requirements for maintaining its status, the CMA may suspend the trading of units or delist the Fund. The inability to list the Fund on the Saudi Stock Exchange (Tadawul) may cause negative consequences to the units' marketability, liquidity, and value.
- Risk of Depreciation of the Fund's Assets: Investments in the properties' ownership, leasing, operation development, and/or redevelopment will be exposed to some risks, including, but not limited to, those risks associated with the general local economic climate, local real estate conditions, changes in the level of property supply and demand, various uninsured or uninsurable risks, natural disasters, government regulations and decisions, changes in real estate taxes, changes in return rates, availability of housing loans that would make the sale or refinancing of properties difficult or impractical, environmental obligations, potential liabilities associated with the disposal of assets, and other factors beyond the control of the Fund Manager. All those factors would decrease the value of the Fund's assets.
- Legal, Regulatory, and Tax Risks: The information contained in these Terms and Conditions is based on the regulations in force upon the issuance of these Terms and Conditions. There may be legal, tax, zakat, or organisational changes in the Kingdom or elsewhere during the term of the Fund, which may have a negative impact on the Fund, its investments, or unitholders. The Fund's

ability to resort to legal means in case of disputes may be limited, and it may be required to resort to the KSA courts for remedies. The performance of leases and other contracts through judicial system in the Kingdom is long and difficult, and the results thereof are uncertain. In addition, the government departments and agencies in the Kingdom, such as the notary, have broad authority and discretion in the application of current legislations. Any changes to the current legislations or delay in the application of such legislations by the government departments may adversely affect the Fund. Currently, there are no taxes on investment funds in the Kingdom. However, there is no guarantee that the current applicable tax system in the Kingdom will not be changed. Moreover, the local tax authorities reserve the right to estimate the zakat tax on all unitholders.

- Risks of Government and Municipal Approvals: The Fund may not succeed in achieving its investment objectives if the procurement of any required municipal permit or approval is rejected or granted under impotent conditions. In such case, the Fund may not be able to complete its investment or develop the properties so that they can generate income, which means the decrease of target cash returns to unitholders.
- Saudization Risks: The KSA Ministry of Labour requires the employment of a high percentage of Saudi citizens in the development of the Saudi real estate sector (Saudization). It is unclear, at this stage, to what extent the Fund and its investments will be required to implement the Saudization policies. The Saudization may require the employment of additional staff or the provision of additional training. Such costs may increase the operating and management costs for the Fund properties than the originally anticipated ones, which will be deducted from the Fund's net income and decrease the net profits available for distribution to unitholders.
- Risks of Litigation Against Third Parties: The activities of the Fund's assets may be exposed to the risk of engaging in judicial disputes against third parties. The Fund will bear all attorney fees for defending third party claims, settlement amounts, and judgments, which would reduce the net assets and decrease distributions to unitholders.
- Legal and Regulatory Risks: The Fund and the value of its units may be adversely affected by changes to the regulations applicable to real estate and/or investment activities in the Kingdom, including, but not limited to, ownership laws, construction licences, regulatory clearances, finance regulations and laws, real estate investment regulations and laws, registration laws, and lawsuits, etc., which will have negative impact on the Fund's profits and/or valuation of assets.
- Risks of Considerations of Adherence to Shariah Controls: The Fund will invest in investment opportunities compliant with Shariah controls, as determined by the Shariah Committee of the Fund, including adherence to Shariah controls determined by the Shariah Committee of the Fund for management and financing operations and all aspects of the Fund. Accordingly, this may prevent the Fund or limit its ability to make certain investments, which may cause the loss of certain opportunities compliant with Islamic Shariah. Although the Fund seeks to ensure that all investments are compliant with Shariah controls, there were no guarantee for the standards acceptable to the Shariah Committee, where standards differed from a Shariah adviser to another, and all investors must consult their own Shariah advisers.
- Risks of Interest Rate Change: The net value of the Fund's assets and returns in the event of a change to the market interest rates may be negatively or positively affected if the Fund is financed through financing instruments. The high market interest rates may also lead to the increase of anticipated financial returns, which adversely affects the sale value of real estate assets upon exit.
- Credit Risks: The Fund Manager may invest in Shariah-compliant Murabaha funds in the Saudi Riyal or enter into short-term Murabaha deals during the life of the Fund (as per Paragraph (F), Clause (3) "How to Invest the Fund's Cash" of these Terms and Conditions). This may give rise to credit risks if the third party is unable or fails to meet its contractual obligations on time, which may have a negative impact on the performance of the Fund and the value of its investment units, and accordingly on the Fund's profits and/or valuation of its assets.
- Risks of Geographical Concentration: The Fund's assets will be concentrated in a variety of properties in the Kingdom. Given the Fund's focus on the KSA real estate market, the geographical diversity is almost limited. Thus, the Fund may be exposed to the risks of events or change of circumstances, which may have negative impact particularly on the KSA market, and consequently on the performance of the Fund. The Fund may invest in assets concentrated in a specific sector, including, but not limited to, commercial real estate sector, office real estate sector, and/or warehouse sector. Should the Fund concentrate its investments in one or more sectors, this may expose the Fund to higher risk of economic recession than if the Fund's investment portfolio includes assets in other sectors. As a result, this recession may have a substantial negative impact on the Fund's financial position, results of operations, cash flows, and ability to provide dividends to investors.
- Risks of Natural Disasters and Other Causes beyond the Control of the Fund: The real estate assets may be exposed to material damage due to fire, storms, earthquakes, other natural disasters, or other causes, such as terrorist attacks. In case of such event, the Fund may lose the capital invested in real estate assets, as well as the anticipated revenues. In addition, no guarantee that the resulting losses (including the loss of rent) may be fully compensated under insurance coverage. Moreover, certain types of risks

and losses (for example, losses caused by terrorism, acts of war, or certain natural disasters) cannot be insured in economic terms or in general. In case of such event, in particular those relating to uninsured or uninsurable losses or those of which the insurance proceeds are insufficient for repair or replacement, it may have a substantial negative impact on the Fund's works, financial position, cash flows, and operating results.

- **Risks of Property Safety:** With regard to the safety of properties, the object of investment, the Fund will depend on the Property Manager and/or the lessee to maintain the safety of property and provide the necessary insurance coverage. If the Property Manager and/or the lessee is unable to maintain the safety of property and perform the necessary maintenance on time, this would weaken the Fund's ability to complete or operate the properties, which could adversely affect the Fund's performance for the delayed operation of property.
- **Force Majeure:** During the project development, the Fund may be exposed to the risks of force majeure, specifically those events beyond its control, such as the acts of God, fire, floods, wars, terrorist acts, earthquakes and strikes, and government orders or decisions. Such events may delay or decrease the value of the Fund's investments.
- **Future Data:** These Terms and Conditions may contain future data on future events or future performance of the Fund. In some cases, the future data can be defined by terms such as: "expect", "believe", "recommend", "estimate", "wait", "intend", "perhaps", "plans", "projects", "presumably", "will," or the opposite or other similar terms. This data only indicates expectations, while the actual events or results may differ substantially. When evaluating this data, investors must specifically consider a number of different factors, including the risks listed in this paragraph. These factors could make the actual events or results substantially different from any future data. The Fund Manager shall assume no responsibility for updating any future data after the date of these Terms and Conditions, in order to match this data with the actual results or changes in expectations.
- **Risks of Other Parties:** The Fund works with other parties, including, but not limited to, a legal counsel, a real estate adviser, an operation and collection agency, and a limited number of other parties, to successfully develop and implement the policy of investment in the Fund. As those entities are existing and independent institutions that do not operate under the full control of the Fund Manager, there is a risk that it may be difficult for either entity to continue or to play its role optimally or that there is default or delay in performance, as well as the risks of legal dispute with either entity, which may adversely affect the Fund.
- **Risks of Conflicts of Interest:** The Fund Manager shall be responsible for providing a reasonable degree of care in the management of the Fund in the interest of unitholders, taking into account good faith and integrity in the management of the Fund. However, managers, officials, staff, and subsidiaries of the Fund Manager may engage in relevant activities and/or dealings on behalf of their funds/clients who have interests in conflict with the Fund's.
- **Risks of Usufruct Right to the Commercial Centre in Riyadh, Whose Information are Detailed in the Section "Assets of the Fund" of these Terms and Conditions:** Although the Fund acquired the usufruct right to that Centre under a usufruct purchase contract for one binding term of five Gregorian consecutive years, commencing from 01/12/2016 to 28/02/2021, this contract requires a written consent from the owner allowing the Fund to acquire the same usufruct right, because the contract between the owner and the lessee provided for the need to obtain a written consent from the owner for leasing the same property to a third party. In all cases, the Fund Manager obtained a promissory note from the lessee as a guarantee if the owner does not agree or object in any way to the usufruct purchase contract. There is no guarantee that the owner will accept to grant such consent to the lessee.
- **Risks of Lack of Guarantee for Returns on Investment in the Fund:** There is no guarantee that the Fund will yield returns to investors, or that the realised returns will commensurate with the risks of investing in the Fund or the nature of dealings prescribed in these Terms and Conditions. Thus, there is no guarantee that investors in the Fund will receive the principal amount invested in the Fund, wholly or partially, or any returns on such investment.
- **Risks of Ownership of Real Estate Assets:** The ownership of properties in the Kingdom raises some potential legal issues, as there are no effective and binding central real estate registers and the title deeds do not necessarily represent the full rights to dispose of the properties. Thus, legal disputes may arise over the Fund's real estate assets, which may weaken the Fund's ability to dispose of or transfer such assets without mortgages or restrictions. In some cases, this leads the Fund to lose the ownership of real estate assets that are believed to have been acquired illegally. Moreover, such disputes and differences over ownership may have substantial negative impact on the value of real estate assets, and thus on the value of units in the Fund.
- **Risks of Financing:** The Fund's resorting to financing and borrowing represents an opportunity to increase returns, but at the same time it carries a high degree of financial risks that may expose the Fund and its investments to other factors, such as high financing costs and economic recession. Moreover, the Fund's assets can be mortgaged to the lending or financing entity, which may claim the immediate payment in case of default and/or delay in the payment of any amounts due under the contracts and agreements concluded with such lending or financing entity, which will negatively affect the performance of the Fund.

- Risks of Legal Status: As known, the Fund does not have a legal personality, but there is a contractual relationship between the Fund Manager and the unitholders by the signing of these Terms and Conditions. This relationship is governed and supervised by the CMA. Therefore, the affirmation of difference between the legal status of the Fund and the Fund Manager by any related government or judicial entity is not clear and has not previously been verified to the best of our knowledge, which may have an impact on the Fund if it occurs.
- Risks of Occupancy Rate: The influence of occupancy rate of real estate assets by political, economic, commercial, and other conditions in the Kingdom may have a negative impact on the Fund's ability to achieve its investment objectives, and thus on the performance of the Fund.
- Risks of High Costs: The maintenance, management, operation, or insurance costs of any real estate asset the Fund invests in may increase, which may adversely affect the Fund's returns. Nevertheless, the Fund Manager will be keen to take certain measures to limit such increase. However, no guarantee that such measures will limit the increase of such costs.

## 2) Investment in the Fund is not a Guarantee for Profit or Non-loss

The unitholders must bear in mind that investing in the Fund is not a guarantee for profit or non-loss, as the Fund's investments are exposed to the loss of all or part of their actual value. Moreover, the previous performance of real estate prices is not necessarily an indicator of a similar future performance, because investment in the Fund is not a deposit with a local bank.

## h. Subscription

### 1) Important Dates and Initial Subscription Procedures

- Timetable of Expected Offering Dates

Description	Date or Time
Offering Period	8 business days from the Offering Start Date
Offering Start Date	09/04/1439 AH, corresponding to 27/12/2017 AD
Offering End Date	20/04/1439AH, corresponding to 07/01/2018 AD
Extension of the Offering Period	A Gregorian month from the Offering End Date, after approval of the CMA
Announcing the allocation of units to investors and refunding surplus amounts	15 business days from the Offering End Date
Registering assets in the name of the subsidiary of the Custodian for the benefit of the Fund, signing leases, and listing units on the Saudi Stock Exchange (Tadawul)	60 business days from the Offering End Date

- Mechanism for Subscription to the Fund

#### General Conditions for Subscription to the Fund

1. Valid ID card.
2. Having an active investment portfolio with a licensee.
3. Having an IBAN bank account number registered in the name of the investor who desires to subscribe to the Fund, where the investor shall transfer the subscription fees from such account and recover the overpayment after allocation.
4. Submitting all subscription documents (a signed copy of the Terms and Conditions, a complete subscription form filled in and signed, a copy of the bank transfer, and a copy of the ID card signed by the investor).

Mechanism for Subscription to the Fund through Derayah Financial:



*Step One: Obtaining the Terms and Conditions*

Those investors wishing to subscribe can obtain a copy of the Terms and Conditions through the website of the Fund Manager - Derayah Financial [www.derayah.com](http://www.derayah.com) or by visiting the Company's Headquarters in Riyadh or any branch in Dammam or Jeddah. Whoever wishes to subscribe to the Fund must review and sign the Terms and Conditions of the Fund, and keep a copy thereof for submission to the Fund Manager in a later step.

*Step Two: Filling in the Subscription Form*

Investors can obtain the subscription form through the website of the Fund Manager - [www.derayah.com](http://www.derayah.com) or by visiting the Headquarters of the Fund Manager in Riyadh or any branch in Dammam or Jeddah. The investor must fill in and sign the subscription form or fill in the electronic form and approve it when using the electronic subscription feature.

*Step Three: Bank Transfer*

The full subscription amount, at the minimum of SAR 10,000 and up to the maximum of SAR 50,000,000, shall be transferred along with the subscription fee at 2% of the subscription amount during the Offering Period, to the following account:

Bank Name: Arab National Bank  
Account Name: Derayah REIT Fund  
Account No. 0108058016630154  
IBAN No. SA6430400108058016630154

For example, if the investor desires to subscribe at the minimum amount amounting to SAR 10,000, it must transfer the amount of SAR 10,200, representing the subscription amount (SAR 10,000) plus the subscription fee (SAR 200). A copy of the bank transfer receipt must be kept.

Then, the investor shall send hard copies of all required documents stated in Steps One, Two and Three to the Headquarters of the Fund Manager in Riyadh or any branch in Dammam or Jeddah, or through the electronic subscription feature of the Fund Manager's website.

No subscription form or bank transfer will be accepted after the end of the last business day of the subscription days. Moreover, the investor will not be able to amend any data in the subscription form after sending or delivering it. The subscription can be cancelled and a new application can be submitted. The subscription cannot be cancelled after being approved and confirmed. In all cases, all categories of investors must complete and submit the subscription requirements and documents or upload them via the Fund Manager's website.

*Step Four: Confirming the Receipt of Subscription Form*

In the event of electronic subscription, the Fund Manager will provide the investor with a confirmation of the receipt of subscription form via an e-mail or SMS to the mobile number registered through the electronic subscription feature.

In the event of subscription by submitting hard copy documents to the Headquarters of the Fund Manager or either branch thereof, the employee who receives the subscription documents will provide the investor with a notice confirming the subscription by hard copy documents.

However, receiving the subscription form is not a confirmation of approval.

*Step Five: Approval of Subscription Application*

The subscription application shall be reviewed within three business days. If the subscription application fails to meet all requirements or if there are any observations, the investor will be notified via an e-mail or SMS to the mobile number registered through the

electronic subscription feature, to complete the requirements within one business day as of notification. If the subscription application is complete, the investor will be notified of the acceptance thereof.

*Step Six: Allocation Notice*

After closing the Offering Period and allocating units to investors, in accordance with the allocation mechanism within ten business days, a notice will be given to the CMA and the final results of offering and unit allocation will be announced through the Fund Manager's website.

*Step Seven: Refunding Overpayment and Listing*

Within ten business days after announcing the final allocation, the overpayments will be refunded to investors in full less the value of allocated units and subscription fees. The allocated units shall be listed in the investors' investment portfolios with the brokerage company licensed by the Saudi Stock Exchange (Tadawul).

Subscription Through other Recipients

*Through the Arab National Bank:*

An investor may subscribe, provided that it has a bank account with the Arab National Bank and an active investment portfolio with the Arab National Investment Company. The investor will subscribe through the electronic channels of the Arab National Bank after accepting the Terms and Conditions and filling in the electronic subscription application, or through the branches of the Bank after submitting a signed copy of the Terms and Conditions and a subscription application signed by the investor.

*Through the National Commercial Bank:*

An investor may subscribe, provided that it has a bank account with the National Commercial Bank and an active investment portfolio with the NCB Capital. The investor will subscribe through the electronic channels of the National Commercial Bank after accepting the Terms and Conditions and filling in the electronic subscription application, or through the branches of the Bank after submitting a signed copy of the Terms and Conditions and a subscription application signed by the investor.

*Through Riyadh Bank:*

An investor may subscribe, provided that it has a bank account with Riyadh Bank and an active investment portfolio with Riyadh Capital. The investor will subscribe through the electronic channels of Riyadh Bank after accepting the Terms and Conditions and filling in the electronic subscription application, or through the branches of the Bank after submitting a signed copy of the Terms and Conditions and a subscription application signed by the investor.

The following documents shall be attached, according to the investor's category:

*Documents Required From All Investors:*

- If the subscription application is provided through the Fund Manager, a copy of the bank transfer issued from a bank account in the investor's name, showing the amount including the subscription amount and fees.
- A signed copy of the Terms and Conditions.
- A signed and completely filled in subscription form.

*Documents Required From Individuals:*

- A copy of national ID card for Saudis, or a copy of a valid residency permit for foreigners.



*Documents Required for Minors:*

- Making a separate bank transfer for each minor from the same bank account of the minor's guardian if there the minor has no bank account or portfolio.
- Attaching the following documents:
  - o A copy of the national ID card for Saudi minors between the age of 15 and 18 Hijri years, or the family book for those under the age of 15 Hijri years
  - o A copy of the residency permit for resident minors under the age of 18 Hijri years
  - o A copy of national ID card for Saudis, or a copy of a valid residency permit for foreign guardians

*Documents Required for Companies:*

- A copy of the commercial register stamped by the company's seal.
- A copy of the memorandum and articles of association stamped by the company's seal.
- A copy of the authorised signatory's ID card stamped by the company's seal and signed by the authorised signatory.

*Documents Required for Investment Funds:*

- A copy of the fund manager's commercial register stamped by the company's seal.
- A copy of the fund manager's memorandum and articles of association stamped by the company's seal.
- A copy of the fund manager's business licence.
- A copy of the fund's terms and conditions.
- A copy of the CMA's approval of the fund's offering.
- A copy of the authorised signatory's ID card stamped by the company's seal and signed by the authorised signatory.

*Documents Required for Investment Portfolios:*

- A copy of the ID card of the investment portfolio owner.
- A copy of the commercial register of the portfolio's manager stamped by the company's seal.
- A copy of the memorandum and articles of association of the portfolio's manager stamped by the company's seal.
- A copy of the business licence of the portfolio's manager.
- A copy of the investment portfolio management agreement.
- A copy of the authorised signatory's ID card stamped by the company's seal and signed by the authorised signatory.

**Important Notes:**

- The investor must verify the validity of the data recorded and the documents submitted. The Fund Manager shall not be responsible for any consequences arising from the presence of errors.
- The investor must make sure that the value of subscription application matches the value of the bank transfers made. Should there be any difference by increase or decrease, the subscription application will be rejected.
- When subscribing to the Fund, any amount transferred from an account other than the account registered with the Fund Manager will be rejected. Moreover, the bank account must be in the investor's name.
- For any inquiries, please contact the Fund Manager via Tel. No. 011 299 4311 or via e-mail [reit@derayah.com](mailto:reit@derayah.com)

- Unit Allocation Mechanism

The Fund Manager intends to offer 107,507,035 units at ten (10) riyals per each. The values and percentages of in-kind and cash contributions are as follows:

Subscriber	Owner of Property No.	Number of Units	Value of Units (SAR)	Percentage	Subscription Method
Khaled Abdulaziz Al Mukairin#	1	20,000,000	200,000,000	18.60%	In-kind
Motoon Real Estate Company#	8 & 9	6,056,875	60,568,750	5.63%	In-kind
Nesaj Project Management Co.#	7 & 11	5,403,000	54,030,000	5.03%	In-kind
Abdullatif and Mohammed Al Fozan Company	6 & 12	5,092,421	50,924,210	4.74%	In-kind
Retal for Structural Development	10, 14 & 15	2,856,000	28,560,000	2.66%	In-kind
Ahmed bin Saeed bin Abdullah Al-Sayed#	3, 4 & 5	2,130,161	21,301,610	1.98%	In-kind
Khaled bin Saeed bin Abdullah Al-Sayed#	3, 4 & 5	2,130,161	21,301,610	1.98%	In-kind
Abdulrahman bin Saeed bin Abdullah Al-Sayed#	3, 4 & 5	2,130,161	21,301,610	1.98%	In-kind
Abdulwahab bin Saeed bin Abdullah Al-Sayed#	3, 4 & 5	2,130,161	21,301,610	1.98%	In-kind
Mohammed bin Saeed bin Abdullah Al-Sayed	3, 4 & 5	2,130,161	21,301,610	1.98%	In-kind
Noura bint Jubran bin Hizam Al-Qahtani	3, 4 & 5	1,749,775	17,497,750	1.63%	In-kind
Buruj Cooperative Insurance Company	2 & 13##	1,488,815	14,888,150	1.38%	In-kind
Ahmed Ibrahim Sarawi	2 & 13##	1,473,927	14,739,268	1.37%	In-kind
Abdulaziz bin Saeed bin Abdullah Al-Sayed	3 & 4	1,393,965	13,939,650	1.30%	In-kind
Abdullah bin Saeed bin Abdullah Al-Sayed	3 & 4	1,393,965	13,939,650	1.30%	In-kind
Derayah Financial (Fund Manager)#	2 & 13##	1,387,542	13,875,423	1.29%	In-kind
Asma bint Saeed bin Abdullah Al-Sayed	3, 4 & 5	1,065,080	10,650,800	0.99%	In-kind
Munira bint Saeed bin Abdullah Al-Sayed	3, 4 & 5	1,065,080	10,650,800	0.99%	In-kind
Haya bint Saeed bin Abdullah Al-Sayed	3, 4 & 5	1,065,080	10,650,800	0.99%	In-kind
Abdullah Hamoud Al-Khalidi	2 & 13##	680,885	6,808,848	0.63%	In-kind
Saad Mohammed Al-Shumaisi	2 & 13##	586,593	5,865,931	0.55%	In-kind
Ibrahim Abdulrahman Al-Quwiz	2 & 13##	487,587	4,875,869	0.45%	In-kind
Saad Abdulrahman Al-Bawardi	2 & 13##	486,346	4,863,463	0.45%	In-kind
Abdulrahman Yahya Al-Shuraideh	2 & 13##	291,808	2,918,078	0.27%	In-kind
Hind Abdulaziz Al Sheikh	2 & 13##	272,354	2,723,539	0.25%	In-kind
Abdullah Ibrahim Al-Quwiz	2 & 13##	248,136	2,481,358	0.23%	In-kind
Fatima Abdulrahman Rahmani	2 & 13##	248,136	2,481,358	0.23%	In-kind
Hamed Mohammed Heneidy	2 & 13##	196,524	1,965,236	0.18%	In-kind
Muhammad Youssef Tayeb	2 & 13##	196,524	1,965,236	0.18%	In-kind
Moayad Youssef Tayeb	2 & 13##	196,524	1,965,236	0.18%	In-kind
Haif Misfer Al Salim	2 & 13##	196,524	1,965,236	0.18%	In-kind
Batlaa Abdulmalik Al Subait	2 & 13##	194,539	1,945,385	0.18%	In-kind
Hamad Abdulaziz Al Youssef	2 & 13##	194,539	1,945,385	0.18%	In-kind
Hessa Ali Al Tamami	2 & 13##	165,358	1,653,577	0.15%	In-kind
Derayah Freestyle Fund	2 & 13##	148,125	1,481,246	0.14%	In-kind
Tareq Abdul Rahman Al Sadhan	2 & 13##	121,587	1,215,865	0.11%	In-kind
Munira Abdullah bin Adwan	2 & 13##	99,254	992,544	0.09%	In-kind
Nouf Mohammed bin Sultan	2 & 13##	99,254	992,544	0.09%	In-kind
Ahmed Sulaiman Al-Saif	2 & 13##	98,750	987,498	0.09%	In-kind
Salman Mohammed Al-Jishi	2 & 13##	98,750	987,498	0.09%	In-kind
Saleh Abdulaziz Al-Omair	2 & 13##	98,750	987,498	0.09%	In-kind
Abdulaziz Abdullah Al-Issa	2 & 13##	98,750	987,498	0.09%	In-kind

Abdulaziz Mohammed Al-Dakhil	2 & 13##	98,750	987,498	0.09%	In-kind
Mohammed Abdulaziz Abdulqadir	2 & 13##	98,750	987,498	0.09%	In-kind
Musaed Abdulmohsen Al-Bazai	2 & 13##	98,750	987,498	0.09%	In-kind
Khaled Saad Abu Al-Khobar	2 & 13##	97,269	972,693	0.09%	In-kind
Khalil Ibrahim Al-Sudais	2 & 13##	97,269	972,693	0.09%	In-kind
Raed Ahmed Al-Mashaeykh	2 & 13##	97,269	972,693	0.09%	In-kind
Saud Ali Al-Saif	2 & 13##	97,269	972,693	0.09%	In-kind
Sulaiman Dhahyan Al-Dhahyan	2 & 13##	97,269	972,693	0.09%	In-kind
Abdulaziz Hamad Al-Muqbil	2 & 13##	97,269	972,693	0.09%	In-kind
Abdulqadir Mahmoud Hussein	2 & 13##	97,269	972,693	0.09%	In-kind
Abdullah Abdulmohsen Al-Qarzai	2 & 13##	97,269	972,693	0.09%	In-kind
Adnan Abdulrahman Al-Mansour	2 & 13##	97,269	972,693	0.09%	In-kind
Fatima Saleh Al-Nowaiser	2 & 13##	97,269	972,693	0.09%	In-kind
Mohammed Faisal Al-Arady#	2 & 13##	44,499	444,992	0.04%	In-kind
Mohammed Ahmed Al Tisan Al-Yami#	2 & 13##	37,159	371,589	0.03%	In-kind
Al-Baraa Ghaith Khoqir#	2 & 13##	30,857	308,572	0.03%	In-kind
Ahmed Abdulrahman Al-Omar#	2 & 13##	30,857	308,572	0.03%	In-kind
Turki Mutaib Al-Hamidani#	2 & 13##	30,857	308,572	0.03%	In-kind
Hassan Ikram#	2 & 13##	30,857	308,572	0.03%	In-kind
Sherif Abdulaziz Al-Sherif#	2 & 13##	30,857	308,572	0.03%	In-kind
Majid Mohammed bin Faris#	2 & 13##	30,857	308,572	0.03%	In-kind
Mohammed Saeed AlShammasi#	2 & 13##	30,857	308,572	0.03%	In-kind
Mohammed Yasser Malik#	2 & 13##	26,765	267,646	0.02%	In-kind
Nawaf Mohammed Al-Qasim#	2 & 13##	25,401	254,005	0.02%	In-kind
Bilal Khaled Bushnaq#	2 & 13##	24,036	240,363	0.02%	In-kind
Meshaal Khaled Al-Haqbani#	2 & 13##	24,036	240,363	0.02%	In-kind
Hisham Ibrahim Al-Welaie	2 & 13##	19,944	199,437	0.02%	In-kind
Essam Ali Al-Jishi#	2 & 13##	17,215	172,153	0.02%	In-kind
Emad Ali Naqrash#	2 & 13##	17,215	172,153	0.02%	In-kind
Mohammed Hussein Al-Qousi#	2 & 13##	17,215	172,153	0.02%	In-kind
Mohammed Tamah Al-Barqawi#	2 & 13##	17,215	172,153	0.02%	In-kind
Noura Abdulaziz Al-Khalil#	2 & 13##	17,215	172,153	0.02%	In-kind
Abdulmohsen Mohammed Al-Banami#	2 & 13##	16,942	169,424	0.02%	In-kind
Ahmed Rakan Al-Turki#	2 & 13##	14,487	144,869	0.01%	In-kind
Nujood Khaled Al-Shammari#	2 & 13##	14,487	144,869	0.01%	In-kind
Taseer Abbas Shad#	2 & 13##	13,123	131,227	0.01%	In-kind
Turki Mohammed Al-Eidi#	2 & 13##	11,759	117,585	0.01%	In-kind
Sarah Fawaz Al-Shammari	2 & 13##	11,759	117,585	0.01%	In-kind
Samia Taher Al-Tahri#	2 & 13##	11,759	117,585	0.01%	In-kind
Omar Abdulrahman Al-Othman#	2 & 13##	11,759	117,585	0.01%	In-kind
Fatima Mohammed Al-Kathiri#	2 & 13##	11,759	117,585	0.01%	In-kind
Yasser Mohammed Ashour#	2 & 13##	11,759	117,585	0.01%	In-kind
Saad Musaed Al-Harbi#	2 & 13##	9,139	91,392	0.01%	In-kind
Amina Majid Al-Farra#	2 & 13##	9,030	90,300	0.01%	In-kind
Iman Bashit Al-Anzi#	2 & 13##	9,030	90,300	0.01%	In-kind
Kholoud Khaled Hajjaj#	2 & 13##	9,030	90,300	0.01%	In-kind
Mohammed Ibrahim Al-Heneidy#	2 & 13##	9,030	90,300	0.01%	In-kind
Mohammed Salman Ahmed Saeed#	2 & 13##	9,030	90,300	0.01%	In-kind
Hossam El-Din Mohammed Badr#	2 & 13##	7,666	76,659	0.01%	In-kind
Mishary Luqman Al-Balushi#	2 & 13##	7,666	76,659	0.01%	In-kind
Ahmed Mishary Al-Mady	2 & 13##	6,302	63,017	0.01%	In-kind
Jawaher Ibrahim Al-Shenifi#	2 & 13##	6,302	63,017	0.01%	In-kind
Mona Abdullah Al-Shenifi#	2 & 13##	6,302	63,017	0.01%	In-kind

Nouf Muslim Abu Thanin#	2 & 13##	6,302	63,017	0.01%	In-kind
Hadeel Abdullatif Al-Saleh#	2 & 13##	6,302	63,017	0.01%	In-kind
Mashaal Saleh Al-Hadyan#	2 & 13##	5,483	54,832	0.01%	In-kind
Yasser Abdulrahman Al-Hawas#	2 & 13##	5,483	54,832	0.01%	In-kind
Khaled Ibrahim Al-Harishi#	2 & 13##	5,210	52,103	0.01%	In-kind
Abdulkarim Essam Abu Dura	2 & 13##	4,938	49,375	0.01%	In-kind
Derayah Financial, the Fund Manager#	N/A	1,660,000	16,600,000	1.54%	Cash
Offered to subscription	N/A	36,174,421	361,744,210	33.65%	Cash
<b>Total</b>		<b>107,507,035</b>	<b>1,075,070,350</b>		

Note:

# Related parties whose total subscriptions amount to 43,740,870 units, or 40.68% of the total number of the Fund's units.

## The owners of properties Nos. 2 and 13 are the investors in Derayah Real Estate Income Fund. Their subscriptions to Derayah REIT Fund will be in-kind at 49.7% of their investments in Derayah Real Estate Income Fund and cash at 50.3% of their investments in Derayah Real Estate Income Fund.

After the Offering End Date, the units will be allocated as follows:

- If the total subscription amounts are less than the amount required to be collected, which is SAR 361,744,210, all subscription amounts shall be recovered within 15 business days from the Offering End Date and after any extension period.
- If the total subscription amounts are more than or equal to the amount required to be collected, which is SAR 361,744,210, the units will be allocated as follows:
  - o One thousand investment units will be allocated to each investor
  - o If there is a surplus of unallocated units, the remaining offered units will be allocated on a pro rata basis, and all subscription amounts and the subscription fees related to the units not allocated to investors will be recovered in full (excluding any incurred bank transfer or exchange fees), within 15 days business days from the Offering End Date.
- If the number of subscribers is more than 36,174, the number of allocated units may be less than the minimum subscription. Thus, the Fund Manager cannot guarantee allocating the minimum subscription amounting to 1,000 units.

## 2) Mechanism for Raising the Fund's Capital

If the Fund Manager decides to raise the Fund's capital (after approval of the CMA, the unitholders, and the Fund Board, as per Paragraph (I), Clause (1) "Decisions on the Convening of the Unitholders" hereof, and subject to the provisions of Paragraph (I), Clause (3) "Voting of Unitholders and Voting Rights at Unitholders' Meetings" hereof), it may do so by receiving cash subscriptions in exchange for the issue of negotiable priority rights as applicable to the companies listed in accordance with the regulatory controls and procedures issued under the Companies Law. In this case, the unitholders shall have the priority right to participate in any offering of such rights. The Fund may also raise its capital (after approval of the CMA, the unitholders, and the Fund Board) through in-kind contributions in which the unitholders have no priority rights. In the event that the eligible unitholders do not subscribe to the Fund's capital raising, the Fund Manager may offer the remaining unsubscribed units to the public to subscribe.

### i. Unitholders' Meeting Policy

#### 1) Decisions on the Convening of the Unitholders

The Fund Manager must obtain the unitholders' approval of any proposed material change. In addition, after approval of the unitholders, the Fund Manager must obtain approval of the CMA of the proposed material change. The proposed material change means any of the following:

- A substantial change to the Fund's objectives or nature.
- A change which may have an adverse and material impact on the unitholders or their rights in the Fund.
- A change that has an impact on the Fund's risk profile.
- Raising the Fund's capital.

## 2) Procedures for the Convening of the Unitholders

- The Fund Manager may, on its own initiative, call for a meeting of the unitholders. In addition, the Fund Manager must call for a meeting of the unitholders within ten (10) days from receiving a written request from the Custodian.
- The meetings of unitholders shall be called for by announcing on the websites of the Fund Manager and Tadawul, and a written notice to all unitholders and the Custodian at least ten (10) days before the meeting date and no more than twenty-one (21) days before the meeting date. The announcement and notice must specify the meeting date, place, and time, as well as the proposed decisions. When sending a notice for a meeting of unitholders, the Fund Manager must send a copy of the notice to the CMA.
- The Fund Manager must call for a meeting of unitholders within ten (10) days of receiving a written request from one or more unitholders owning, jointly or severally, at least 25% of the value of the Fund's units.
- The meeting of unitholders shall be valid only if attended by a number of unitholders owning, jointly or severally, at least 25% of the value of the Fund's units.
- If the quorum is absent, the Fund Manager shall call for a second meeting by announcing on its website and that of Tadawul, and sending a written notice to all unitholders and the Custodian at least five (5) days before the second meeting date. Such second meeting shall be deemed valid irrespective of the ownership percentage present at the meeting.

## 3) Voting of Unitholders and Voting Rights at Unitholders' Meetings

- Each unitholder may appoint a proxy to represent it at the unitholders' meeting.
- At the unitholders' meeting, each unitholder shall have one vote for each unit held thereby at the meeting time.
- It shall be permissible to hold the unitholders' meetings and participate in the deliberations and vote on the decisions thereof using the means of modern technology, in accordance with the controls laid down by the CMA.
- Any decision shall be enforceable subject to approval of unitholders owning more than 50% of the total units attending the unitholders' meeting, whether in person, by proxy, or by means of modern technology.

### j. **Rights of the Unitholders**

- 1) Approving the proposed material changes.
- 2) Be notified of the proposed material changes.
- 3) Exercising all rights associated with the units, including, but not limited to, the right to vote in the unitholders' meetings.
- 4) Attending the unitholders' meetings.
- 5) Authorising the Fund Board for representation at the unitholders' meetings.
- 6) Receiving the annual reports of the Fund.

### k. **Dividend Distribution Policy**

The Fund aims to achieve income on the investors' capital, through investing in a variety of income-generating and existing real estate opportunities in the Kingdom of Saudi Arabia (excluding Makkah and Madinah). The Fund may acquire no more than 25% of the Fund's total asset value, according to the latest audited financial statements, in properties outside the Kingdom of Saudi Arabia, in addition to no more than 25% of the Fund's assets value, according to the latest audited real estate financial statements, in accordance with the Real Estate Investment Traded Funds Instructions, with the aim of achieving annual returns for investors during the Fund Term, and enabling the Fund to distribute quarterly dividends to unitholders of no less than 90% of the Fund's net profits, in accordance with the Real Estate Investment Traded Funds Instructions. As such, the dividends will be distributed to unitholders at least on a quarterly basis; on 1 May for the period from 1 January to 31 March, on 1 August for the period from 1 April to 30 June, on 1 November for the period from 1 July to 30 September, and on 1 February for the period from 1 October to 31 December of each calendar year.

### l. **Charges, Service Fees, Commissions and Management Fees**

The unitholders hereby agree to bear all charges, commissions, management fees, and all expenses for the Fund management, according to the following table:

#	Fee Type	Percentage Charged	Amount Charged	Method of Calculation	Fee Payment Frequency
1	Subscription Fees	2.00%	-	The subscription fees shall be withheld from the total subscription amount (total subscription amount after allocating units X percentage)	To be paid once to the Fund Manager upon subscription
2	Fund Management Fees	0.85%	-	To be calculated on a daily basis as a portion of the Fund's net asset value (net asset value X percentage)	To be paid to the Fund Manager on a semi-annual basis
3	Dealing Fees	At a maximum of 1.00%	-	To be calculated as a portion of the property value upon sale or purchase (total purchase or sale price of each real estate asset X percentage)	They will be payable to the Fund Manager immediately after the complete emancipation of the property, in exchange for its investigation, negotiation and inspection
4	Fund Manager's Performance Incentive	20.00%	-	To be calculated as a portion of any returns above 8%, as an internal rate of return on the asset, after distributing any dividends payable by the Fund	To be paid to the Fund Manager upon exit from any assets of the Fund, after distributing the dividends to the unitholders
5	Brokerage Fees	At a maximum of 2.5%	-	To be calculated as a portion of the property value upon purchase (property purchase price X percentage)	They will be paid to the broker or the Fund Manager immediately after emancipation, in exchange for its search for the property
6	Finance Structuring Fee	1.00%	-	To be calculated as a portion of the total amount withdrawn under any credit facilities compliant with Shariah controls (withdrawn amount X percentage)	The finance structuring fee will be paid to the Fund Manager or any third party only upon withdrawing any credit facilities
7	Custody Fees	0.03%	At a maximum of SAR 120,000 annually	To be calculated on a daily basis, by dividing the fees proportionally by the number of days of the year, as a percentage of the Fund's net assets (the Fund's net assets X percentage), taking the maximum limit into account	To be paid to the Custodian on a semi-annual basis
8	Chartered Accountant Fees	-	SAR 30,000 annually	To be calculated on a daily basis, by dividing the fees proportionally by the number of days of the year	To be paid to the Chartered Accountant on a semi-annual basis
9	Shariah Committee Fees	-	SAR 18,750 annually	To be calculated on a daily basis, by dividing the fees proportionally by the number of days of the year	To be paid to the Shariah Committee on a semi-annual basis
10	Appraisal Fees		SAR 10,000 annually	A lump sum amount for each appraiser for appraising one property twice a year	To be paid to the appraiser after issuing the property appraisal report
11	Remunerations of Independent Board Members	SAR 2,000 to each independent member for each meeting held by the Board, up to the maximum of SAR 24,000 a year to all independent members, jointly, to be paid when falling due.			
12	Property Management Fees	At a maximum of 7.00%	-	(Total rents collected each year X percentage)	To be paid to the Property Manager on a quarterly basis
13	Financing Expenses	At the prevailing market rates, and they must be disclosed in the reports submitted to the unitholders			

14	Other Expenses	At a maximum of 0.05%	-	To be calculated as a portion of the Fund's total asset value	To be paid when falling due as other fees or expenses, including, but not limited to, the cost for acquisition of real estate assets for the Fund, as well as advisory, legal, and technical costs ... etc.
15	Regulatory Fees	N/A	SAR 7,500	To be calculated on a daily basis	To be deducted on an annual basis
16	Tadawul Fees	N/A	SAR 5,000	To be calculated on a daily basis	To be deducted on an annual basis
17	Listing Fees	-	SAR 50,000	To be calculated as a portion of the Fund's total asset value	To be paid once for the initial listing service for the Fund's units
		0.03%	At a minimum of SAR 50,000 and a maximum of SAR 300,000, annually.	(the Fund's market value X percentage), taking into account the minimum and maximum limits	To be paid annually for the service of continued listing of the Fund units
18	Registration Fees	-	SAR 50,000, in addition to two riyals for each investor, at a maximum of SAR 500,000	To be calculated as a portion of the Fund's total asset value	To be paid once for the service of creating a register for unitholders
		-	SAR 400,000 annually	To be calculated as a portion of the Fund's total asset value	To be paid annually for the service of managing the register of unitholders
19	Value Added Tax (VAT)	5.00%	-	Of the price of any property purchased under this Offering or the price of any other property purchased in the future, if the property is purchased on or after 01 January 2018 AD	To be paid to the General Authority of Zakat and Tax upon emancipation

The Fund Manager acknowledges that there are no fees other than those in the above table, and that the Fund shall bear such other fees if imposed thereon.

### m. Valuation of the Fund's Assets

#### 1) Method of Valuating the Fund's Assets

The Fund Manager shall value the Fund's assets by calculating the total value of each asset individually on the valuation date, based on the average of two valuations by appraisers independent of the related parties, provided that the appraiser is an active member of the Saudi Authority for Accredited Valuers (Taqeem). The liabilities of the Fund, including the remaining amount of financing, charges, and other fees (such as charges, service fees, commissions, financing commissions, and management fees mentioned in Paragraph (L) "Charges, Service Fees, Commissions, and Management Fees" of these Terms and Conditions), whether they have been paid or recorded as accrued charges and fees, shall be deducted from the valuation amount, in order to determine the net value of the Fund's assets. The unit value shall be determined by dividing the net value of the Fund's assets by the total number of the Fund's units existing on the relevant valuation day. Such value shall be an indicative price of the unit.

Each asset of the Fund shall be valued by independent appraisers, provided that they are active members of the Saudi Authority for Accredited Valuers (Taqeem), and are appointed with approval of the Fund Board Members. The report of each appraiser shall include the following:

- The valuation method and the assumptions on which it is based,
- An analysis of the variables related to the real estate market, such as supply, demand, and market direction,
- Details and descriptions of real estate assets, and,
- Risks related to real estate assets.

2) Valuation Frequency and Time

The Fund Manager will value the Fund's assets based on a valuation prepared by two independent appraisers, at least once every six months, provided that the valuation report includes at least the information specified in Paragraph (1) "Method of Valuating the Fund's Assets" above. The net value of the Fund's assets will be valued twice a year on the last business day of June and December of each calendar year.

If there is a difference between the valuation reports submitted, the average value of the submitted valuations shall be adopted. The Fund Manager may postpone the valuation process after approval of the CMA, in accordance with Paragraph (D) of Article (22) of the Real Estate Investment Funds Regulations.

3) Method of Announcing the Unit Price

The Fund Manager shall announce the net asset value of each unit (the indicative price of unit) within thirty (30) days from the date of the approving of the valuation thereby. Such announcement shall be made on the websites of Tadawul and the Fund Manager. Also, the reports submitted to unitholders, in accordance with Paragraph (W) "Disclosure and Reporting to Unitholders" of these Terms and Conditions, will contain the net asset value of each unit of the Fund. A notice of the indicative price of unit will be served on investors by electronic means every six (6) months after each valuation, and will also be announced on the websites of Tadawul and the Fund Manager.

4) Summary of the Valuation Reports on the Fund's Current Assets

First Asset: Smart Tower		
Valuator	Valuation	Valuation Date
Value Experts	SAR 256,300,000	25 October 2017 AD
Century 21 Saudi Arabia	SAR 271,756,653	22 October 2017 AD
Average of both valuations	SAR 264,028,327	
Purchase Price	SAR 263,500,000	

Second Asset: Jubail Views Residential Compound		
Valuator	Valuation	Valuation Date
Coldwell Banker	SAR 151,540,966	22 October 2017 AD
Century 21 Saudi Arabia	SAR 154,061,875	22 October 2017 AD
Average of both valuations	SAR 152,801,421	
Purchase Price	SAR 145,500,000	

Third Asset: Dammam Warehouses Complex		
Valuator	Valuation	Valuation Date
Value Experts	SAR 134,193,548	25 October 2017 AD
Century 21 Saudi Arabia	SAR 123,809,523	22 October 2017 AD
Average of both valuations	SAR 129,001,536	
Purchase Price	SAR 130,000,000	

Fourth Asset: City Life Plaza		
Valuator	Valuation	Valuation Date
Value Experts	SAR 109,677,419	25 October 2017 AD
Century 21 Saudi Arabia	SAR 109,677,419	22 October 2017 AD
Average of both valuations	SAR 109,677,419	
Purchase Price	SAR 106,250,000	

Note: The appraisers valued the property using the income method, which is based on the net income of property divided by the financial return. As the net income of property is fixed, the appraisers reached the same financial return based on the market data in general and the specifications of property and lessee in particular.



**Fifth Asset: Motoon Towers**

Valuator	Valuation	Valuation Date
Value Experts	SAR 100,857,148	25 October 2017 AD
Century 21 Saudi Arabia	SAR 100,857,148	22 October 2017 AD
Average of both valuations	SAR 100,857,148	
Purchase Price	SAR 98,000,000	

Note: The appraisers valued the property using the income method, which is based on the net income of property divided by the financial return. As the net income of property is fixed, the appraisers reached the same financial return based on the market data in general and the specifications of property and lessee in particular.

**Sixth Asset Al-Fanar Commercial Complex**

Valuator	Valuation	Valuation Date
Value Experts	SAR 68,559,855	25 October 2017 AD
Century 21 Saudi Arabia	SAR 60,616,525	22 October 2017 AD
Average of both valuations	SAR 64,588,190	
Purchase Price	SAR 60,600,000	

**Seventh Asset: Grand (A) Residential Building**

Valuator	Valuation	Valuation Date
Value Experts	SAR 64,516,129	25 October 2017 AD
Century 21 Saudi Arabia	SAR 64,516,129	22 October 2017 AD
Average of both valuations	SAR 64,516,129	
Purchase Price	SAR 58,800,000	

Note: The appraisers valued the property using the income method, which is based on the net income of property divided by the financial return. As the net income of property is fixed, the appraisers reached the same financial return based on the market data in general and the specifications of property and lessee in particular.

**Eighth Asset: Al-Wadi District Warehouses**

Valuator	Valuation	Valuation Date
Value Experts	SAR 59,870,967	25 October 2017 AD
Century 21 Saudi Arabia	SAR 55,238,095	22 October 2017 AD
Average of both valuations	SAR 57,554,531	
Purchase Price	SAR 58,000,000	

**Ninth Asset: Al-Sitteen Commercial Centre**

Valuator	Valuation	Valuation Date
Value Experts	SAR 53,806,451	25 October 2017 AD
Century 21 Saudi Arabia	SAR 53,806,451	22 October 2017 AD
Average of both valuations	SAR 53,806,451	
Purchase Price	SAR 52,125,000	

Note: The appraisers valued the property using the income method, which is based on the net income of property divided by the financial return. As the net income of property is fixed, the appraisers reached the same financial return based on the market data in general and the specifications of property and lessee in particular.

**Tenth Asset: The Valley Commercial Centre**

Valuator	Valuation	Valuation Date
Value Experts	SAR 40,175,200	25 October 2017 AD
Century 21 Saudi Arabia	SAR 39,825,577	22 October 2017 AD
Average of both valuations	SAR 40,000,389	
Purchase Price	SAR 39,500,000	

Eleventh Asset: Grand (B) Commercial Building		
Valuator	Valuation	Valuation Date
Value Experts	SAR 31,935,484	25 October 2017 AD
Century 21 Saudi Arabia	SAR 31,935,484	22 October 2017 AD
Average of both valuations	SAR 31,935,484	
Purchase Price	SAR 31,250,000	
Note: The appraisers valued the property using the income method, which is based on the net income of property divided by the financial return. As the net income of property is fixed, the appraisers reached the same financial return based on the market data in general and the specifications of property and lessee in particular.		

Twelfth Asset: Staff Residential Buildings in Jubail		
Valuator	Valuation	Valuation Date
Value Experts	SAR 25,900,000	25 October 2017 AD
Century 21 Saudi Arabia	SAR 29,137,500	22 October 2017 AD
Average of both valuations	SAR 27,518,750	
Purchase Price	SAR 24,273,685	

Thirteenth Asset: Usufruct of City Walk Commercial Centre		
Valuator	Valuation	Valuation Date
Value Experts	SAR 10,810,000	25 October 2017 AD
Century 21 Saudi Arabia	SAR 11,396,988	22 October 2017 AD
Average of both valuations	SAR 11,103,494	
Purchase Price	SAR 10,504,994	

Fourteenth Asset: Staff Residential Buildings in Dammam		
Valuator	Valuation	Valuation Date
Value Experts	SAR 7,118,750	25 October 2017 AD
Century 21 Saudi Arabia	SAR 5,216,667	22 October 2017 AD
Average of both valuations	SAR 6,167,708	
Purchase Price	SAR 5,087,559	
Note: There is a difference between both valuations of up to 36%. This difference is imputed to the different opinions of appraisers on the percentage of financial return and net income of the property, as Century 21 considers that the financial return is 9%, while Value Experts sees that it is 8%. In addition, Century 21 determined that the net income is SAR 469,500, while Value Experts determined that it is SAR 569,500.		

Fifteenth Asset: Staff Residential Buildings in Khobar		
Valuator	Valuation	Valuation Date
Value Experts	SAR 4,100,000	25 October 2017 AD
Century 21 Saudi Arabia	SAR 3,088,889	22 October 2017 AD
Average of both valuations	SAR 3,594,444	
Purchase Price	SAR 3,012,441	
Note: There is a difference between both valuations of up to 33%. This difference is imputed to the different opinions of appraisers on the percentage of financial return and net income of the property, as Century 21 considers that the financial return is 9%, while Value Experts sees that it is 8%. In addition, Century 21 determined that the net income is SAR 278,000, while Value Experts determined that it is SAR 328,000.		

## n. Trading of the Fund Units

1) Days on which the sale orders or purchase orders for units are permitted

The units shall be traded through the Tadawul System, using an integrated mechanism that covers the entire trading process, starting from the conclusion of deal to the settlement thereof. Trading shall take place every business day of the week over one period from 10:00 am to 3:00 pm from Sunday to Thursday of each week. During this period, orders shall be executed. However, in other times, orders shall be allowed to be entered, modified, and cancelled from 9:30 am to 10:00 am. The trading times shall be changed in the holy month of Ramadan, as determined by Tadawul.

2) Procedures for submitting the sale orders or purchase orders for units

The deals, whether for sale or purchase, shall be concluded through an automated order matching process. Each valid order shall be produced according to the price level. In general, the market orders (those placed based on the best price) shall be executed first, and followed by the price-limit orders (those placed at a specific price), taking into account that if several orders are entered at the same price, they shall be executed respectively by the time of entry. The Tadawul System shall distribute a comprehensive range of information through various channels, the most important of which are the website "Tadawul" on the Internet and the link to information on "Tadawul", which provides the market data immediately to the information agencies, such as Reuters. The deals shall be settled automatically during the day, i.e. the transfer of shares shall take place immediately after the execution of the deal.

As the trading of units is done in the same way as the shares of companies listed in Tadawul, and the unitholders' purchase of any unit through Tadawul is an acknowledgment of having access and acceptance of these Terms and Conditions or any amendments thereto in the future,

the CMA may suspend the trading of units or delist them at such time as it deems fit, in any of the following cases:

- If it considers this necessary for the protection of investors or the maintenance of an orderly market,
- If the Fund Manager or the Custodian fails, in a substantial way at the CMA's discretion, to comply with the Capital Market Law and its Executive Regulations,
- If the liquidation requirements set out in sub-paragraph (A/2) and sub-paragraph (B/2) of Paragraph (B) of Clause (IV) of the Real Estate Investment Traded Funds Instructions are not met, and,
- If the CMA considers that the Fund's level of operations or assets is not adequate for the continuous trading of units in Tadawul.

Also, the Fund Manager may request the CMA, in writing, to suspend trading or delist the Fund units, provided that the request shows the reasons for suspension or delisting. The CMA shall have the right to accept or reject the request, or to accept it under certain conditions and restrictions it deems appropriate.

## O. Fund Termination

The Fund units shall be delisted upon the termination of the Fund Term. The Fund Manager shall then initiate the liquidation procedures of the Fund immediately upon delisting, without prejudice to these Terms and Conditions.

The Fund may be terminated earlier: (1) If the Fund disposes (through the Fund Manager) of all investments and distributes all proceeds of those disposals to unitholders, in the manner set forth in these Terms and Conditions, (2) If a material event occurs, whether with respect to the laws relevant to the Fund and its business, or those on the economic environment in the Kingdom, and the Fund Manager considers this a valid reason for the earlier termination of the Fund, or (3) If the CMA decides to terminate the Fund, under a decision of the CMA's Board.

In both cases (1) and (2) above, the Fund Manager is required to obtain the prior approval of the Fund Board Members, the unitholders, and the CMA.

Upon the termination of the Fund for any of the above reasons, the Fund units shall be delisted, the time plan for liquidation shall be announced, and the liquidation procedures shall be initiated. The Fund Manager shall, whether directly or through an independent liquidator, liquidate the Fund and distribute its assets to unitholders, in accordance with the laws relevant to the Fund, taking the interest of unitholders into account. Subject to the laws and instructions on the Fund, the Fund's assets may be distributed to unitholders in kind in case it is impossible to dispose of them by means of liquidation and the Fund Manager considers that this is in the interest of unitholders.

When the Fund Manager liquidates the Fund's assets as stated above, it shall distribute 90% of the proceeds of sale of each real estate asset separately to unitholders, according to their respective percentages of ownership, after deducting any required fees and expenses, while keeping 10% of the proceeds of sale of each real estate asset to be added to the monetary reserve until the sale of all real estate assets owned by the Fund is completed. At that point, the Fund Manager will distribute this monetary reserve to unitholders in a manner ensuring the equal internal rate of return for each unit of the Fund.

In addition, the Fund Manager must announce the termination of the Fund Term and the period of liquidation on its website and that of Tadawul.

## p. Board Members

The Fund will be supervised by a board to be appointed by the Fund Manager after the approval of the CMA. At least one-third of the Board must be independent members. In all cases, the number of independent members must not be less than two. The Fund Manager shall provide all necessary information about the Fund's affairs to all board members of the Fund, in order to help them perform their duties.

The Fund will be supervised by a board composed of six (6) Members, including two (2) Independent Members, to be appointed by the Fund Manager. The tenure of the board member will begin as from the date of the CMA's approval of the Fund Offering and terminate upon the expiry of the Fund Term or when a member submits its resignation and it is accepted. The Fund Manager shall provide all necessary information about the Fund's affairs to all Board Members of the Fund, in order to help them perform their duties. The Fund Manager may also change members during the Fund Term after obtaining the approval of the CMA and sending a notice to that effect to the unitholders.

In addition, the CMA may make a reasoned decision to remove all or some of the Board Members, if it considers this to be in the interest of the unitholders.

### 1) Names and Qualifications of the Fund Independent and Non-Independent Board Members

Member Name - Title	Qualifications
<i>Mr. Mohammed bin Saeed bin Mansour AlShammasi, CEO of Derayah Financial (Chairman of the Fund Board Members)</i>	<ul style="list-style-type: none"> <li>- Bachelor's degree in Finance from King Fahd University of Petroleum and Minerals (KFUPM) with honours, 2002 AD.</li> <li>- 8 years of experience in investment management at NCB Capital (2006-2014 AD).</li> <li>- 4 years of experience in asset management at Riyadh Bank (2002-2006 AD).</li> </ul>
<i>Mr. Bilal Khaled Bushnaq, CFO and Officer in-charge of finance, accounting, administrative affairs, and risk management, administrative development, and internal organisation at Derayah Financial (Fund Board Member)</i>	<ul style="list-style-type: none"> <li>- A university degree in accounting from the University of Jordan, 1996 AD.</li> <li>- Internationally accredited as a certified public accountant (CPA) in 1998 AD.</li> <li>- An advanced professional certificate of Certified Management Accountant (CMA), 2002 AD.</li> <li>- 18 years of professional experience in various fields of financial management, such as subscription management, risk management, and financial control at the Royal Jordanian Airlines and Al Faisaliah Medical Systems Company.</li> </ul>
<i>Bassam Abdul Aziz Noor, Head of Real Estate Investments at Derayah Financial (Fund Board Member)</i>	<ul style="list-style-type: none"> <li>- Bachelor's degree in Finance and Information Systems Management from the University of South Florida in Florida, USA, with honours, 2002 AD.</li> <li>- 15 years of experience in international and local real estate investments at AlRajhi United, and earlier at Arcapita Bank.</li> <li>- CFA certificate of 2006 AD.</li> </ul>
<i>Mr. Abdulwahab bin Saeed Al-Sayed (Non-independent Board Member)</i>	<ul style="list-style-type: none"> <li>- Bachelor's degree in Business Administration from King Saud University (1996 AD).</li> <li>- Chairman of the Board of Directors of Abdulwahab Al-Sayed Group for Investment and Real Estate Development.</li> </ul>
<i>Mishaal bin Ammar bin Abdulwahed Al Khudairy (Independent Board Member)</i>	<ul style="list-style-type: none"> <li>- Bachelor's degree in Finance from McGill University in Canada, 2009 AD.</li> <li>- Partner and Managing Director at Tanmiya Real Estate Development Company, managing the real estate investments in Riyadh, Khobar, Dubai, Abu Dhabi, and London (2013 AD - to present).</li> <li>- A senior consultant for PricewaterhouseCoopers from 2010 to 2013 AD.</li> </ul>
<i>Mr. Haitham Rasheed Al-Mubarak (Independent Board Member)</i>	<ul style="list-style-type: none"> <li>- Master's degree in Business Administration (MBA) from the University of North Carolina.</li> </ul>

- A businessman who previously worked as the Acting Chief Executive Officer and Head of the Wealth Management Department at Fransi Capital, a number of banks, Booz Allen Hamilton, and Saudi Aramco.

The Fund Manager acknowledges that the Fund Board Members meet the qualification requirements, which are as follows: 1) The member is not bankrupt or subject to any bankruptcy or insolvency proceedings. 2) The member has not previously committed any fraudulent, dishonest, or untrustworthy acts, and, 3) The member has the required skills and experience. The Fund Manager further acknowledges that the Independent Board Members are in conformity with the definition of "Independent Board Member", as stated in the Glossary of Terms used in the regulations and rules of the CMA.

## 2) Remunerations of Board Members

The Independent Board Members of the Fund shall be entitled to receive a remuneration of SAR 2,000 for each meeting, up to the maximum of SAR 24,000 per year to all Independent Members, jointly, to be paid when falling due, according to Paragraph (L) "Charges, Service Fees, Commissions, and Management Fees" of these Terms and Conditions.

## 3) Services Provided by the Fund Board Members

The responsibilities of the Fund Board Members include, without limitation, the following:

- Ensuring that the Fund Manager carries out its responsibilities in a manner that achieves the best interest of unitholders, in accordance with these Terms and Conditions and the relevant provisions set by the Shariah Board and the CMA.
- Approving all material contracts, decisions, and reports to which the Fund is a party, including, but not limited to, the development agreements, custody agreements, marketing agreements, and valuation.
- Approving the Terms and Conditions of the Fund and any amendment thereto.
- Deciding on any deal involving a conflict of interest, disclosed by the Fund Manager.
- Approving the appointment of the Chartered Accountant of the Fund, to be nominated by the Fund Manager.
- Meeting at least twice a year with the Compliance Officer and the Money-Laundering and Terrorist Financing Reporting Officer of the Fund Manager, to ensure that the Fund Manager is in compliance with all applicable laws and regulations.
- Ensuring that the Fund Manager discloses all material information to the unitholders and other stakeholders.
- Working honestly in the interest of the Fund and the unitholders. This obligation of honesty towards the unitholders involves the duties of loyalty, diligence, and reasonable care.
- Approving any investments in the Fund.

## 4) Other Investment Funds Supervised by a Board Member of the Fund

Member	Fund Name	Fund Manager
Mohammed bin Saeed AlShammasi	<ul style="list-style-type: none"> <li>- Durrat Al Khaleej Real Estate Fund</li> <li>- Derayah IPO Fund</li> <li>- Derayah Freestyle Saudi Equity Fund</li> <li>- Derayah Private Fund No. 100</li> <li>- Derayah Trading Finance Fund</li> <li>- Derayah Real Estate Income Fund</li> <li>- Derayah Real Estate Income Fund (2)</li> <li>- Derayah Healthcare Fund</li> <li>- Derayah Commercial Real Estate Fund</li> <li>- Derayah Fund for Investment in Food Services</li> </ul>	Derayah Financial
Bilal Khaled Bushnaq	<ul style="list-style-type: none"> <li>- Derayah Real Estate Income Fund</li> </ul>	Derayah Financial
Bassam Abdul Aziz Noor	<ul style="list-style-type: none"> <li>- Derayah Healthcare Fund</li> <li>- Derayah Commercial Real Estate Fund</li> <li>- Derayah Fund for Investment in Food Services</li> </ul>	Derayah Financial

Abdulwahab bin Saeed Al-Sayed	- Derayah Real Estate Income Fund	Derayah Financial
Mishaal bin Ammar Al Khudairy	- Derayah Real Estate Income Fund - Derayah Commercial Real Estate Fund	Derayah Financial
Haitham Rasheed Al-Mubarak	- Durrat Al Khaleej Real Estate Fund - Derayah Commercial Real Estate Fund - Derayah IPO Fund - Derayah Freestyle Saudi Equity Fund	Derayah Financial

#### q. Fund Manager

##### 1) Name and Address of the Fund Manager

Fund Manager - Derayah Financial  
Head Office: Olaya Main Road, Olaya Centre, 2nd Floor.  
Tel.: 2998000 (011)  
Fax: 4196498 (011)  
P.O. Box: 286546 - Riyadh 11323

[www.derayah.com](http://www.derayah.com)

##### 2) Authorisation of the Fund Manager under the Authorised Persons Regulations

The Fund Manager is Derayah Financial, a Saudi closed joint-stock company, holding CR No. 1010266977, dated 04/05/1430 AH. It is a juridical person licensed to practise dealing, custody, advice, and asset management, and registered with the CMA under the provisions of the Authorised Persons Regulations and Licence No. 08109-27, dated 16/06/2008 AD.

##### 3) Description of Services Provided by All Employees of the Fund Manager

The Fund Manager shall provide, through its employees and under the Licence referred to in Paragraph (2) above, the services of asset management, custody, dealing as principal, dealing as agent, and advice on securities. As for the Fund, the Fund Manager shall manage and operate the Fund as a financial entity independent from the Company's assets, in accordance with the relevant laws and regulations and for the best interest of the unitholders. The Fund Manager shall do the following:

- Setting the policies, provisions, and regulations that govern the Fund's operations, in accordance with the objectives contained herein.
- Setting the decision-making procedures to be followed for conducting the business of the Fund.
- Reporting to the CMA any material event or development that may affect the Fund's business.
- Complying with all laws, regulations, and instructions applicable in the Kingdom with respect to the Fund's business.
- Implementing the investment strategies set out in these Terms and Conditions.
- Managing the Fund's assets for the best interest of unitholders, in accordance with the Terms and Conditions.
- Verifying the legality and validity of all contracts concluded for the interest of the Fund.
- Identifying any third party assigned to perform any works related to the Fund.
- Assigning real estate consultants and companies specialised in collection management and property operation.
- Arranging and negotiating with all parties related to the Fund's real estate asset activities, including property managers, contractors, consultants, and other engineering, marketing, and operational agencies, and following up their performance.
- Arranging for the liquidation of the Fund upon the expiry of the Fund Term or according to the provisions of these Terms and Conditions.
- Informing the unitholders of any material facts or developments that may affect the Fund's business, according to the provisions of these Terms and Conditions.
- Communicating, following up, and coordinating with any third party assigned to perform any works related to the Fund. The Fund Manager shall bear the financial responsibility for any losses sustained by the Fund due to its errors, gross negligence, or intentional misconduct.
- Informing the CMA and the unitholders, without delay, of any substantial developments that fall within the scope of its activities and are not available in the public domain, in accordance with the Real Estate Investment Traded Funds Instructions, in addition to all disclosures stipulated in Article (VIII) of the Real Estate Investment Traded Funds Instructions, and in accordance with the provisions of these Terms and Conditions.

- Consulting with the Fund Board Members from time to time, to ensure compliance with the CMA's regulations and these Terms and Conditions.

- 4) Any business, work, or other important interest of the Fund Board Members or the Fund Manager, that may be in conflict with the interests of the Fund

Abdulwahab bin Saeed Al-Sayed, a non-independent board member of the Fund, owns a share of 22% in Motoon Real Estate Company. Motoon Real Estate Company is the main lessee of Dammam Warehouses, Al-Wadi District Warehouses in Jeddah, and City Life Plaza in Riyadh, and it is also the Property Manager of Motoon Towers and Al-Sitteen Commercial Centre. Moreover, other than the activities or interests set forth in the declaration of each property, neither the Fund Manager nor the Board Members have any activities or interests that may be in conflict with the Fund's interests.

- 5) Description of any material conflicts of interest that would affect the Fund Manager in performing its duties towards the Fund

At the issuance date of these Terms and Conditions, there is no material conflicts of interest that would affect the Fund Manager in performing its duties towards the Fund. The internal procedures and policies of the Fund Manager prevent those involved in making investment decisions from receiving any commissions from the Fund and/or assets acquired.

- 6) Any Fund-related duty or power assigned to a third party by the Fund Manager

Until the date of preparing these Terms and Conditions, the Fund Manager has not assigned any third party to carry out any duties related to the Fund's work.

- 7) Investment in the Fund by the Fund Manager

The Fund Manager may invest in the Fund, either by way of subscription or trading. The same terms applicable to other unitholders of the Fund shall also apply to the investment of the Fund Manager. However, the Fund Manager shall, at the end of each fiscal year, disclose the total number of units and the total value of any investments owned thereby in the Fund, through the Fund's financial statements financial disclosure summary.

- 8) Acknowledgments by the Fund Manager

The Fund Manager acknowledges that:

- Each Board Member of the Fund meets the following qualification requirements: (a) The member is not bankrupt or subject to any bankruptcy or insolvency proceedings, (b) The member has not previously committed any fraudulent, dishonest, or untrustworthy act, and (c) The member has the required skills and experience.
- All Independent Board Members of the Fund are in conformity with the definition of "Independent Board Member", as stated in the regulations and rules of the CMA.
- The current assets of the Fund and those that will be acquired in the future have, or will have, no statutory violations that prevent or may impede the use or operation of the real estate asset.
- The current assets of the Fund and those that will be acquired in future are, or will be, technically safe.
- The current assets of the Fund and those that will be acquired in future are, or will be, free from any material engineering defects that may prevent or impede the use or operation the real estate asset or may require expensive considerable repairs or changes.

#### r. **Custodian**

- 1) Name and Address of the Custodian

Custodian - Alinma Investment Company

King Fahd Road, Olaya District

Riyadh 11576, P.O. Box 66333

Tel.: 5999 218 (11) 966+

Fax: 5970 218 (11) 966+

[www.alinmainvestment.com](http://www.alinmainvestment.com)

- 2) Authorisation of the Custodian under the Authorised Persons Regulations



The Custodian, Alinma Investment Company, a juridical person licensed to practise the custody business and registered with the CMA under the provisions of the Authorised Persons Regulations under Licence No. 09134-37.

### 3) Duties of the Custodian

The duties of the Custodian include the following:

- Separating the real estate assets of the Fund from the assets of its own and its clients.
- Keeping all necessary records and other documents that document the fulfilment of its contractual obligations.
- Registering the real estate assets of the Fund in the name of a subsidiary of the Custodian for the Fund or in the name of a subsidiary of an authorised financier that has provided financing for the Fund.
- Disposing of the real estate assets of the Fund upon the issuance of prior written instructions by the Fund Manager, complying with those instructions, and not taking any action related to the real estate assets of the Fund without a prior written approval of the Fund Manager.
- Providing full cooperation with respect to the requests of Chartered Accountants, other advisers of the Fund, and the Fund Manager.

### 4) Summary of the Custodian's Service Agreement

Item	Description
Type of the Agreement	Custodian's Services Agreement
Parties to the Agreement	<ul style="list-style-type: none"> <li>- Derayah Financial (Fund Manager)</li> <li>- Alinma Investment Company (Custodian)</li> </ul>
Purpose of the Agreement	Providing the Custodian's services to the Fund as per the duties stated in Paragraph (3) above
Level of Care	The Custodian shall fulfil its obligations under the Agreement, in accordance with the provisions of Chapter Seven of the Authorised Persons Regulations, with all care and concern, and shall exert professional and due diligence in providing its services
Undertakings by the Custodian	<ul style="list-style-type: none"> <li>- Maintaining the assets in custody with honesty for the Fund</li> <li>- Neither the Custodian nor its subsidiary has any right in rem in the assets</li> <li>- The assets are not a part of its assets or those of its subsidiary</li> <li>- Not creating any financial or moral burden or liability on the assets in favour of the Custodian, its creditors, or any third party, without a prior written approval of the Fund Manager</li> <li>- Not disposing of the assets, in any way of disposal, management, or participation, without a written permission from the Fund Manager, in accordance with the Agreement</li> </ul>
Reporting	The Custodian undertook to provide the Fund Manager with semi-annual reports, and any other reports upon the Fund Manager's request, showing the assets held in the custody for the Fund Manager
Fees and Expenses	According to Paragraph (L) "Charges, Service Fees, Commissions, and Management Fees" of these Terms and Conditions
Jurisdiction and Dispute Resolution	<ul style="list-style-type: none"> <li>- This Agreement shall be governed by and construed in accordance with the laws and regulations in force in the Kingdom of Saudi Arabia, without prejudice to Islamic Shariah</li> <li>- Any dispute arising between both Parties and can not be resolved amicably within thirty (30) days from the date thereof shall be settled by the competent judicial authority in the Kingdom of Saudi Arabia</li> </ul>

### 5. Developer

N/A





#### t. Chartered Accountant

Name and Address of the Chartered Accountant

Ibrahim Al-Bassam and Abdul-Mohsen Al-Nimr Chartered Accountants (PKF Al-Bassam and Al-Nimr)  
Prince Mohammed Bin Abdulaziz (Tahlia) Street, ALSalmanyah District  
P.O. Box 28355, Riyadh 11437  
Tel.: +966 (11) 206 5333  
Fax: +966 (11) 206 5444  
[www.pkf.com/saudi-arabia](http://www.pkf.com/saudi-arabia)

#### u. Financial Statements

The fiscal year shall begin on 01 January and end on 31 December of each year. The financial statements of the Fund shall be prepared by the Fund Manager, reviewed on a semi-annual basis, and audited on an annual basis, in accordance with the accounting standards set by the Saudi Organisation for Certified Public Accountants (SOCPA). The financial statements of the Fund shall be audited by the Fund's Chartered Accountant, submitted to the Fund Board Members, and made available to the CMA as soon as they are approved and communicated to unitholders within a maximum of (25) days from the end of the period covered by the initial unaudited financial statements and (40) days from the end of the period covered by the audited annual financial statements, by publishing on the websites of the Fund Manager and Tadawul.

#### v. Conflicts of Interest

At the date of these Terms and Conditions, there is no conflicts of interest between interests of the Fund Manager or the related parties and interests of the unitholders of the Fund. The Fund Manager seeks to avoid any conflict of interests between the interests of its own or those of related parties and interests of the unitholders of the Fund, by prioritising the interests of the unitholders of the Fund over the interests of its own or those of related parties, and not prioritising the interests of certain unitholders over those of other unitholders in the same Fund. The Fund Manager also exerts its utmost efforts to resolve any conflict of interests. If there is any potential conflict of interests, the Fund Manager shall disclose the same to the Fund Board Members to make a decision thereon. Moreover, the Fund Manager shall immediately disclose any conflicts of interest in the Terms and Conditions and its periodic reports. In addition, the Fund Manager shall present, upon request, the procedures to be followed to address any conflicts of interest. The CMA will be notified of any conflicts of interest during the operation of the Fund. Initially, the Fund Manager has identified the following aspects of potential conflicts of interest:

##### 1) Projects similar to those of Derayah Financial

Derayah Financial may manage its own accounts and other investments and accounts with objectives similar to those of the Fund. Such investments include collective investment programmes, which may be managed or sponsored by Derayah Financial or in the capital of which Derayah Financial or any of its subsidiaries may have a share.

In addition, subject to the restrictions set forth herein, Derayah Financial may in the future act as fund manager, investment manager, or general partner in other investment funds, of which one or more funds may invest in projects similar to those developed by the Fund.

##### 2) Transactions with the Fund Manager and Subsidiaries

The Fund may engage in transactions with the Fund Manager, its current or former subsidiaries, or any other entities in which Derayah Financial has direct or indirect rights. For example, Derayah Financial, or some of its subsidiaries, may provide certain services to the Fund. All transactions between the Fund and the Fund Manager, its subsidiaries, and entities in which Derayah Financial has direct or indirect rights, shall be disclosed to the Fund Board.

##### 3) Fund Board

As any board member of the Fund may have interests related to a wide range of real estate and commercial activities, the Fund Board shall oversee the resolution and settlement of any conflicts of interest for any Board Member. Such activities may, from time to time, be in conflict with the interests of the Fund. In such case, the Member whose interests are in conflict with those of the Fund shall be prevented from voting on any matter related thereto. The Fund board members shall exercise diligence and care towards unitholders, under the responsibilities stipulated in these Terms and Conditions. They shall make all efforts to resolve and settle any conflicts of interest, by weighing issues in good faith when they arise.

4) Transactions of Related Parties

The Fund may, from time to time, carry out transactions with the related parties, provided that such transactions are disclosed to the Fund Board and are carried out under the prevailing market conditions. If a related party, including any fund established by the Fund Manager, desires to carry out a transaction with the Fund, the Fund Manager shall obtain approval of the Fund Board. Moreover, the paid or received purchase price must be equal to the independent valuations and based on pure commercial transactions.

**W. Disclosure and Reporting to the Unitholders**

The Fund Manager shall disclose the following information to the CMA and the unitholders:

- 1) Any material developments falling within the scope of its activity that are not in the public domain and may affect the Fund's assets, liabilities, financial position, or general course of business, as well as any other change that may affect the Fund's position or result in the Fund Manager's voluntary withdrawal from its position, and may reasonably cause or result in change in the price of listed unit or have a significant effect on the Fund's ability to fulfil its obligations regarding debt instruments (if any).
- 2) Any transaction to purchase, sell, lease, or mortgage an asset at a price equal to or greater than 10% of the Fund's total assets value, according to the latest initial unaudited financial statements or the audited annual financial statements, whichever is more recent.
- 3) Any losses equal to or greater than 10% of the Fund's net asset value, according to the latest initial unaudited financial statements or the audited annual financial statements, whichever is more recent.
- 4) Any changes in the formation of the Fund Board or Committees (if any).
- 5) Any dispute, including judicial cases, arbitration, or mediation, if the disputed amount or claim is equal to or greater than 5% of the Fund's net asset value, according to the latest initial unaudited financial statements or the audited annual financial statements, whichever is more recent.
- 6) Any increase or decrease that is equal to or greater than 10% of the Fund's net asset value, according to the latest initial unaudited financial statements or the audited annual financial statements, whichever is more recent.
- 7) Any increase or decrease that is equal to or greater than 10% of the gross profit of the Fund, according to the latest audited annual financial statements.
- 8) Any transaction between the Fund and any related party or any arrangement through which the Fund and a related party invest in any project or asset or provide financing thereto, if the amount of such transaction or arrangement is equal to or greater than 10% of the Fund's total revenues according to the latest audited annual financial statements.
- 9) Any interruption in any main activity of the Fund, that is equal to or greater than 5% of the Fund's total revenues according to the latest audited annual financial statements.
- 10) Any change of the Chartered Accountant.
- 11) Any change in the formation of the Fund Board.
- 12) The appointment of a substitute custodian.
- 13) The issuance of any judgment, decision, declaration, or order by a court or judicial authority, whether at the stage of first instance or appeal, which may adversely affect the Fund's utilisation of any part of assets the aggregate value of which exceeds (5%) of the Fund's net asset value, according to the latest initial unaudited financial statements or the audited annual financial statements, whichever is more recent.
- 14) Any proposed change to the Fund's capital.

Furthermore, the Fund Manager shall, in addition to the disclosure requirements stated in the Real Estate Investment Funds Regulations (including the reports to be submitted to unitholders and the initial and annual financial reports), disclose the following every no more than six months:

- 1) Any material, substantial, or significant changes that affect the operation of the Fund.
- 2) The statement of dividends distributed to unitholders.

Subject to the provisions of Paragraph (U) "Financial Statements" of these Terms and Conditions, the Fund Manager shall prepare and submit annual reports to unitholders, including the following information:

- 1) The assets in which the Fund invests.
- 2) The assets in which the Fund aims to invest.
- 3) The proportions of leased and un-leased properties to the total real estate assets owned.
- 4) A comparative table covering the Fund's performance over the last three fiscal years (or as from establishment of the Fund), indicating the following:
  - The Fund's net asset value at the end of each fiscal year.

- The Fund's net asset value per unit at the end of each fiscal year.
  - The highest and lowest net asset value of per unit for each fiscal year.
  - The number of issued units at the end of each fiscal year.
  - The distribution of income per unit.
  - The percentage of expenses incurred by the Fund.
- 5) A performance record showing the following:
- The total return for one, three, and five years (or as from the establishment of the Fund).
  - The total annual return for each year of the past ten fiscal years (or as from the establishment of the Fund).
  - A table showing the services fees, commissions, and fees paid by the Fund to third parties over the year, and disclosing whether there are any conditions in which the Fund Manager grants fee exemption or reduction.
  - If there are material changes that affected the performance of the Fund during the relevant period, they must be clearly disclosed.
  - The Fund Board's annual report, including, but not limited to, the topics discussed and the decisions taken thereon, including the performance of the Fund and the achievement of its objectives.
  - A statement on the special commissions received by the Fund Manager during the relevant period, showing clearly their purpose and how they were utilised.

#### X. Other Information

- a. Any information, records, or notices provided by the Fund Manager are not intended to provide any advice or evaluation, and they should not be considered as a recommendation to any unitholder to invest or buy units in the Fund. The Fund Manager does not provide any advice to unitholders on the Fund or investment. Each investor shall be responsible for carrying out its independent investigations and evaluation of the Fund's solvency and investment therein.
- b. The Fund Manager undertakes to comply with the Law on Ownership and Investment in Real Estate by Non-Saudis.
- c. The Fund's net real estate assets are fully owned jointly by the unitholders. Neither the Fund Manager nor the Custodian may have an interest or a claim in these assets, unless the Fund Manager owns units in the Fund, or such claims are permitted and disclosed in the Terms and Conditions. The creditors of the Fund Manager and the Custodian shall not have any right to the Fund's money or assets.
- d. The unitholders must seek professional advice on the effects of zakat and taxes on their ownership, possession, or disposal of the Fund's units. They must also be aware that the Fund Manager may, if necessary and permitted by laws, pay the zakat imposed on the Fund or real estate assets from the Fund's money, while each investor shall be responsible for paying any zakat and tax liabilities imposed thereon.
- e. The unitholders of this Fund undertake to comply, at all times, with the laws and regulations applicable in the Kingdom of Saudi Arabia, including anti-money laundering laws in force and any amendments thereto. The Fund Manager has the right to reject any request to deal with any investor, provide advise thereto, or rent any units thereto, if such investor refuses to provide required information, provide a satisfactory proof of identity to the Fund Manager, or update the required data annually under anti-money laundering and counter-terrorism financing laws. The Fund Manager shall also be required to inform the Financial Investigation Unit of the Ministry of Interior and Anti-Money Laundering and Counter-Terrorist Financing Unit of the CMA of any suspicious operations, by sending a report thereon without disclosing to the investor. In such case, the Fund Manager will continue to deal with the investor until specific instructions are issued in this regard.
- f. The Fund is managed in accordance with Shariah standards and according to the directives of the Fund's Shariah Advisor, who monitors the Fund's business, operations, and investments to ensure their compliance with the provisions of Islamic Shariah. Moreover, the Shariah Advisor supervises the Fund's operations, policies, and activities on an ongoing basis, to ensure their compliance with the provisions of Islamic Shariah.

The Shariyah Review Bureau has been assigned by the Fund Manager as a Shariah advisor, to supervise and advise on the Fund's compliance with and application of the provisions of Islamic Shariah. The Shariyah Review Bureau is headquartered in the Middle East and has a network of 28 Shariah Advisors around the world to cover the markets where the Shariah-compliant activities are concentrated, such as: Malaysia, the Kingdom of Saudi Arabia, Algeria, Egypt, Qatar, the UAE, the Sudan, and the Kingdom of Bahrain.

The Shariyah Review Bureau is licensed by the Central Bank of Bahrain, to provide Shariah auditing, structuring, review, and endorsement (Fatwa) services, as well as Shariah supervision and control services. the Fund was audited by the Shariah Advisor, Sheikh Salah Al-Shalhoub. The Shariah Advisor shall undertake Shariah supervision and annual auditing of the Fund's operations and agreements, to affirm for the Fund Board that the Fund's operations and investments are compliant with Islamic Shariah.

Sheikh Dr. Salah bin Fahd Al-Shalhoub:

Sheikh Dr. Salah is a Shariah advisor, holding PhD in Islamic Finance from the University of Edinburgh in the United Kingdom and master's degree from Al-Imam University in the Kingdom of Saudi Arabia. Currently, he holds the position of Assistant Professor at the Department of Islamic and Arabic Studies at the College of Applied and Supporting Studies, King Fahd University of Petroleum and Minerals. He has written many research papers and articles on Islamic banking sector, that were published in several newspapers, most notably the Al Eqtisadiyah Newspaper.

Career History:

- Member of the Shariah Board of Weqaya Takaful Insurance Company.
- Member of the Shariah Board of the Seib Takaful Insurance Company (Qatar).
- Member of the Shariah Board of the Commercial International Bank (Dubai).
- Member of the Shariah Board of Investrade Company (Bahrain).
- Member of the Shariah Board of BMW Financial (Dubai).
- Member of the Shariah Board of the National Company for Cooperative Insurance.
- Member of the Shariah Board of Amana Cooperative Insurance Company.
- Member of the Shariah Board of the Investor Fund for Securities.
- Member of the Shariah Board of the Australian Real Estate Fund.
- Member of the Shariah Board of Derayah Financial Shariah-Compliant Funds.
- Member of the Shariah Board of Al Wasatah Al Maliah Funds.
- Member of the Shariah Board of Itqan Capital Company.

Academic Qualifications:

- PhD in Islamic Finance from the University of Edinburgh in the United Kingdom.
- Master's degree from Al-Imam University in the Kingdom of Saudi Arabia.

Publications:

- Ashom Al-Sharekat Min Manzoor Islamy [Corporate Shares from an Islamic Perspective].
- Al-Bei Beltakseet Fil Sharia Al Islamia [Installment Sale in Islamic Shariah]: Al Nazariya Wal Tatbeek [In Theory and Practice].
- Al Tawaruk Al Monazam Fil Sharia Al Islamia [Regulated Securitization in Islamic Shariah]: Derasah An Al Tawaruk Al Monazam Wal Motabaq Fil Moasasat Al Maliah Al islamiah [A Study on Regulated Securitization Applied in Islamic Financial Institutions].
- Al Tamweel Al Eskany Fil Sharia Al Islamia: [Housing Finance in Islamic Shariah]: Derasah An Badh Al Montagat Al Aqariya Allati Toqademha Al Masaref Al Islamiah [A Study on Certain Real Estate Products Offered by Islamic Banks].

**y. Amendment of the Fund Terms and Conditions**

The Fund Manager may amend these Terms and Conditions after approval of the unitholders of any proposed material change to the Terms and Conditions. After obtaining approval of the unitholders, the Fund Manager shall obtain approval of the Shariah Board and the CMA of such material change. Any of the following changes shall be considered a material change:

- a. A substantial change to the Fund's objectives or nature.
- b. A change which may have an adverse and material impact on the unitholders or their rights in the Fund.
- c. A change that has an impact on the Fund's risk profile.
- d. Raising the Fund's capital.

The Fund Manager shall submit an updated copy of the Terms and Conditions to the CMA and the Custodian within (10) days of any change thereto.

The Fund Manager shall publish a copy of the Terms and Conditions on its website and that of Tadawul. The Fund Manager must publish the updated copy of the Terms and Conditions on its website and that of Tadawul within (10) days of any update thereto, including the annual update on the Fund's performance.

The Fund Manager shall announce the details of any material changes to the Terms and Conditions of the Fund on its website and that of Tadawul, (10) days prior to the effective date of change.

**z. Applicable Law**

These Terms and Conditions shall be governed and construed in accordance with the KSA laws and regulations that are subject to the supervision of the CMA.

The Fund Manager and each investor will seek the amicable resolution of any dispute arising out of or in connection with these Terms and Conditions and the matters covered hereby. In case the dispute could not be settled amicably within (30) days from the date of notification thereof, the judicial authority competent to hear the same shall be the Committee for Resolution of Securities Disputes.

## Annex 1: Shariah Standards

- 1) Shariah Standards for Fees of the Fund Manager
  - The Fund Manager may charge the investor fee for its subscription, as consideration for lawful benefits, whether this fee is a lump sum or a percentage to be deducted from the value of purchased unit, provided that such fee is stipulated in the Terms and Conditions of the Fund.
  - The Fund Manager may withhold performance incentives as additional fees to be claimed from the investor in the event that the level of profits exceeds a certain agreed limit. Being a part of the fees, these incentives must be fixed and not a subject of dispute, provided that the percentage is fixed and declared to investors in the Terms and Conditions of the Fund.
- 2) Shariah Standards for Fund Management and Marketing
  - The Fund Manager must exert its utmost efforts to invest the Fund's money in an optimal manner to the benefit of investors.
  - The Fund Manager must invest the money of the Fund for the purpose for which the Fund is established. The Fund Manager may not invest such money for any purpose not stipulated in the Fund's Terms and Conditions, except after notifying investors.
  - The Fund Manager may provide for the expected profit rate from subscription to the Fund based on market studies, provided that this rate is provided on an approximate and expected basis.
  - The Fund Manager must fully disclose all expenses charged to the Fund.
  - All documents used by the Fund, including contracts and other forms, must not violate the Shariah provisions, controls, and standards.
  - All agreements related to the Fund must be presented to the Shariah Board for review and approval before the execution thereof with other parties.
  - The Fund Manager may not enter into any contract that entails the payment or accrual of usurious interests, and it may take any judicial actions necessary to obtain its dues.
- 3) Shariah Standards for Leasing and Selling the Fund's Assets
  - The Fund shall invest its money in Shariah-permissible real estate projects that do not involve any usurious interest.
  - The Fund may not charge any usurious interests in the event that any party delays in paying its liabilities, and it may take any judicial actions necessary to obtain its dues.
  - The Fund Manager may lease properties, provided that they are not leased to any party practising Shariah-prohibited business, such as leasing for usurious banks.
  - The Fund Manager may not invest in properties in which the activities of lessees are based on the following Shariah-prohibited activities:
    - Gambling.
    - Tobacco production.
    - Commercial insurance and interest-based financing institutions.
    - Any other prohibited activities specified by the Shariah Board.
  - The Fund Manager may invest in properties leased to companies or persons who do not comply with the standards set forth above, including banks, insurance companies, etc., provided that the rent collected therefrom represents 5% or less of the total rent collected from such properties, subject to the following conditions:
    - The revenues obtained from such entities shall be given to charitable associations with approval of the Shariah Board.
    - If the Fund Manager can replace the lessee engaging in non-compliant business with another one engaging in business compliant with the Shariah controls and provisions without causing financial or legal damage to the Fund, it shall replace the lessee after serving a 3-month written notice there.
    - If the said action will cause financial or legal damages to the Fund, such lessee will be left until the termination of the term and the lease shall not be renewed.
    - If the Fund Manager invests in a vacant property or a property where all lessees are practicing business compliant with the Shariah provisions and controls, the Fund Manager may not lease the property to a lessee engaging in a non-compliant business, even if the rent from the former is less than 5% of the total rents collected.

## Annex 2: Acknowledgments by the Fund Manager

1. The Fund Manager acknowledges that the Terms and Conditions of Derayah REIT Fund were developed in accordance with Real Estate Investment Funds Regulations and the Real Estate Investment Traded Funds Instructions issued by the Saudi CMA.
2. The Fund Manager acknowledges, after having conducted all reasonable investigations and to the best of its knowledge and belief, that there are no facts whose failure to be included herein might render any statement herein misleading. In addition, neither the Saudi CMA nor the Saudi Stock Exchange shall assume responsibility for the content hereof.
3. The Fund Manager acknowledges that the property has no statutory violations that may prevent or impede the use or operation thereof, and that it is technically safe and free from any material engineering defects that may prevent or impede the use or operation thereof or may require expensive considerable repairs or changes.
4. With the exception of the provisions of in Paragraph (F), Clause (5) "Description of the Fund's Current Assets", the Fund Manager acknowledges that there are no direct or indirect conflicts of interest between:
  - a. The Fund Manager.
  - b. Manager(s) of properties related to the Fund.
  - c. Owner(s) of properties related to the Fund.
  - d. Lessee(s) of real estate assets with returns of or greater than 10% of the Fund's annual rent revenues.
5. The Fund Manager acknowledges that all Fund Board Members: have not been subject to any bankruptcy, insolvency, or dissolution proceedings or actions; have not previously committed any fraudulent, dishonest, or deceptive acts or offences in breach of integrity or honesty; and have the required skills and expertise necessary to be member of the Fund Board.
6. The Fund Manager acknowledges that the two Independent Board Members are in conformity with the definition of "Independent Board Member", as stated in the Glossary of Terms used in the regulations and rules of the CMA, which shall also be applied to any independent member appointed by the Fund Manager throughout the term of the Fund.
7. The Fund Manager acknowledges that there are no other significant businesses or interests for the Board Members of the Fund Manager of "Derayah Financial", that may be in conflict with the Fund's interests.
8. The Fund Manager acknowledges that there are no conflicts of interest, that would affect the Fund Manager in performing its duties towards the Fund.
9. The Fund Manager acknowledges that there are no fees other than those stated in the Charges and Fees Table set out in Paragraph (L) "Charges, Service Fees, Commissions, and Management Fees" of these Terms and Conditions.
10. The Fund Manager acknowledges that the Fund will only be listed upon the completion of transfer of property to the Fund. Failing to do so within the period specified in Paragraph (H) "Subscription" of these Terms and Conditions, the full subscription amount shall be returned to investors.
11. The Fund Manager acknowledges that no Board Member may have a direct or indirect interest in the businesses or contracts concluded for the Fund. The Fund Manager shall obligate the Board Members to inform the Board of their direct or indirect personal interests in the businesses and contracts concluded for the Fund, and record the same in the meeting minutes. The Fund Manager shall ensure that any Member having an interest shall not vote on any decisions in this regard.
12. The Fund Manager acknowledges that all contracts and agreements that are related to the Fund and may affect the investors' decisions on subscription to the Fund have been disclosed and that there are no contracts or agreements other than those stated herein.
13. The Fund Manager acknowledges that the unitholders shall be entitled to vote on any matters presented thereto in the unitholders meetings. In addition, any material change to the Fund must be approved by a majority of unitholders holding more than 50% of the value of units, including:
  - a. A substantial change to the Fund's objectives or nature;
  - b. A change which may have an adverse and material impact on the unitholders or their rights in the Fund;
  - c. A change that has an impact on the Fund's risk profile;
  - d. Any increase in the Fund's capital.

14. The Fund Manager acknowledges that it shall take all actions necessary to the benefit of unitholders, according to the best of its knowledge, with due and reasonable diligence. The Fund Manager and its directors, officers, employees, agents, advisers, and subsidiaries, as well as the Custodian, the Shariah Advisor, and the Fund Board shall exert all reasonable efforts and act in good faith in order to achieve the interests of unitholders. However, the Fund may incur a loss in any way due to an unintentional act by any of the said parties in the course of the management of the Fund's affairs. In such case, those parties shall not be held liable for such loss, provided that they have acted in a good faith, which must be proved if there is no action, decision, or correspondence indicating prior knowledge of the negative consequences of such act, it was made in a manner believed to optimally serve the interest of the Fund - and the act does not involve fraud, gross negligence, or willful misconduct.
15. The Fund Manager acknowledges that all transactions with related parties were duly and legally concluded on appropriate and fair commercial basis, and they will not have any adverse impact in any way on the performance of the Fund or the owners thereof.
16. The Fund Manager acknowledges that no commissions, discounts, brokerage fees, or any monetary or non-monetary consideration other than those stated herein have been paid to any party or non-party to the Fund.
17. The Fund Manager acknowledges that all terms, conditions, and information that may affect the decision on subscription to and investors of the Fund have been disclosed.
18. The Fund Manager acknowledges that the property owners and lessees are not subject to any seizure or attachment of their properties or accounts.

Annex 3: Owners of Mooton Real Estate Company

No.	Owner's name	Ownership percentage
1	Abdulwahab bin Saeed bin Abdullah Al-Sayed	21.999%
2	Khaled bin Saeed bin Abdullah Al-Sayed	18.999%
3	Ahmed bin Saeed bin Abdullah Al-Sayed	16.998%
4	Asma bint Saeed bin Abdullah Al-Sayed	12.000%
5	Haya bint Saeed bin Abdullah Al-Sayed	11.000%
6	Abdulaziz bin Saeed bin Abdullah Al-Sayed	10.000%
7	Abdulrahman bin Saeed bin Abdullah Al-Sayed	4.000%
8	Noura bint Jubran bin Hizam Al-Qahtani	3.000%
9	Munira bint Saeed bin Abdullah Al-Sayed	2.000%
10	Omar bin Abdullah bin Omar Al-Showayer	0.002%
11	Saud bin Ahmed bin Saeed Al-Sayed	0.002%



Annex 4: Owners of Nesaj Project Management Co. and Retal for Structural Development

Ownership of Nassaj Real Estate Development Company		
No.	Owner's name	Ownership percentage
1	Retal for Structural Development	100%

Ownership of Retal for Structural Development		
No.	Owner's name	Ownership percentage
1	Al Fozan Holding Company	99.0%
2	Al Fozan for limited investment	1.0%

Ownership of Al Fozan Holding Company		
No.	Owner's name	Ownership percentage
1	Abdullatif and Mohammad Al Fozan Company	60.0%
2	Khalid Al Fozan	10.0%
3	Ali AL Fozan	10.0%
4	Abdullah Al Fozan	10.0%
5	Fozan Al Fozan	10.0%

Ownership of Abdullatif and Mohammad Al Fozan Company		
No.	Owner's name	Ownership percentage
1	Mohammad Al Fozan	50.0%
2	Maali Holding Company	40.0%
3	Abdullatif Al Fozan	7.0%
4	Khalid Al Fozan	1.0%
5	Ali AL Fozan	1.0%
6	Abdullah Al Fozan	100%

Ownership of Maali Holding Company		
No.	Owner's name	Ownership percentage
1	Abdullatif Al Fozan	69.9%
2	Khalid Al Fozan	10.0%
3	Ali AL Fozan	10.0%
4	Abdullah Al Fozan	10.0%
5	Azdan for Arab Trade	0.1%

Ownership of Azdan for Arab Trade		
No.	Owner's name	Ownership percentage
1	Abdullatif Al Fozan	70.0%
2	Khalid Al Fozan	10.0%
3	Ali AL Fozan	10.0%
4	Abdullah Al Fozan	10.0%

Annex 5: Example of the calculation of recurring fees

Expenses to be charged to the Fund based on the estimated subscription amount, assuming the Fund's size is SAR 500 million

Estimated Subscription Amount	SAR 1,000,000
Management Fees (0.85%)	SAR 8,492
Custody Fees (0.03%, at a maximum of SAR 120,000 annually)	SAR 240
Chartered Accountant Fees (SAR 30,000 annually)	SAR 60
Shariah Committee Fees (SAR 18,750 annually)	SAR 37.50
Remunerations of Independent Board Members (SAR 24,000 annually)	SAR 48
Other Fees (0.05%)	SAR 499.81
Annual recurring total fees and expenses	SAR 9,378
Annual recurring total fees and expenses	0.94%
Total expected dividends (based on an estimated rental yield of 8.5%)	SAR 85,000
Net expected dividends (based on an estimated rental yield of 8.5%)	SAR 75,622
Net expected dividends %	7.56%
Subscription Fees (2.00 %)	SAR 20,000 - not to be incurred by the Fund, but rather directly by the subscriber.

Acknowledgment and Signature

We have read, understood, and agreed on the Terms and Conditions of Derayah REIT Fund, and received and signed a copy thereof.

Name: .....

Identity Card: .....

Address: .....

Mobile: .....

Tel.: .....

Fax: .....

Signature: .....

Director of Compliance and Anti-Money Laundering  
Mohammed Ahmed Al-Yami

Chief Executive Officer  
Mohammed bin Saeed AlShammasi