



Taleem REIT Fund Terms and Conditions

A publicly traded Shariah compliant closed end real
estate investment fund

FUND MANAGER - SAUDI FRANSI CAPITAL

Custodian: KASB Capital
Fund Size: SAR 510,000,000
Number of Units Offered to Public: 51,000,000
Percentage of Units offered to Public: 100%
Unit Price: SAR 10

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective subscribers of the units offered hereby should conduct their own due diligence on the accuracy of the information relating to the units. If you do not understand the contents of this document, you should consult an authorized financial advisor.

Taleem REIT Fund has been certified as a real estate investment traded fund that is Shariah compliant by the Shariah Board appointed for the real estate investment traded fund.

The Fund's terms and conditions shall be read in conjunction with the other documents of the real estate investment traded fund.

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

- Updating the terms and conditions according to the requirements of Annex (2) of the updated Real Estate Investment Funds Regulation.

The Terms and Conditions were issued on the 12 Shaban 1438H corresponding to 8 May 2017. The Capital Market Authority (CMA) was notified of the latest updates 27 Rajab 1443H corresponding to 28 February 2022G.

Salam Zaki AlKhunaizi

Chief Executive Officer and Board Member

Ibrahim A.Al-Ghanem

Acting Chief Compliance, Governance and Legal

2	Glossary	3
3	Fund Facts.....	4
4	Summary of the Offer	6
5	Name and Type of Fund	6
6	Fund Manager Address and Website	6
7	Fund Duration	7
8	Fund’s Purpose and Objectives.....	7
9	Fund’s Strategies	7
10	Risks of Investing in the Fund	13
11	Subscription.....	21
12	Trading of the Fund Units.....	23
13	Dividend Policy	24
14	Termination and Liquidation of the Fund	24
15	Fees, services charges, commissions and management expenses.....	24
16	Insurance Contracts.....	27
17	The Fund’s Assets.....	28
18	Fund Board.....	30
19	Fund Manager	32
20	Legal Advisor.....	35
21	Custodian.....	35
22	Property Manager	36
23	Auditor.....	36
24	Financial Statements.....	37
25	Conflict of Interest.....	37
26	Reporting to Unitholders	37
27	Meeting of Unitholders.....	38
28	List of Unitholders Rights.....	38
29	Other Information	39
30	There are no additional information requirements for other types of Funds.	39
31	Shariah Board	39
32	Unit Characteristics.....	39
33	Amending the Fund's terms and conditions	40
34	The Fund Manager's Declarations	40
35	Governing Laws.....	41
36	Acknowledgment from the Unitholder	42

2 Glossary

Accredited Valuer	A legal or natural person licensed to carry out the valuation profession in accordance with the Accredited Valuers Law issued by Royal Decree no.(M/43) dated 9/7/1433H and its implementing regulation (Real-Estate Valuation Sector).
Authority	The Capital Market Authority, including where the context permits any Committee, sub-committee, employee or agent to whom any function of the Authority may be delegated.
Business day	The official business day, when the financial markets are open for business in the Kingdom.
Fund Board	The fund directors appointed by the fund manager in accordance with the Investment Funds Regulations and the Real Estate Investment Funds Regulations, to oversee and supervise the relevant fund manager's conduct.
Fund Currency	Saudi Riyals (SAR) - the currency in which the fund unit price is evaluated.
Fund Management Fee	The remuneration, expenses and fees in relation to advisory services paid to the fund manager.
Fund Manager	Saudi Fransi Capital
Fund's Net Assets Value	For the purposes of the Investment Funds Regulations and the Real Estate Investment Funds Regulations, means, the Fund's Total Assets Value minus its liabilities.
Fund's Net Profit	For the purposes of the Real Estate Investment Funds Regulations, means the total revenues of the real estate investment fund after deducting the total expenses and fees incurred by the fund, except for the items of the other comprehensive income.
Invested Capital	The capital invested by unitholders.
Real Estate Investment Funds Regulation	The Real Estate Investment Funds Regulation issued by the Board of the Authority.
Real Estate Investment Traded Fund Instructions	
Shariah standards	Shariah standards approved by the Fund's Shariah Committee which determine the companies eligible to invest in.
Subscription Fee	Fees that are paid in advance when buying fund units.
Tadawul	The automated system for trading of Saudi shares.
The Fund	Taleem REIT Fund, a publicly traded Shariah compliant closed end real estate investment fund.
The Kingdom	The Kingdom of Saudi Arabia
The Shariah Committee	A group of Shariah scholars appointed by the Fund Manager to provide advice on investment products compatible with the provisions of Islamic Shariah.
Unitholder or subscriber	A person who owns units in an investment fund or a real estate investment fund, which represents a common share in the net assets of the Fund.
Unit Price	The fund unit value, which is calculated by dividing the net assets of the fund by the total number of existing units.

3 Fund Facts

Name	Taleem REIT Fund is a publicly traded closed-ended real estate investment fund, compliant with the provisions of Islamic Shariah and has been established under the regulations and rules of the Kingdom of Saudi Arabia and the Capital Market Authority.
Currency	Saudi Riyal (SAR)
Risk Level	Medium to High Risk. Please read the Risks of Investing of these Terms and Conditions.
Type of Fund	A publicly traded closed ended real estate investment fund that is compliant with Shariah laws and is established in the Kingdom of Saudi Arabia under the Real Estate Investment Funds Regulations and the Real Estate Investment Traded Funds Instructions.
Duration of the Fund	The Fund has a duration of ninety-nine (99) years from the date of inception of the Fund's units. The Fund may be extended for a similar period after the approval of the Fund Board and the Capital Market Authority.
Investment Objectives of the Fund	<p>The Fund aims to invest in real estate in and out of Saudi Arabia. The objective is to be able to achieve periodic rental income by investing in income generating real estate assets and to distribute at least 90% of the annual net profit of the fund at the end of the second quarter and the end of the fourth quarter of each Gregorian year. The fund will abide by the following conditions:</p> <ul style="list-style-type: none"> ■ Invest at least 75% of the assets of the fund in income generating properties ■ The Fund will not invest in white lands ■ The Fund's investments outside the Kingdom of Saudi Arabia will not exceed 25% of fund assets ■ All real estate investments by the Fund will be related to the education or training sector.
Minimum Subscription	There is no minimum as the units of the Fund are traded on the website of the Saudi Stock Exchange (Tadawul).
Maximum Subscription	There is no higher limit as the Fund's units are traded on the Saudi Tadawul website (Tadawul).
Cash Distributions	The fund aims to distribute at least 90% of its annual net profits in cash once at the end of each calendar year.
Subscription Period	There is no subscription period, as the fund's capital increase will be through the issuance of new units in return for an in-kind subscription for the owners of the asset to be acquired by the fund.
Current Capital of the Fund	SR 510,000,000 (five hundred and ten million)
Subscription Fees	None.
Management Fees	0.75% per annum of net asset value
Custody Fees	<ul style="list-style-type: none"> ■ 0.0375% of net asset value at inception per annum and 0.03% on all future assets that is paid once at acquisition. ■ SAR 30,000 per annum for the Zakat certificate and financial statements.
Fund Valuation	Two times a year - at the end of the first half of each Gregorian year and the end of the second half of each Gregorian year, which corresponds to the 30 June and 31 December of each Gregorian year.
Borrowings	The Fund may borrow in accordance with the provisions of Islamic Shariah. All borrowings must not exceed 50% of the gross value of the fund's assets, according to the latest audited financial statements.
Voting Rights	<p>Unitholders are entitled to vote at meetings of unit holders and to receive periodic reports. Unit holders have the right to approve any fundamental changes in the Fund. The following cases are considered a fundamental change:</p> <ul style="list-style-type: none"> ■ Significant change in the Fund's objectives ■ Change that would have a negative and substantive impact on the owners of the units or on their rights in the Fund ■ Change that would have an impact on the fund's risk profile ■ Increase in the capital of the Fund

Trading

Real estate Investment Traded Funds (REITs) are traded in the same way as shares in the Saudi market ("Tadawul").

Fund Guide

**Fund Manager
&
Offering Manager**



Saudi Fransi Capital
Head Office
PO Box 23454
Riyadh 11426
Kingdom of Saudi Arabia
966 11 282 6666
www.sfc.sa

**Third-party accounting
administrator**



Apex Investment Services (Dubai) Limited
Apex Fund Services (Dubai) Limited
Almakti 101, First Floor, Jet Village
Dubai International Financial Center
PO Box 506534
Dubai United Arab Emirates
Website: www.apexfundservices.com

Custodian



KASB Capital
PO Box 395737 Riyadh 11375
Kingdom of Saudi Arabia
Tel: +966112079979
Website: www.kasbcapital.sa

Auditor



Al-Azim and Al-Sudairi Certified Public Accountants Member of Crowhorth - International
Prince Mohammed bin Abdul Aziz Street, Riyadh -
Phone: + 966112175000
Fax: + 966112175000
Website: www.crowe.com/sa

Appraisers



Valustrat
Sixth floor South Tower Faisaliah
King Fahad Rd
966 11 293 5127
www.valustrat.com



Olaat Real Estate Appraisal Company
PO Box 62244 Riyadh 11585
Kingdom of Saudi Arabia
Tel: +966117178999
Website: www.olaat.sa

Regulator



Capital Market Authority
King Fahd Road
PO Box: 81717
Riyadh: 11642
Kingdom of Saudi Arabia
www.cma.org.sa

Listing Exchange



Saudi Stock Market (Tadawul)
Tawuniya North Tower
King Fahd Road
P.O.Box: 60612 - 11555 Riyadh
Kingdom of Saudi Arabia
www.tadawul.com.sa

4 Summary of the Offer

Event	Time Frame
Start date of Subscription	14 Shaban 1438H (10 May 2017)
End date of Subscription	20 Shaban 1438H (16 May 2017)
Subscription period	5 business days
Acquisition of real estate assets	60 calendar days from the end date of the subscription
Listing of fund units on Tadawul	60 days from the acquisition of real estate assets

5 Name and Type of Fund

Taleem REIT Fund is a publicly traded closed-ended real estate investment fund, compliant with the provisions of Islamic Shariah and has been established under the regulations and rules of the Kingdom of Saudi Arabia and the Capital Market Authority.

6 Fund Manager Address and Website

Saudi Fransi Capital
Head Office: 8092 King Fahd Road, Riyadh 12313-3735, Kingdom of Saudi Arabia
Mailing Address: PO Box 23454, Riyadh 11426, Saudi Arabia
Phone: +966 11 282 6666
Website: www.sfc.sa

7 Fund Duration

The Fund has a duration of ninety-nine (99) years from the date of inception of the Fund's units 30 May 2017. The Fund may be extended for a similar period after the approval of the Fund Board and the Capital Market Authority.

8 Fund's Purpose and Objectives

The Fund aims to invest in real estate in and out of Saudi Arabia.

- The Fund aims to invest a minimum of 75% of its total assets, according to the latest audited financial statements, in developed properties that provide periodic rental income.
- The Fund aims to distribute at least 90% of the Fund's annual net profits in cash to unitholders on an annual basis. The fund manager may also distribute any additional cash in the fund in the form of cash distributions.
- The Fund may invest up to 25% of the total value of the Fund's assets, based on latest audited financial statements, in real estate development projects or to renew or redevelop such real estate, subject to the availability of such opportunities.
- The Fund seeks to invest in income-generating real estate assets, in the education and training sector.

9 Fund's Strategies

- a. A table illustrating the fields of investments that the Fund will be investing in, stating the minimum and maximum of the investment percentage.

Investment Type	The minimum percentage of the Fund's total assets in accordance to the latest audited financial statements	The maximum percentage of the Fund's total assets in accordance with the latest audited financial statements
Income-producing real estate assets in the Kingdom of Saudi Arabia	75%	100%
Income-generating real estate assets outside the Kingdom of Saudi Arabia	0%	25%
Usufruct contracts in the education and training field	0%	25%
Real estate under development in the education and training field	0%	25%
Cash	0%	25%
Money market funds publicly offered and licensed by the Authority. Including funds managed by the Fund Manager	0%	25%
Murabaha agreements and short term deposits in SAR at banks licensed by SAMA and operating in KSA.	0%	25%

- b. Description of the sector or sectors in which the Fund will invest.

The Fund seeks to invest in income-generating real estate assets, in the education and training sector, located in and out of the Kingdom of Saudi Arabia.

- c. Detailed statement of the real estate assets.

The Fund aims to establish an investment portfolio associated to the education and training sector in Saudi Arabia and abroad that is capable of achieving a periodic rental income that will generate returns on the invested capital in line with the Fund's investment strategy. The Fund will secondary invest in real estate development projects as long as they are not white lands. The Fund Manager also acknowledges that the real estate assets of the Fund shall not be subject to any irregularities that prevent or may result in the non-utilization or operation of the Fund, as well as the uprightness of the real estate assets, free of any major

engineering defects or defects that may prevent or may result in non-utilization of them or may in turn cause major repairs and costly changes.


Property 1 - Tarbiya Alislamiya Schools (Freehold): The real estate is a school located in Rahmaniyyah neighborhood in Riyadh, plot No. (na) Plan No. (1324 / b) and built on the premises rented by the Tarbiya Islamiya Schools Co. Ltd., an area of 45,666.94 square meters. It is bordered on the north by a street 20 meters wide and 188.79 meters long and south is a street with a width of 15 meters and a length of 188.46 meters. The school has been operating for more than 50 years, and it started operation in 1384 H corresponding to 1964.

Property 2 - Al-Rowad International Schools (ownership): The real estate is a school located in Al-Nozha neighborhood, Riyadh City, plot no. (232), plan No. (1954 / A) on which the buildings are rented by Al-Rowad International Schools Company, with an area of 30,000 square meters. It is bordered on the north by a 20 meter wide road and 200 meters long. From the south, parking spaces are lit by a width of 36 meters with a length of 200 meters and from the east a width of 20 meters and a length of 150 meters and from the west a street with a width of 30 meters and a length of 150 meters. As the original was launched on 04/01/1435 H corresponding to 1/1/2012.

Property 3 - Al-Ghad National Schools (Freehold): The Real Estate is a school located in King Abdullah neighborhood on Al-Orouba Street on a total area of 11,282.58 square meters, with a total building area of 17,908.28 square meters. The property was put into operation on 01/02/1441 AH, corresponding to 09/01/2019.

d. Schedule of the following information for each real estate

Property 1 – Education Sector

Name of Property	Tarbiya Alislamiya Schools (Freehold)		
Property Owner	Taleem REIT		
Property Type	School Complex		
Province/City	Riyadh Province/Riyadh		
Neighborhood/Street	Al-Rahmaniyyah/Al-Takhassemi Street		
Location (Croquis) Map			
Land Area ⁽¹⁾	45,666.94 m ²		
Built Up Area	30,122 m ²		
Number of floors	The property is an educational complex consisting of one-floor buildings, two-story buildings, and one-and-a-half-floor buildings.		
Types and Number of Units	Educational Complex		
Occupancy Rate of Property	100%		
Completion Date of Building Construction	1384H corresponding to 1964		
Cost of Purchasing the Property	SAR 285,000,000		
Lease Contracts	One contract for the asset		
Revenues for the last three years of the property (if any)	2019 SAR 21,000,000	2020 SAR 21,000,000	2021 SAR 22,050,000
Additional Information	None		


Note 1: KASB Capital, the custodian of Taleem REIT, owns the legal ownership of the assets under the umbrella of the "SPV" for the benefit of the fund.

Note 2: There is no building certificate for the real estate asset.

		Target Rent	
	Year	Rental Income	Operating Rate of Return ⁽¹⁾
1	2017	10,500,000	3.68%
2	2018	21,000,000	7.37%
3	2019	21,000,000	7.37%
4	2020	21,000,000	7.37%
5	2021	22,050,000	7.74%
6	2022	22,050,000	7.74%
7	2023	22,050,000	7.74%
8	2024	23,152,500	8.12%
9	2025	23,152,500	8.12%
10	2026	23,152,500	8.12%
11	2027	24,310,125	8.53%
12	2028	24,310,125	8.53%
13	2029	24,310,125	8.53%
14	2030	25,525,631	8.96%
15	2031	25,525,631	8.96%
16	2032	25,525,631	8.96%
17	2033	26,801,913	9.40%
18	2034	26,801,913	9.40%
19	2035	26,801,913	9.40%
20	2036	28,142,008	9.87%
21	2037	28,142,008	9.87%
22	2038	28,142,008	9.87%
23	2039	29,549,109	10.37%
24	2040	29,549,109	10.37%
25	2041	29,549,109	10.37%
26	2042	29,549,109	10.37%
27	2043	29,549,109	10.37%

Note 1: Operating rate of return includes the current real estate asset at the purchase price.

Property 2 – Education Sector

Name of Property	Al-Rowad International Schools (Freehold)
Property Owner	Raj Co. Ltd. owned by Raj Real Estate Company
Property Type	School Complex
Province/City	Riyadh Province/Riyadh
Neighborhood/Street	Al-Nozha/Abi Sofian bin Harb
Location (Croquis) Map	
Land Area	30,000 m ²
Built Up Area	48,967 m ²


Number of floors	The property is an educational complex consisting of one-floor buildings, two-story buildings		
Types and Number of Units	Educational Complex		
Occupancy Rate of Property	100%		
Completion Date of Building Construction ⁽¹⁾	4 Muharram 1435H corresponding to 1 January 2012		
Cost of Purchasing the Property	SAR 225,000,000		
Lease Contracts	One contract for the asset		
Revenues for the last three years of the property (if any)	2019 SAR 14,520,000	2020 SAR 14,520,000	2021 SAR 15,972,000
Additional Information	None		

Target Rent			
	Year	Rental Income	Operating Rate of Return ⁽¹⁾
1	2017	10,500,000	3.68%
2	2018	21,000,000	7.37%
3	2019	21,000,000	7.37%
4	2020	21,000,000	7.37%
5	2021	22,050,000	7.74%
6	2022	22,050,000	7.74%
7	2023	22,050,000	7.74%
8	2024	23,152,500	8.12%
9	2025	23,152,500	8.12%
10	2026	23,152,500	8.12%
11	2027	24,310,125	8.53%
12	2028	24,310,125	8.53%
13	2029	24,310,125	8.53%
14	2030	25,525,631	8.96%
15	2031	25,525,631	8.96%
16	2032	25,525,631	8.96%
17	2033	26,801,913	9.40%
18	2034	26,801,913	9.40%
19	2035	26,801,913	9.40%
20	2036	28,142,008	9.87%
21	2037	28,142,008	9.87%
22	2038	28,142,008	9.87%
23	2039	29,549,109	10.37%
24	2040	29,549,109	10.37%
25	2041	29,549,109	10.37%
26	2042	29,549,109	10.37%
27	2043	29,549,109	10.37%

Note 1: Operating rate of return includes the current real estate asset at the purchase price.

Property 3 – Educational Sector

Name of Property	Al-Ghad National Schools (Freehold)
Property Owner	Khalid Al-Khudair
Property Type	School Complex
Province/City	Riyadh Province/Riyadh
Neighborhood/Street	King Abdullah District/Khuzam Street

Location (Croquis) Map			
Land Area	11,282.58 m ²		
Built Up Area	17,908 m ²		
Number of floors	The property is an educational complex consisting of one-floor buildings, two-story buildings.		
Types and Number of Units	Educational Complex		
Occupancy Rate of Property	100%		
Completion Date of Building Construction ⁽¹⁾	2 Muharram 1441H corresponding to 1 September 2019		
Cost of Purchasing the Property	SAR 92,000,000		
Lease Contracts	One contract for the asset		
Revenues for the last three years of the property (if any)	2019	2020	2021
	-	SAR 5,950,000	SAR 5,950,000
Additional Information	None		

Target Rent			
	Year	Rental Income	Operating Rate of Return
1	2020	5,950,000	6.47%
2	2021	5,950,000	6.47%
3	2022	5,950,000	6.47%
4	2023	5,950,000	6.47%
5	2024	6,545,000	7.11%
6	2025	6,545,000	7.11%
7	2026	6,545,000	7.11%
8	2027	6,545,000	7.11%
9	2028	6,545,000	7.11%
10	2029	7,199,500	7.83%
First Renewal			
	Year	Rental Income	Operating Rate of Return
11	2030	7,199,500	7.83%
12	2031	7,199,500	7.83%
13	2032	7,199,500	7.83%
14	2033	7,199,500	7.83%
15	2034	7,919,450	8.61%
First Renewal			
	Year	Rental Income	Operating Rate of Return
16	2035	7,919,450	8.61%
17	2036	7,919,450	8.61%
18	2037	7,919,450	8.61%
19	2038	7,919,450	8.61%
20	2039	8,711,395	9.47%
First Renewal			
	Year	Rental Income	Operating Rate of Return
21	2040	8,711,395	9.47%
22	2041	8,711,395	9.47%
23	2042	8,711,395	9.47%
24	2043	8,711,395	9.47%

25	2044	8,711,395	9.47%
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e. Investment Concentration Policies

The Fund aims to invest in real estate assets inside and outside the Kingdom of Saudi Arabia that can achieve current rental income and returns on invested capital. The Fund intends to concentrate on the education and training sector. The regions / cities with positive investment characteristics, growth in business activities, positive investment flow, growth in supply and demand, and good infrastructure, will be targeted after conducting a comprehensive feasibility study for these real estate assets internally by either the Fund Manager or using an external consultant to carry out the necessary studies. The Fund Manager uses at least two independent appraisers, to be accredited by the Saudi Authority for Accredited Valuers.

f. Previous and targeted rental proceeds for each real estate/ usufruct.

Property Name	2020	2021	2022	2023
Tarbiya Alislamiya Schools	21,000,000	22,050,000	22,050,000	22,050,000
Al-Rowad International Schools	14,520,000	15,972,000	15,972,000	15,972,000
Al-Ghad National Schools	5,950,000 ⁽¹⁾	5,950,000	5,950,000	5,950,000
Rental Income	41,470,000	43,972,000	43,972,000	43,972,000
Fund Expenses	8,240,000	8,350,000	8,350,000	8,350,000
Fund Expense Ratio (%)	1.62%	1.64%	1.64%	1.64%
Net income after deduction of all fund expenses	33,230,000	35,622,000	35,622,000	35,622,000
Gross return ratio before fund expenses (%)	8.13%	8.62%	8.62%	8.62%
Net return ratio after fund expenses (%)	6.52%	6.98%	6.98%	6.98%
Average net return on the fund for the 4 years	6.87%	-	-	-

g. Borrowing Rights Policy

There are no loans or financing at the inception of the Fund. The Fund may seek financing subject to the approval by the Fund Board and the Fund's Shariah Committee. Financing shall not exceed 50% of the total value of the Fund's assets according to the latest audited financial statements.

h. Methods and ways to invest the cash available in the fund.

The Fund Manager has the right, at its discretion, to invest the available and unused liquidity whenever necessary (maximum 25% of the total value of the Fund's assets according to the latest audited financial statements) in one or more of the investments listed below.

Investment Type	The minimum percentage of the Fund's total value according to the latest audited financial statements	The maximum percentage of the Fund's total value according to the latest audited financial statements
Cash	0%	25%
Money market funds licensed by the Authority, including funds managed by the Fund Manager.		
Murabaha transactions and Islamic short-term deposits in Saudi Riyals with banks licensed by the Saudi Arabian Monetary Agency and operating in the Kingdom of Saudi Arabia.		

i. Disclosure of the utilization details of the Fund's offering proceeds.

The proceeds of the offering will be used to acquire the educational property, Tarbiya Alislamiya Schools, and the minimum amount to be collected in the initial offering period will be 285,000,000 and will be as below.

Subscriber	Number of Units	Value (SAR)	Percentage from Fund (%)	Type
Owner of Tarbiya Alislamiya Schools	19,950,000	199,500,000	70%	In-Kind
Public	8,550,000	85,500,000	30%	Cash

j. Unitholders and the percentage of in-kind contributions in the fund to the fund's net asset value.

Owner	Number of Units	Value of units (SAR)	Ownership ratio of each participant from the fund
Mohammed Bin Ahmed Al Rasheed & Sons Holding Company	19,950,000	199,950,000	39.12%
Raj Real Estate Company	15,750,000	157,500,000	30.88%
Abdulmohsen Sulaiman AlRajhi	2,326,875	23,268,750	4.56%
Fawaz Sulaiman AlRajhi	1,973,400	19,734,000	3.87%
Abdulaziz Sulaiman AlRajhi	1,500,000	15,000,000	2.94%
Abdulmalik Sulaiman AlRajhi	949,725	9,497,250	1.86%
Overall In-Kind Subscriptions	42,450,000	424,450,000	83.24%

10 Risks of Investing in the Fund

Investment in the Fund involves multiple risks and is suitable only for investors who fully understand and are capable of bearing the risks of such an investment. Potential investors should carefully evaluate the considerations set out below, among others, in making their decision. Additional risks and uncertainties not presently known to the Fund Manager, or that it currently deems immaterial, may also have an adverse impact on the Fund's prospects and business.

There can be no assurance that the Fund will be able to achieve its investment objective or that investors will receive a return of their capital. An investment in the Fund does not entail any guarantee that such investment shall be profitable or that an investor shall not incur any loss. As such, each potential investor shall take into account each of the aforementioned risk factors prior to purchasing units in the Fund. Each investor bears full responsibility for any financial loss resulting from an investment in the Fund unless such loss is due to the fraud, gross negligence or misconduct of the Fund Manager as per the Real Estate Investment Funds Regulations and instructions.

This section deals with the most serious factors that may affect the work, operational processes and financial position of the Fund. It does not describe all the risks that apply to the Fund or to the sector in general or to the unit owners in a fund. In the event of any of the following risks or new risks that have not yet been identified, the fund may be adversely affected and the value of the fund's units may decline. Therefore, investment in the Fund does not imply a guarantee of profit or loss.

a. Main Risks of Investing in the Fund

- **There is no guarantee that investment in the Fund will be profitable:** There is no guarantee that the Fund will be able to generate returns to its investors or that the returns will be proportionate to the investment risks in the Fund. It is entirely possible that the value of the units may decline or investors may lose some or all of the invested capital. All figures and numbers shown in these terms and conditions are for illustrative purposes only and It is not possible to provide any assurance that the

expected or targeted returns of the Fund will be realized. Actual returns of the Fund will differ from the statistics contained in these terms and conditions and this can adversely affect the profitability and value of investment units.

- **General Investment Risks:** There is no guarantee that the Fund will achieve its investment objectives, which may be the result of several factors, some of which fall outside the control of the Fund Manager. Investments in the Fund will only be suitable for investors who are aware of the risks involved.
- **Risks of real estate investments:** The Fund will be subject to the conditions of the general real estate sector in the Kingdom of Saudi Arabia, which are affected by many factors including but not limited to macroeconomic growth, political stability, interest rates, supply and demand, availability of funding, investor orientation, liquidity, legal and regulatory environment and other conditions in the Kingdom. Which could affect property prices.
- **Risks of sector concentration:** The fund invests in focused assets in the education and training sector, which may put the Fund at greater risk of recession than if the Fund's investments include many assets in different sectors. As a result, this recession may have a material adverse impact on the financial position of the Fund, its operating results, its cash flows and its ability to provide dividends to investors.
- **Risks of investing in education sector:** The fund's performance will be impacted by factors affecting the education sector in general. These factors may include factors related to demand levels, including any economic contraction or restrictions related to the education system in general or the revocation of licenses granted to private schools or any regulations or procedures (including those relating to taxes and fees) or factors related to supply levels, including increased supply of both private and public schools, and the macroeconomic and other factors may have a negative impact on employment and personal spending, leading to lower occupancy rates in private schools and affecting the total value of real estate in the education sector. Consequently, the Fund may need to exit assets for less than the acquisition cost, resulting in a loss of capital and may not be able to achieve the target returns.
- **Risk of low market liquidity:** The Fund intends to include its units for trading in the Saudi financial market (Tadawul). This should not be seen as a guarantee that there will be liquidity which will allow active trading in Funds units. In the absence of a liquid trading market or unavailability of sufficient liquidity for Funds units (which allows unit owners to trade their units on the basis of abundance of supply and demand), the value of the units and its market price will be negatively affected. In addition, a large proportion of the units will be issued to a limited number of investors, which may also adversely affect the existence of active market liquidity. Lastly, while the units will listed on Tadawul, the market liquidity, in general of REIT fund, may be lower than the liquidity of the listed companies and this may adversely affect the value of the units.
- **Risks of price changes:** There are many factors that may adversely affect the market price of the units, including the general movement in local and global equity markets, real estate markets, prevailing and foreseeable economic conditions, interest rates, financing costs, investor orientation and general economic conditions. The underlying market may be subject to fluctuations, and a lack of liquidity may result in a negative impact on the market value of the units. Accordingly, the purchase of these units is only suitable for investors who can withstand the risks associated with such investments.
- **Risks of change in interest rates and general economic conditions:** Changes in economic conditions, including interest rates, inflation rates, working conditions, competition and tax laws, would have a negative impact on the existing business and opportunities of the Fund. In particular, the increase in interest rates may result in investors to require higher yields to compensate for increased cash and opportunity costs. As a result, the attractiveness of the units as an investment opportunity may decline and a lower demand will adversely affect the market value of the units. As the fund may also take loans, any increase in interest rates in the debt markets would affect the Fund's funding requirements. Changes in interest rates may also affect assessments in the real estate sector in general.
- **The Funds units may trade at a price lower than the initial subscription price:** The Funds units may trade at a price which is lower than the initial price at the time of the subscription and the unit owners may not be able to retrieve the full value of their investment. The units may be trade at a price below their value for several reasons, including unfavorable market conditions, weak investor expectations about the viability of the Fund's investment strategy and policy, and an increased supply of units in the market. Sales by large owners of a large number of units may also significantly reduce the unit's market price. Any sale of a large number of units in the market or the perception that such sales will occur can lead to a significant negative impact on the value and price of the units. Accordingly, the purchase of units is only suitable for investors who can withstand the risks associated with such investments, particularly as this may make it difficult for the investor to exit or leave from the fund at a value that is less than the market value of the fund's assets.

- **Risks of volatility in distributions:** Although the fund is required to distribute at least 90% of its net income to unit holders on an annual basis, there are no guarantees for future distributions. The fund may not be able to make any distribution due to unforeseen events resulting in increased costs including large capital expenditures or renovation works which may become necessary or a reduction in income (as in the case of low levels of collection of rental income). The inability of the Fund to make annual distributions to unit owners will cause a decline in the value and the trading price of the Fund's units.
- **Reliance on key staff of the fund manager:** The Fund will rely on management and consultancy services provided by the employees of the fund manager. It could become difficult to replace some key staff members, particularly in the senior management of the fund manager. In the event that one of these staff members' leaves and the fund manager is unable to find an appropriate alternative, the performance of the Fund may be adversely affected. The absence of a successful fund management team can have a negative impact on the ability of fund to develop the its real estate assets or in its ability to negotiate for the benefit of the fund which in turn will affect Fund's revenues and the value of its investment units.
- **Risks of the nature of investment:** Investment in the Fund requires an obligation as set out in these terms and conditions, with no guarantees to achieve returns on the invested capital. There will be no guarantee that the Fund will be able to achieve positive returns on its investments in a timely manner or at any time at all. There is a possibility that the fund may not be able to sell or dispose of its assets when required or is able to sell them at a price that the fund manager believes is the fair value or is able to sell them within the period required by the Fund. Based on the above, the Fund may never be able to achieve any return on its assets.
- **Potential conflict of interest risk:** The fund is subject to various conflicts of interest as the fund manager, its affiliates and their respective directors, directors and their affiliates may be involved in real estate and other business activities in a direct or indirect manner. There may be situations where the interests of one party are in conflict with the interests of the Fund. Any conflict of interest that limits the ability of the fund manager to perform his or her functions will adversely affect the Fund's investments, returns and distributions.
- **Risk of counterparty default and credit risk:** The Fund will be exposed to the credit risk of parties with whom it conducts business and may bear risk of settlement default. The Fund will, in certain circumstances, be fully subject to the default of a counterparty, including the landowners, lending banks, property managers and/or contractors. Default by a counterparty by failing to pay any contractual dues to the Fund could reduce the income of the Fund and ultimately affect the returns to Unitholders.
- **Risk of not being able to issue completion certificates for some of the assets:** The absence of completion certificates for some of the assets may expose the fund to the risk of inability to use the assets or the inability to rent or sell it as well, if that happens, the fund will be negatively affected and will affect the fund operations and the ability to distribute dividends to shareholders in case this risk happened, as a result of that it could cause the loss for unit owners and the fund, but the fund manager will try and issue these certificates over the next 12 months. If he is unable to do so, the fund manager will be accountable to the Fund and to the owners of the units in case any damage or loss accord.
- **Risks of unequal access to information:** The fund will issue up to 60% of its units to the current owners of the property as an in-kind contribution. This group is also the parent company of the property manager of the Fund. The risk therefore arises that the current owners of the property or property manager will have access to substantial information that the fund manager may not have learned or may not realize is of material nature. In addition, they may have the ability to interpret information in a timely manner that the fund manager and other investors may not have the capacity to do so and may therefor affect other unit holders in the fund.

Risks related to the Assets of the Fund

- **Risks of acquisition of initial real estate assets:** The Fund expects to complete acquisition of the Initial Assets within 60 days from the Closing Date. Although the Memorandum of Understanding and Purchase Agreements are binding, if either party to the Purchase Agreements fails to perform under the Purchase Agreements, the acquisition of initial assets or part thereof may not occur within 60 days from the Closing Date or at all. In such case, the Fund would need to identify and complete acquisitions of other assets before it could start producing dividends to Unitholders. In case of not being able to do so, the Fund Manager shall liquidate the Fund and make procedures referred to in Termination of the Fund section in these Terms and Conditions.
- **Real estate Investment Risks:** The fund will be subject to the conditions of the general real estate sector in Saudi Arabia, which in itself is influenced by many factors, including, but not limited to, macroeconomic growth, political stability, interest rates, supply and demand, availability of financing,

investor orientation and liquidity, the legal and regulatory environment and other conditions in the kingdom. Which in turn will affect the price of the real estate property and the price of Fund's units.

- **Decline in Value of Real Estate:** Real estate values are fluctuating and changing. The change in the indicators of the Saudi Arabian economy may lead to a reduction in the market value of the fund's investments, which in turn could lead to a decline in the fund's returns. This may prompt the fund manager to change its investment strategy and or to dispose of investments at a loss. In addition, investments in commercial and residential real estate are exposed to risks affecting the commercial and residential real estate sector in general, including seasonal variations, buyers' willingness to purchase a particular property, changes in economic conditions and business confidence. One or more of these factors may therefore have a negative impact on the results of the Fund's operations, financial situation, unit prices or all at once.
- **Property Valuation Risks:** In addition to the valuations carried out by two independent valuers, the Fund Manager may use internal valuations in several contexts in relation to the Fund. The valuations performed by the Fund Manager or the independent valuers will only be an estimate of the worthiness of a property and are not a precise measure of the value that may be obtained in connection with a sale of that property which is based on negotiations between a buyer and seller. The final verification of the property market value depends to a great extent on economic and other conditions beyond the control of the Fund. If the Fund were to liquidate its assets, the realized value may be more or less than the estimated valuation of such assets. In periods of economic volatility, in which there is a perceived greater uncertainty as to value estimates and fewer comparable transactions against which value can be measured, the difference between the estimated value for a real estate asset and the ultimate value for that asset may increase. Further, relative uncertainty as to cash flows in a distressed market can adversely affect the reliability of property value estimates and the negotiations between a buyer and seller and hence final returns to Unitholders.
- **Availability of Appropriate Investments in the Future:** Some of the investments of the Fund have been selected by the Fund Manager as of the date hereof. Investors in the Fund will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding future investments. There can be no assurance that the Fund Manager will be able to identify investments following the acquisition of the Initial Assets that meet the Fund's investment objectives, particularly in the current market environment. Identifying and structuring investments suitable for the Fund is highly competitive and involves a high degree of uncertainty. The Fund Manager's inability to identify suitable investments may adversely affect the ability of the Fund to produce the desired growth in the market value of Units. In addition, delay in identifying, and acquiring the appropriate investments may adversely affect the periodic distribution of dividends, which shall negatively affect the price of the Unit.
- **Risks of tenants' inability to meet their rental obligations:** Several tenants lease real estate assets. The Fund is therefore at a significant risk when tenants are in breach of their obligations. In the event of a failure of a tenant to pay the payments due for one or more real estate assets, this may limit the ability of the fund manager to re-lease or lease the property on satisfactory terms. This would reduce the rental income from the property. Furthermore, the Fund may be forced to make major renovations to real estate in order to attract new tenants in the future on the best possible terms, which may temporarily affect the returns that are distributed to investors.
- **Risk of a single tenant for some real estate assets:** The fund on its inception date and during its life, will acquire real estate assets which are leased to a single tenant. Such real estate assets are either equipped or remodeled by the lessee in a manner that serves the tenants interests, including for example some changes to the interior decoration of the real estate asset in a manner that reflects the tenant's identity and need. Therefore, if the tenant decides not to renew or terminate the relevant lease, the Fund Manager may find it difficult to re-lease the property to a new tenant who rents the entire real estate asset or the fund manager may be required to make modifications to the property. Therefore, any delay in finding alternative tenants or tenants requiring any internal adjustments to the real estate asset may result in significant capital expenditures or other liabilities that may have a material adverse impact on the business of the Fund, financial position, cash flows and operating results.
- **Risk of non-occupancy of properties for long periods:** When a real estate unit becomes vacant for long periods as a result of the termination of the lease without renewal, or the lessee cannot pay and declares of bankruptcy, or cannot renew their contracts for any reason, the fund may suffer a decrease in returns, thus decreasing the cyclical distributions of investors. Moreover, because the value of a real estate depends heavily on the leasing contracts for that property, the value that can be derived from the sale of those properties that have not been leased either in part or in full for long periods may decrease,

and therefore the returns that can be made to investors may decrease, which will affect fund's returns and distributions.

- **Investment risk outside Saudi Arabia:** International investment (outside Saudi Arabia) involves many risks such as currency exchange rate, political and economic volatility, high investor costs and information security risks. While the fund manager shall endeavor to enter into investments under the same regulatory, control and supervisory requirements as at least for those applied by Saudi Arabia, the fund manager may not always have sufficient knowledge of these regulations and laws or new laws may be imposed in future. In the event of any of the above, this could affect the fund's profits and/or the valuation of its assets, which may adversely affect the price of its units.
- **Risks related to utility contracts:** The Fund intends to acquire a real estate asset by transferring its utility to the Fund. These contracts do not imply the transfer of ownership of the asset to the fund but rather the transfer of the right of usufruct and may result in disputes or disagreements over ownership or the contract in general and, if they occur, will fundamentally affect the value of the real estate assets and, consequently, the value of the units in the fund.
- **Political risks in relation to assets located in the south of the Kingdom:** The Kingdom of Saudi Arabia is subject to political conditions, particularly in the southern region, where these conditions have a significant impact on the assets and returns of the fund. If these conditions persist or increase, this will certainly affect the value of the real estate assets and the value of the units in the fund.
- **Default and Credit Risks of Other Counterparties:** The Fund will be exposed to the credit risk of parties with whom it conducts business and may bear risk of settlement default. The Fund will, in certain circumstances, be fully subject to the default of a counterparty, including the landowners, lending banks, property managers and/or contractors. Default by a counterparty by failing to pay any contractual dues to the Fund could reduce the income of the Fund and ultimately affect the returns to Unitholders.
- **Fluctuations in the Value of Real Estate and other General Real Estate Risks:** Investments will be subject to risks related to the ownership and / or lease of real estate and / or the development and / or redevelopment of its operations. These include, but are not limited to; the risks associated with the overall economy and real estate conditions, particularly in real estate supply and demand levels. Since the real estate market has experienced many fluctuations in the past, there is a possibility that the Fund will acquire properties whose value has subsequently deteriorated and the market value of the Fund's investments will be affected. There is no guarantee that there is a market ready to resell investments because real estate investments in general are considered non-liquid investments. In addition, adverse changes in the operation of any property or in the financial position of any tenant may have a negative impact on the rental payments received by the Fund and therefore on the ability of the Fund to provide dividends to investors. From time to time, a tenant may be subject to financial difficulties, which may impair his or her financial position and lead to defaults on the payment of rental receivables when due. At any time, any tenant may seek protection against the bankruptcy or insolvency laws in force, which may lead to the refusal or termination of the lease or any other negative consequences, thereby reducing the Fund's distributable cash flow. It is not possible to provide assurance that tenants will not file claims for bankruptcy protection in the future, and if they do so, the rent will continue to apply.
- **Real Estate Expropriation Risks:** Certain government authorities in the Kingdom are entitled to expropriate real estates for the public benefit (for example, the construction of roads and public utilities). In practice, the compensation value of expropriated property is supposed to be equal to market value. However, this is not guaranteed, as the value of the compensation may be less than the market value of the property at the time of expropriation or the value paid for the purchase. In case of expropriation, a property is acquired after a period of notification not specified by law as it is adopted pursuant to a specific law. Although compensation may be paid, there is a risk that the compensation would not be adequate compared to the size of investment, lost profit or increase in the value of investment. If the expropriation risk materializes, the value of the distributions to the Unitholders and the value and trading price of the units may decline. In addition, the Unitholders may lose all or part of their invested capital.
- **Risks of operating companies and property management:** The fund will use a company or companies specializing in operation and property management for the real estate assets on an exclusive basis and based on their expertise to operate and lease real estate. The performance of real estate assets relay heavily on the property manager to lease, collect rents and establish good relations with tenants. The operator may also make use of a number of contractors for the purpose of providing services such as security, cleaning, maintenance and other services. Therefore, any failure or defect in the level of service provided by the operator or by contractors for any reason or failure of the operator to manage the contractors with efficiency would have a direct and negative impact on the performance of the Fund, its financial situation and, consequently, the unit price.

- **Asset Liquidity Risks:** As an asset class, real estate assets are relatively illiquid and, as such, it may be difficult or impossible for the Fund to sell a certain real estate asset for a particular price at any particular time. The Fund's assets consist of real estate assets. It may be difficult for the Fund to sell its real estate assets (particularly at times of market downturn and specifically those assets that are categorized as larger real estate assets), and the proposed price may be at a significant discount, especially if the Fund is forced to dispose of any of its assets in a short period. This may reduce the value of the Units and adversely affect the performance of the Fund.
- **Real Estate Development Risks:** There is no real estate development project in the initial real estate assets. However, the development of real estate projects in Saudi Arabia presents several risks. The risks in building and marketing a new development include, but are not limited to: (i) delays in timely completion of works; (ii) cost overruns; (iii) inability to generate lease agreements to forecast levels; (iv) force majeure resulting from factors beyond the Fund's control and which are specific to the construction industry (including adverse weather and environmental conditions and lack of building material in the market); and (v) issuance of any decisions related to increasing nationalization in the construction industry may affect the availability of labor to carry out development works, which would hinder the completion of development projects. New project commencement also carries other risks such as t of the obtainment of zoning, occupancy and other required governmental approvals and permits and development costs in connection with projects that are not pursued to completion. The Fund may fail to achieve its investment objective in case any required municipal approval or consent is denied or not granted on acceptable or reasonable terms. In such a case, the Fund may not be able to complete the investment or the development of a real estate project, which may negatively affect the value of Units as expected proceeds of development, will not be earned on time. The successful completion of such projects will have a direct and significant impact on the value of the Units and any failure to complete a project could reduce dividends and the net asset value of the Fund.
- **Leverage Risks:** The assets of the Fund may be leveraged, which may adversely affect the income earned by the Fund or may result in a loss of the principal capital and accordingly, the market value of Units. Increases and decreases in the value of the Fund's real estate assets will be magnified when the Fund uses leverage. For example, leverage may cause greater swings in the Fund's Net Asset Value or cause the Fund to lose more than it has invested. The use of leverage creates an opportunity for increased returns, but at the same time involves a higher degree of risk and may increase the exposure of the Fund and its investments to factors such as rising costs of leverage and downturns in the economy. Moreover, the assets of the Fund may be pledged to a lender for the sole benefit of the Fund and such lender may claim the assets upon an event of default (as specified in the financing documents) by the SPV, the Fund Manager or the Fund itself.
- **Risks of Actions Taken by Competitors:** The Fund competes with other owners, operators and developers of real estate in Saudi Arabia, some of which may own properties similar to those of the Fund in the same area in which the properties are. If the Fund's competitors lease commercial and/or residential space similar to the Fund's properties or sell assets similar to the Fund's properties at valuations below the Fund's valuations for comparable assets, the Fund may be unable to lease its commercial and residential space at favorable pricing, on favorable terms or at all. As a result, the Fund may incur additional costs and expenses for the purposes of maintaining the properties and also be exposed to loss of potential income due to underlying properties being vacant. As such, the projected income and/or returns to Unitholders may be adversely effected.
- **Risks of Possible Inability to Renew Leases or Re-lease Spaces as Leases Expire:** The Fund will derive most of its income from rent received from the tenants of the properties. Accordingly, the Fund's financial condition, results of operations, cash flow and its ability to distribute dividends to Unitholders could be adversely affected if it is unable to promptly re-lease properties or renew expiring leases, or if the rental rates upon renewal or re-lease are significantly lower than expected. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favorable to the Fund than the existing lease. In the event of default by a tenant, the lessor may experience delays or limitations in enforcing rights and incur substantial costs in protecting the Funds investment. Further, the Fund's ability to lease space and the rents that it can charge are impacted, not only by tenant demand.
- **Risks of Application of Zakat, Fees and Taxes:** The information in these Terms and Conditions is based on existing published legislation at the time of issuing them. Legal, tax, zakat and regulatory change in the investment environment in the Kingdom, or otherwise, may occur during the Fund Term which could have an adverse effect on the Fund, its Investments or Unitholders. The Fund may have limited legal recourse in the event of a dispute, and remedies might have to be pursued in the courts of

the Kingdom. Enforcement of leases and other contracts through the judicial system in the Kingdom is a difficult and lengthy process, and outcomes are unpredictable. Additionally, governmental departments and agencies in the Kingdom, such as the Notary Public, exercise a great deal of discretion with regard to the application of existing legislation. Any changes to existing legislation or failure by governmental departments to apply such legislation may adversely affect the Fund. While investors in CMA-regulated funds in the Kingdom are not currently taxed, there is no assurance that the current applicable Tax Law in the Kingdom will not be changed. The local tax authorities maintain the rights to assess zakat tax on each Unitholder.

- **Income Tax Risk:** Investment in the fund involves a variety of tax risks, some of which apply to investment in the fund itself and other to certain circumstances which may be relevant to a particular investor. The incurring of such taxes by the fund reduces the amount of cash that is available to the operate the Fund as well as the potential distributions of dividends to the unitholders. The taxes incurred by the unit owners would necessarily reduce the returns associated with the investment in the Fund and decrease the unit price. investors must consult with their tax advisors on the taxation, ownership and sale of units.
- **Risks of Government and Municipality Approvals:** The Fund may fail to achieve its investment objective in case any required approval or license is denied, which may negatively affect the Fund investments and value of Units.
- **New and Future Government Organizations:** The Kingdom of Saudi Arabia has recently witnessed many developments in government organizations from additional government fees to the increase of the Nationalization rules in some sectors, as well as to force certain jobs for Saudis only, as well as for the new Ministry of commerce and the ministry of Labor or any organizations that may be established recently or in the future to regulate the sector, especially those that affect in the retail sector, in which the fund has approximately 60%. Of its origins in this sector, as these organizations may be the cause of loss of many tenants or the decline in annual rents. In addition the fund manager cannot predict any regulation that may occur in the retail or hotel and the residential sector, where the pace of change and development has become a challenge at any time, if any of the above happened the fund cannot achieve the expected return, in which may affect the unit price or the loss of part of the investment amount.
- **Risks of Third Party Litigation:** Given the nature of its activities, the Fund may become involved in legal proceedings with third parties. In such case, the expense of defending against claims by third parties and any amounts pursuant to settlements or judgments shall be incurred by the Fund, which would reduce the its assets and cash available for distribution to Unitholders. The Fund Manager and others are entitled to indemnification by the Fund in connection with such litigation, subject to certain limitations.
- **Risk of In-Kind Dividends:** Subject to compliance with regulatory the requirements, the Fund may distribute in-kind dividends of real estate or interest in other companies in the context of winding up the Fund. In the event of distribution of in-kind dividends, Unitholders may receive interests in a company or property that is difficult to be realized. The distribution of in-kind dividends in the form of assets may create costs and administrative burdens, which investors would not have incurred if the Fund distributed cash dividends.
- **Risk of Uninsured Losses:** The Fund Manager will ensure that there is insurance covering all the assets and properties of the Fund in types and amounts that it believes are adequate and appropriate given the relative risks applicable to the property with an appropriate cost of coverage and the application of best industry practices. Certain losses, such as those due to windstorms, floods or seismic activity, may be insured subject to certain limitations, including large deductibles or co-payments and policy limits in addition to delay in collecting claims. The Fund may incur material losses in excess of insurance proceeds and may not be able to continue to obtain insurance at commercially reasonable rates. If the Fund experiences a loss that is uninsured or that exceeds its insured limits with respect to one or more of the properties, then it could lose the capital invested in the damaged properties, as well as the anticipated future revenue from those properties. Certainly, any such losses could adversely affect its financial condition, results of operations, cash flow and ability to distribute to the investors.
- **Risk of Real Estate Valuation:** For estimating the value of the Fund's investment portfolio, these assets are valued by two independent valuers licensed by the Saudi authority for certified valuers. The fund manager's evaluations are only for the purpose of valuing the real estate, and are not an accurate measure of the value that can be obtained when the property is sold, since the final verification of the market value of the property depends to a large extent on the negotiations between the seller and the buyer that may be affected of economic and other conditions beyond the control of the Fund and the Fund's director, including, but not limited to, market conditions in general. If the fund decides to liquidate

its assets, the realized value may be more than or less than the assessed value of these assets, which would affect the return to the unit owners.

- **Risks of Investing in Murabaha Funds, Listed Equity and Other Real Estate Funds:** The Fund may invest in SAR Murabaha transactions with local Saudi banks or in Shariah-compliant listed equity of real estate companies or other Shariah-compliant real estate investment funds. The value of these types of investments may fall as they are not deposits in a bank. In addition, there are risks associated with Murabaha transactions arising from trading activities involving dealings in illiquid financial instruments, whose clearance and payments do not fall under a regulated clearing house or stock exchange, which may negatively affect cash distributions and the market value of Units.
- **Risks of influencing government policies on the Saudi real estate market:** The government has recently introduced charges on white land in Saudi Arabia, known as "white land taxes". These fees provide an incentive for other developers to develop unused land, but they can also lead to an increase in the levels of competition in the real estate sector market. Any future reduction in electricity and water subsidies in the kingdom, changes in the labor fees, taxes on expatriate workers and their families may reduce the levels of demand for the fund's real estate assets. Furthermore, any rent limits or values by the government may have a negative impact on real estate income and on the cash distributions and market value of the fund's units.
- **Risks of Cancellation of Listing / Suspension of Units:** There is a risk that CMA may cancel the listing or suspend Fund trading at any time if CMA deems it necessary to protect investors or maintain market regulation or believes that the Fund Manager or Custodian has failed substantially. CMA may also cancel or suspend the listing, if the Fund fails to meet the liquidity standards, as indicated by CMA under the Real Estate Investment Traded Funds Instructions: "The Fund's Units shall have sufficient liquidity as per the following: (a) at least 50 Unitholders from the public (b) at least 30% of the total REIT Units are owned by Unitholders from the public". In this case, it is likely to be outside the control of the Fund Manager. Therefore, this would limit the ability of Unitholders to dispose of their units in the Fund.
- **Risks of Concluding Long-Term Leases:** The Fund will conclude long-term leases with tenants. Such leases may, and may not, include increases in rent. In the event of any increase in operating costs, inflation rates, changes in exchange rates or increases in real estate prices while rental payments hold steady, the proceeds from rent will be reduced. Moreover, given the duration of the lease, the Fund may not be able to renegotiate the lease to reflect previous changes until its expiry. This would result in lower returns compared to those available in market and may also affect the original asset price and the price of the Fund's Units.
- **Risks of Fund Termination:** If the Fund is terminated, the Fund Manager shall initiate liquidation proceedings. This may lead to the sale of fund investments at un-ideal times, at a price that may not reflect fair market value or in a manner that may not be the best for their sale. All of these have significant adverse effects on fund returns, as well as the final price received by the Unitholder.

Other Risks

- **Geographic Concentration of Investment Risks:** Based on the fund's strategy, most of the fund's portfolio will be located within Saudi Arabia and will therefore be affected by the conditions, contractions and economic cycles that affect the region in general, which could negatively impact the Fund's investments and unit price, and the high concentration Of the Fund's portfolio in a given geographical area, or the fact that a large proportion of tenants work in a single sector or similar and interconnected sectors, would increase the effects of that geographical area or in that sector, which could adversely affect the Fund's returns and distributions. Factors that influence the economic conditions in Saudi Arabia may include the following:
 - The financial performance of the various economic sectors.
 - Economic slowdown.
 - Staff downsizing.
 - Change business trends.
 - Demographic factors change.
 - Level of infrastructure quality.
 - Real estate inflation or shrinking demand for real estate.
 - Adoption of new legislation relating to ownership or lease and lease of real estate
- **Legal Status Risks:** The fund is an arrangement between the unit owners and the fund manager. This arrangement is governed and supervised by the Capital Market Authority of Saudi Arabia. The fund does not have its own legal or corporate identity and therefore the Fund face difficulties from

some of the Saudi government parties or courts for the lack of clarity of the Fund's legal entity, which may expose the Fund to losses directly reflected in the market price of the fund's units.

- **Exchange Rate Risks:** The Fund's main currency is Saudi Riyals. However, the investments managed through the Fund may be undertaken in other currencies. Any change in the exchange rate of such currencies may adversely affect the value and price of the Fund's units. Unitholders whose basic currency is not Saudi Riyal shall be exposed to exchange rate fluctuation risks.
- **Risks of Liability and Indemnification Limitation:** These Terms and Conditions limit the circumstances under which the Fund Manager, and its shareholders, directors, officers, employees, advisors and affiliates, can be held liable to the Fund and Unitholders. As a result, the right of Unitholders to recourse and take any action against the Fund Manager in certain cases is limited compared to the cases in which such conditions are absent. In addition, the Fund may be liable for certain claims, losses, damages and expenses arising out of the actions of the Fund Manager; Custodian; Developers; Property Managers, and their directors, officers, employees, agents and affiliates; Shariah Board Members and Fund Board Members on behalf of the Fund, providing that they made such action in good faith and in a manner that is believed to be for the Fund's best interest and the action does not involve fraud, gross negligence or willful misconduct. Such indemnification obligations could negatively impact the returns to Unitholders.
- **Force Majeure:** The Fund Manager will not be liable to Unitholders for any temporary or permanent loss of their investments either directly or indirectly due to any Force Majeure, including, but not limited to, government decisions, wars, civil strikes, civil disobedience, natural disasters, economic embargoes, trade boycotts, legislative decisions of markets, suspension of trading or inability to communicate with the market for any reason, such as a breakdown of the computer system or any other reason beyond the control of the Fund Manager or the funds in which it invests. In the event of a Force Majeure, any obligation under these Terms and Conditions on the Fund shall be deferred as the Force Majeure event requires. The Fund Manager will announce the Force Majeure event and it will be binding on all investors in the Fund.

b. Forward Looking Statements

These terms and conditions may be deemed to constitute, "forward-looking statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative thereof or other variations of such terms or comparable terminology. These statements reflect current opinions of the Fund Manager with respect to future events, but they are not a guarantee of future performance. There are many factors which may cause the actual results, performance or achievements of the Fund to be materially different from any future results, performance, achievements expressed or implied by such future assumptions. Some of these risks and factors that may create such influence are detailed in other sections of these Terms and Conditions (See Paragraph (G) of these Terms and Conditions for more details). Should any one of these risks or uncertainties materialize or any underlying assumptions prove to be incorrect or inaccurate, actual results of the Fund may vary materially from those described in these Terms and Conditions as predicted, estimated or planned.

The above-mentioned risks are not an adequate or exhaustive explanation and summary of all risk factors in investing in the units of the Fund. It is strongly recommended that all potential investors seek independent advice from their respective advisors.

Investment in the fund does not include any guarantee that the investment will be profitable or that the investor will not incur a loss and therefore each potential investor must consider the factors below before purchasing units in the fund. Investors are solely responsible for any material loss resulting from investment in the fund unless it is the result of fraud, negligence or misconduct on the part of the fund manager in accordance with the Real Estate Investment Fund Regulations.

11 Subscription

a. Subscription Period

Investors can subscribe to the fund by handing the fund manager a complete and signed subscription form, and the total subscription amount will be deducted at the time. Excess cash subscriptions will later be

refunded without any deduction, after deducting the value of the allocated units and the subscription fees within five working days after the final allocation mentioned in item 9.5, and if the subscription amount is received in a currency other than the fund currency, the fund manager will convert it to the fund's currency according to the fund prices. The prevailing exchange available at the fund manager, the offering period will be for a period of five working days, starting from 14 Shaban 1438H corresponding to 10 May 2017 to 20 Shaban 1438H corresponding to 16 May 2017.

b. Real estate owners intending to subscribe with in-kind contributions and their ownership percentage.

Owner	Number of Units	Value of units (SAR)	Ownership ratio of each participant from the fund
Mohammed Bin Ahmed Al Rasheed & Sons Holding Company	19,950,000	199,950,000	39.12%
Raj Real Estate Company	15,750,000	157,500,000	30.88%
Abdulmohsen Sulaiman AlRajhi	2,326,875	23,268,750	4.56%
Fawaz Sulaiman AlRajhi	1,973,400	19,734,000	3.87%
Abdulaziz Sulaiman AlRajhi	1,500,000	15,000,000	2.94%
Abdulmalik Sulaiman AlRajhi	949,725	9,497,250	1.86%
Overall In-Kind Subscriptions	42,450,000	424,450,000	83.24%

c. Fund Manager's subscription amount during the offer period.

Neither the Fund Manager nor its affiliated companies will invest in the Fund during the subscription period or after the listing of the Fund's units on Tadawul.

d. Undertaking of commitment to the Law of Real Estate Ownership and Investment by Non-Saudis

The Fund Manager undertakes to abide by the Law of Real Estate Ownership and Investment by Non-Saudis.

e. Minimum and Maximum Subscription Amounts

- **Minimum Subscription:** There is no minimum, as the Fund's units are traded on the Saudi Exchange (Tadawul).
- **Maximum Subscription:** There is no m, as the Fund's units are traded on the Saudi Exchange (Tadawul).

f. Subscription Application

During the Offering Period, The subscriber is able to subscribe to the fund through Saudi Fransi Capital Channels.

g. Subscription Method

Investors can subscribe to the fund by submitting to the fund manager a complete and signed subscription form, and the total subscription amount will be deducted at the time.

h. Subscription Method for Minors and Dependents

- Individuals under the age of 18 Hijri years may subscribe through the guardian or trustee.

- For a minor under 18 Hijri years, a copy of the national or residence ID along with the ID of the guardian or trustee must be provided.
- If the client is a Saudi national under 15 Hijri years, the family register in which the minor is added and the national ID of the guardian or trustee must be attached.
- If the client is under 18 years old and under trusteeship, a copy of the trusteeship deed issued by the competent court must be attached.
- A dependent may subscribe through the guardian or trustee, provided that the dependent has an investment portfolio with a capital market institution.

i. Allocation Mechanism to Subscribers

There is no allocation mechanism, as the fund units are traded on the Saudi Market Company (Tadawul) website.

j. Mechanism of Increasing the Fund's total assets value by accepting in-kind contributions or cash contributions, or both

In the event that the fund manager decides to increase the assets value of the fund, the fund manager will follow the procedures as stipulated in the regulations issued by the Capital Market Authority.

k. Timetable outlining dates expected to start offering the units until its trading

Event	Time Frame
Start date of Subscription	14 Shaban 1438H (10 May 2017)
End date of Subscription	20 Shaban 1438H (16 May 2017)
Subscription period	5 business days
Acquisition of real estate assets	60 calendar days from the end date of the subscription
Listing of fund units on Tadawul	60 days from the acquisition of real estate assets

12 Trading of the Fund Units

a. Procedures of trading the REIT fund units on the Exchange

Upon listing, the units may be traded in the same way as listed companies shares trade on Tadawul. Therefore, unitholders and investors may trade during the normal trading hours announced by Tadawul and through a capital market institution.

Acquiring units from Tadawul shall be considered an acknowledgment from the buyer that it has read and accepted these Terms and Conditions.

b. Events that result in suspension of the fund and the cancelation of listing

The fund manager may, after the approval of the Capital Market Authority, suspend the trading of the fund's units temporarily or cancel their listing, if he provides the specific reasons for the request for suspension or cancellation.

In line with the REIT Instructions, the CMA may at any time suspend the trading of the Fund Units or cancel its listing as it deems appropriate, in any of the following cases:

- The CMA considers it necessary for the protection of investors or the maintenance of an orderly market.
- The Fund Manager fails, in a manner, which the CMA considers material, to comply with the Law and its Implementing Regulations.
- Failure to fulfill liquidation requirements set out in sub-paragraph (2A) and subparagraph (2B) of paragraph (b) of Clause (IV) of REIT's instructions.

- The CMA considers the level of the fund's operations or assets does not justify the continuous trading of the fund's units in the market.

13 Dividend Policy

The fund will distribute at least (90%) of the fund's annual net profits to the unit owners annually, except for unrealized capital gains that may come from the appreciation of real estate.

Capital gains from the sale of real estate assets will be invested money market instruments until suitable real estate assets are identified for acquisition by the fund. If no new investment opportunities are identified within one year of receipt of proceeds from the sale of an asset, fund manager will distribute such amounts with the upcoming dividend.

14 Termination and Liquidation of the Fund

a. Events that will result in the termination of the fund.

The Fund may be terminated in any of the following cases:

- At the end of the term of the fund.
- If all Fund assets are disposed and all proceeds of such dispositions have been distributed to the Unitholders.
- There is a change to the laws, regulations or other legal conditions or there are material changes to the market conditions in Saudi Arabia and the Fund Manager considered that a justified reason to terminate the Fund.
- In accordance with a decision issued by the Capital Market Authority or by its regulations.

b. Procedures followed to terminate and liquidate the fund, in addition to the liquidation timetable.

Each case requires the approval of the Fund Board and the Capital Market Authority. Unitholders and the CMA will be notified within 30 days of the occurrence of a Termination Event.

In the event of termination of the Fund because of any of the above, the fund manager will immediately initiate the fund's liquidation procedures, without prejudice to the terms and conditions of the Fund. The Fund Manager will perform liquidation tasks by terminating the fund and distributing its assets to the unit owners, taking into account the interest of the unitholders.

15 Fees, services charges, commissions and management expenses

a. All fees and charges listed below shall be borne by the Fund and shall be borne accordingly by the unitholders as follows:

1. Fees paid by unit owners upon participating in the fund	
Subscription fees	There are no subscription fees for investors subscribing into the fund
2. Fees Payable to fund manager	
Management fees	Management fees are calculated at 0.75% per annum of the total value of fund assets after deduction of expenses and is paid on an annual basis. *This includes all contracts signed by the Fund Manager with any third party, including (APEX)
3. Brokers fees	
Brokers Fees	The Fund bears the brokers fee related to an acquisition of a property.
4. For services provided by the Custodian	
Custody Fees	0.0375% per annum of the Fund's net assets. 0.03% on all future assets paid once on acquisition. SAR 30,000 per year for the Zakat certificate and financial statements.
5. For services provided by the Auditor	
Audit Fees	The auditor will receive a total fees of SAR 65,000 per year

6. Commissions resulting from financial loans	
Financing expenses	The Fund shall bear all costs of financing including fees and expenses related to the arrangement and structure of the Fund's loans if any and interest payments on such loans at prevailing market rates. Provided that the fund's financing does not exceed (50%) of the total value of the fund's assets, according to the last audited financial statements.
7. Registration fees and other administrative services	
Fees for independent Real estate Appraisers	The Fund shall bear all the costs of real estate appraisers and according to the market price, and in any event, only the actual fees and charges will be deducted in the future.
Remuneration of independent members of the Fund Board ⁽¹⁾	The members of the Fund Board will receive SAR 10,000 per meeting, up to a maximum of SAR 40,000 per annum to be paid at the end of each year.
Listing and registration fees	The fund will be charged for services provided by the Tadawul, and the fees shall be as follows: <ul style="list-style-type: none"> ■ Registration Fees <ul style="list-style-type: none"> ▪ SAR 50,000, plus SAR 2 per Unitholder, subject to a maximum of SAR 500,000 shall be paid to Tadawul in return for setting up a register of Unitholders; and ▪ SAR 400,000 shall be paid to Tadawul in return for managing the register of Unitholders. This fees can vary from time to time depending on the Fund's capital size. ■ Listing Fees <ul style="list-style-type: none"> ▪ 0.03% of the market value of the Fund (subject to a minimum of SAR 50,000 and a maximum of SAR 300,000) annually.
Regulatory Fees	SAR 7,500 to be paid to CMA annually
Fees of publishing information on Tadawul's website	SAR 5,000 per annum is paid in exchange for the dissemination of information on Tadawul. The fees will be prorated for the number of days of the year, and the fees payable shall be paid annually.
8. Other fees and expenses	
Other expenses	The Fund shall be liable for all costs and expenses attributable to the activities, investments and divestments of the Fund. Expenses related to third party services such as legal, advisory, accounting, asset valuation, governmental costs paid to regulators and the CMA, related insurance costs and other professional services in addition to income purifications costs (if any), bank charges including those relating to transfer charges between bank or investment accounts, or any other incidental expenses including, but not limited to, the expenses and costs of establishing the Fund, expenses relating to the printing and distribution of the annual reports of the Fund and any other expenses or fees due to persons dealing with the Fund in respect of administrative and operational services, unit holder meeting expenses). These will not exceed 1% (1 per cent) of the gross value of the Fund's assets annually, and in all cases, only the actual charges and fees shall be deducted.
Zakat	The fund bears annual zakat expenses in accordance with the rules and regulations of the General Authority of Zakat and Income, starting from the fiscal year 2019, in return for completing the fund's registration with the General Authority of Zakat and Income for the purposes of Zakat. The fund manager will undertake all the requirements before the General Authority for Zakat and Income in accordance with the relevant laws and regulations, including providing it with the required declarations and is obligated to submit them and pay zakat until the end of the fund period.
Value-Added tax	All fees and charges mentioned herein and / or any related documents do not include VAT unless otherwise specified. If VAT is imposed or may be imposed on any service provided to the Fund, the Fund will pay the Service Provider (in addition to any other charges or expenses) a sum equal to the value of the VAT on the VAT invoice of the Service concerned. If VAT is imposed or may be imposed on any service provided by

	the Fund, the Customer will pay Fund (in addition to any other charges or expenses) a sum equal to the value of such VAT.
Early redemption fees	
Not applicable	

Note 1: The fees, commissions and expenses due to Saudi Fransi Capital or other parties do not include VAT and the tax will be charged separately according to the prices set forth in the VAT system and its executive regulations. The Fund Manager also acknowledges that the fees mentioned in the above table are all fees charged to the Fund during the Fund's period without exception. The Fund Manager is fully responsible for the calculation of fees other than those mentioned in the above table.

b. Fee Calculation Methods

Type of fee	Rate imposed	Amount charged (SAR)	Calculation method	Payment Terms
Management fees	0.75%	-	Calculated daily from the total asset value of the fund after deduction of expenses (net asset value X percentage)	Paid annually
Subscription fees	0%	-	No subscription fees for investors in the fund	-
Custody Fees	0,0375%	-	Calculated daily from the total asset value of the fund (total value of assets X per cent)	Paid annually
	-	30,000	Calculated on a daily basis, by dividing the fee proportionally by the number of days of the year	Paid annually
	0.03%	-	Payable on acquisition of a new asset (total asset value x percentage)	Paid once
Auditor Fees	-	65,000	Calculated on a daily basis, by dividing the fee proportionally by the number of days of the year	Paid annually
Financing expenses	Such expenses will be disclosed in the financial disclosure summary at the end of the year. Provided that the fund's financing does not exceed (50%) of the total value of the fund's assets, according to the last audited financial statements.			
Development fees	According to the market price, these expenses will be disclosed in the financial disclosure summary at the end of the year, if any.			
Fees for independent Real estate Appraisers	These charges will be disclosed in the financial disclosure summary at the end of the year.			
Fees for engineering and consultancy service providers	Such expenses will be disclosed in the financial disclosure summary at the end of the year, if any.			
Tadawul Annual Fees for maintaining Unitholder Register	-	400,000	Calculated on a daily basis, by dividing the fee proportionally by the number of days of the year	Paid annually
Listing fees	0.03%	With a range between 50,000 Saudi riyals and SAR 300,000	Market value of the fund X percentage	Paid annually
Remuneration of independent	The members of the Fund Board will receive SAR 10,000 per meeting, up to a maximum of SAR 40,000 per annum to be paid at the end of each year.			

members of the Board of Directors				
Regulatory fees paid to CMA	-	7,500	Calculated on a daily basis, by dividing the fee proportionally by the number of days of the year	Paid annually
Fees for publishing information on Tadawul	-	5,000	Calculated on a daily basis, by dividing the fee proportionally by the number of days of the year	Paid annually
Value-Added tax	As stipulated in the value-added tax system and its implementing regulations issued by the General Authority for Zakat and Income	-	On all fund expenses if they are subject to added tax	When applicable
Other expenses	These expenses will be disclosed in the financial disclosure summary at the end of the year but up to a maximum of 1% of the total assets of the Fund			

Note 1: The Fund Manager acknowledges that the fees mentioned in the above table are all fees charged to the Fund during the Fund's period without exception. The Fund Manager is fully responsible for the calculation of fees other than those mentioned in the above table.

c. Hypothetical Example of how fees are calculated

Assuming a contribution of SAR 10,000 and a Fund Size of SAR 500,000,000, the return on the funds unit after deduction of all expenses shall be as follows:

Type of Fees	Fee Amount	Fee Amount Per Unit
Custody Fees	0.0375%	4.35 ⁽¹⁾
Audit Fees	60,000	1.2
Registration and listing fees	550,000 ⁽²⁾	11.0
Regulatory fees	7,500	0.15
Fund Board Remuneration	40,000	0.80
Publishing fees	5,000	0.1
Total investment value after deduction of expenses		9,983.63
Management fees	0.75%	74.88
Total of Recurring annual fees and charges		91.28
Net return on investment for one year (assuming a hypothetical 10% return for 1 year)		1,000
Net investment value for a year		1,908.72

Note 1: In addition to 30,000 Saudi riyals annually for the custodian in return for the zakat certificate and financial statements.

Note 2: 400,000 annual fees for managing the unit holders registry plus 0.03% * 500,000,000 listing fees.

- d. The fund manager acknowledges that the fees listed in the above table are all the fees that will be charged to the fund during the fund period. The fund manager is fully responsible for calculating and charging the fees mentioned in the table above.

16 Insurance Contracts

Due to the nature of the lease contracts signed with the fund's real estate tenants, the contracts enjoy insurance coverage and the fund manager has the right to purchase insurance policies for real estate that can be acquired in the future, and all insurance policies that the fund will purchase will be in accordance with the rules of Islamic Shariah.

17 The Fund's Assets

a. Registration Mechanism of the Fund's Assets

Name	Tenure	Status	Location	Amount (SAR)	Net Annual Rent 2021 (SAR)	Percentage (%)
Tarbiya Alislamiya Schools	Freehold	Developed	Riyadh	285,000,000	21,000,000	47.3%
Al-Rowad International Schools	Freehold	Developed	Riyadh	225,000,000	14,520,000	37.4%
Al-Ghad National Schools	Freehold	Developed	Riyadh	92,000,000	5,950,000	15.3%
Total Fund Assets				602,000,000	41,470,000	100%

b. Detailed Statements

1. Names of the accredited valuers to the fund's assets

Accredited Valuers
ValuStrat
Olaat Real Estate Appraisal Company

2. Method of Asset Valuation

The Fund Manager shall value the Fund's real estate assets based on a valuation prepared by two independent valuers licensed by Saudi Authority for Accredited Valuers. The Fund Manager has the right to change or appoint any new valuator for the Fund without any prior notice to the Unitholders. Such appointment will be made considering the Fund Manager's fiduciary responsibility to the Unitholders.

The fund manager also acknowledges that the independent valuers are licensed by the Saudi Authority for Accredited Valuers and are accredited in accordance with the approved regulations and the fund manager will not appoint an unlicensed valuer. In addition, the fund manager obtains an acknowledgement from the accredited evaluators on a code of ethics and conduct for the evaluation profession issued by Saudi Authority for Accredited Valuers. The concerned valuers will be provided with the necessary information concerning the real estate assets to be evaluated, which would enable the valuer to provide the report in a clear and accurate manner.

The Net Asset Value of one Unit ("Unit NAV") will be calculated by deducting total liabilities of the Fund, including any liabilities, accrued fees, and expenses due by the Fund during the calculation period from Fund total assets, and the output will be divided by the number of the Fund Units for the same period. Such value shall be an indicative value of the Fund's unit. Valuation of the assets of the Fund may not be adequate to potential buyers in the event of liquidation or sale of real estate assets. Valuation conducted by the valuers of real estate assets is subject to assumptions used in valuations by each appraiser and is an indicative indicator of the value of real estate assets. Real estate assets may be sold at a higher or lower price as per the best demand price on the market when offering real estate assets for sale. However, the Fund Manager shall endeavor to sell any real estate asset at a price not less than the average valuation in accordance with the prevailing market conditions and the conditions of the real estate in the best interests of investors in the Fund. Total assets are the sum of all real estate assets, cash, accrued profits, and other receivables and the market value of all non-real estate investments together with the current value of any other assets held. The Fund Manager shall exercise its reasonable

judgment in determining the values to be attributed to assets and liabilities, provided it is acting in good faith in the interest of the Fund as a whole. For purposes of determining the real estate assets Value, the Fund Manager shall use the average of the valuations conducted by two (or more) independent valuers licensed by the Saudi Authority of Accredited Valuers.

The Fund may be valued in any of the following cases:

- **Market Comparison Standard:** This method provides indicators of value by comparing the asset that is evaluated with identical or similar assets for which the price information is available. The first step is to study recent transaction prices of similar assets in the market, and if the transactions that have taken place are few, it is also better to study the prices of the corresponding or similar assets listed or offered for sale. This information is should be clearly and objectively analyzed.
- **Cost Comparison Standard:** This method provides indicators of value using the economic principle that the buyer does not pay for the purchase of an asset more than the cost of obtaining an asset that has the same benefit either by purchase or construction and is based on the principle that the price paid by the buyer in the market will be no more than the cost of purchasing or creating an equivalent asset unless there are factors such as inappropriate timing and other risk factors.
- **Income Comparison Standard (Capitalization):**
 - This method provides indicators of value by discounting future cash flows into a single net present value.
 - This method deals with the income earned by the asset during its productive life (life span) and the value is estimated through the capitalization process. Capitalization means converting the income into a capital amount using an appropriate discount rate. Income flows are generated under contracts or non-contractual arrangements based on the expected profit from the use or retention of the asset.
 - The methods that fall under the income method include capitalization by applying the risk factor or total capitalization to a single normal income period.

The total value of the fund's assets is the sum of all real and cash assets, accrued profits, receivables and market value of all non-real estate investments, as well as the present value of any other assets owned by the fund. For the purpose of valuing real estate assets, the fund manager shall use the average value obtained from two (or more) independent real estate appraisers licensed by the Saudi Authority Accredited Valuers.

3. Cost of Valuation for Each Asset

ValuStrat			
Name of Property	Property Value	Date of Evaluation	Valuation Method
Tarbiya Alislamiya Schools	284,600,000	30/06/2018	Income comparison method (Capitalization)
Al-Rowad International Schools	230,000,000	30/06/2018	Income comparison method (Capitalization)
Al-Ghad National Schools	88,000,000	28/06/2020	Income comparison method (Capitalization)

Olaat			
Name of Property	Property Value	Date of Evaluation	Valuation Method
Tarbiya Alislamiya Schools	283,202,267	28/06/2018	Income comparison method (Capitalization)
Al-Rowad International Schools	236,000,000	28/06/2018	Income comparison method (Capitalization)
Al-Ghad National Schools	94,424,000	23/06/2020	Income comparison method (Capitalization)

	Average Fair Value (SAR)	Acquisition Price (SAR)	Difference Between Acquisition Price & Fair Value (%)
Tarbiya Alislamiya Schools	288,265,724	285,000,000	0.01%
Al-Rowad International Schools	233,000,000	225,000,000	3.56%
Al-Ghad National Schools	91,212,000	92,000,000	-0.86%

4. Number and Timing of Valuation

The assets of the Fund will be evaluated at least twice a year, specifically on 30 June and 31 December of each calendar year, through two independent appraisers accredited by the Saudi authority for certified residents and as required by regulations issued by the Capital Market authority. The fund manager may postpone the valuation after obtaining the approval of the financial Market Authority under article 22 of the real estate investment funds regulation. If there is a difference between the values of the two evaluators, the average of the two values will be used as the fair value of the property.

c. Announcing the net assets value for each unit

The fund manager will announce the mid-year net asset value per unit within 40 days for the end year net asset value per unit of the respective valuation day. The announcement will be made through the website of the Saudi Stock Exchange (Tadawul) and the website of the fund manager. The reports submitted to the unit owners will also contain the net asset value of the respective fund.

The fund manager will also publish the Fund's evaluation reports on its website and the website of the Saudi Stock Exchange (Tadawul) on a regular basis as required by the regulations issued by Capital Market Authority.

d. Valuation of the Initial Real Estate Assets

Name of Property	Accredited Valuers	Date of Valuation	Property Valuation	Average Valuation	Purchase Price
Tarbiya Alislamiya Schools	Valustrat	25 April 2017	295,000,000	288,265,724	285,000,000
	Olaat	25 April 2017	281,531,447		
Al-Rowad International Schools	Valustrat	30 June 2018	230,000,000	233,000,000	225,000,000
	Olaat	28 June 2018	236,000,000		
Al-Ghad National Schools	Valustrat	28 June 2020	88,000,000	91,212,000	92,000,000
	Olaat	23 June 2020	94,424,000		

18 Fund Board

a. The Board Members of the Fund

The Fund Board will be composed of (4) members appointed by the Fund Manager, of whom two are independent. Any amendment to the composition of the Fund Board shall be notified to the Unitholders by an announcement on the Fund Manager and Tadawul's websites. The Fund Board comprises the following members:

- **Mr. Shahjahan Q. Mirza, CFA - Head of Asset Management at Saudi Fransi Capital (Chairman):** Over 15 years of experience in investment management having worked in research, portfolio management, investment advisory, product development & structuring in both local and international markets. Shahjahan became the Head of Asset Management at Saudi Fransi capital in 2015. He holds a bachelor's degree in Commerce & Finance from the University of Toronto (2001) and is a CFA charterholder.
- **Mr. Ehab Talib Ahmed Farhan - Head of Private Accounts Banking at Banque Saudi Fransi (Vice Chairman):** 13 years of experience in consulting services with the National Bank in the field of global stock exchanges and investment products. Joined Banque Saudi Fransi in 2005 as Head of Investments Department for Jeddah. He was appointed as the Acting Head of Wealth Management at Saudi Fransi Capital in May 2015. He then joined Saudi Fransi Capital as Head of Wealth Management until May 2018, holding a Bachelor's degree in Business Administration in 1995 and a Qualified Financial Planner Certificate from the Arab Monetary Agency and the Institute of Banking in 2004.
- **Mr. Mohamed Fathallah Abdul Khaliq Al-Bukhari (Independent Member):** Mr. Mohammed Fathallah Al-Bukhari has over 25 years of experience in the banking and investment sector inside and outside the

Kingdom, where he held the position of Head of Compliance and Compliance in Arab Investment and Chief Executive Officer of Arab Investment. He holds a BA in English Literature from King Saud University in 1972. Mr. Al- Mohammed is now retired and his last position was the Compliance Manager of Arab National Investment Company in 2011.

- **Hani Ibrahim Ahmed Obaid (Independent member):** Mr. Obaid has close to 15 years in the banking and investments within the Kingdom. He began his career as a portfolio manager in local equities at Banque Saudi Fransi in 2004 before joining Morgan Stanley in 2008 as Vice President in Wealth Management. Following that, he served as a principal in Investcorp from 2012 before co-founding his own real estate advisory firm, Neo Capital, operating between London, Dubai and Saudi Arabia. He holds a bachelor's degree in MIS from the Wenworth Institute of Technology in Boston, United States.

b. Expected Total Fund Board Remuneration

The members of the Fund Board will receive SAR 10,000 per meeting, up to a maximum of SAR 40,000 per annum to be paid at the end of each year to all the members with the exception of members who are part of the fund management team.

c. Description of the nature of the provided services by the fund board

The responsibilities of the fund board include but are not limited to the following:

- Ensure that the Fund Manager carries out its responsibilities in a manner that would achieve the overall interest of Unitholders in accordance with these Terms and Conditions and the Real Estate Investment Funds Regulations and the REIT Instructions;
- Approve all material contracts, decisions and reports involving the Fund, including but not limited to development agreements, custody agreements, marketing agreements and valuation reports;
- Approve these Terms and Conditions and any amendments thereto;
- Ratify any conflict of interests disclosed by the Fund Manager;
- Approve the appointment of the auditor nominated by the Fund Manager;
- Meet at least twice annually with the compliance officer of the Fund Manager and AML/counter-terrorism reporting officer to ensure that the Fund Manager is in compliance with all applicable rules and regulations
- Ensure that the Fund Manager discloses all material information to Unitholders and other stakeholders;
- Work in good faith, reasonable care and diligence to achieve the overall interests of the Fund and Unitholders

The fund manager shall provide all necessary information relating to the Fund's matters to all members of the Board to assist them in carrying out their duties.

d. Other investment funds managed by any member of the fund's board

Fund Board Member Name	Fund	Fund Manager	Membership Type
Shahjahan Mirza	Bonyan REIT	Saudi Fransi Capital	Fund Board Chairman
Hani Obaid	1. Al Badr Murabaha Fund US Dollar 2. Al Badr Murabaha Fund Saudi Riyal 3. Money Market Fund US Dollar 4. Money Market Fund Saudi Riyal 5. Al Saffa Equity Fund 6. Istithmar Equity Fund 7. Qasr Real Estate trading in Gulf equities 8. Saudi Fransi Real Estate 9. Al Dana Gulf Equity Trading 10. Saudi Fransi Income Equity 11. Saudi Fransi GCC IPO Fund	Saudi Fransi Capital	Independent Member
Mohamed Bokhari	1. Al Badr Murabaha Fund US Dollar 2. Al Badr Murabaha Fund Saudi Riyal 3. Money Market Fund US Dollar	Saudi Fransi Capital	Independent Member

	<ol style="list-style-type: none"> 4. Money Market Fund Saudi Riyal 5. Al Saffa Equity Fund 6. Istithmar Equity Fund 7. Qasr Real Estate trading in Gulf equities 8. Saudi Fransi Real Estate 9. Al Dana Gulf Equity Trading 10. Saudi Fransi Income Equity 11. Saudi Fransi GCC IPO Fund 		
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e. All board members of the fund fulfill the following eligibility requirements

The fund manager acknowledges that all members of the Fund's board fulfill the following eligibility requirements:

- the member has not been bankrupt or subject to any bankruptcy or insolvency proceedings
- the member has not committed an offense involving fraud or acted in breach of integrity and honesty
- the member possesses the necessary experience and expertise

f. The Fund Manager represents that each independent director is in compliance with the definition of an independent director as mentioned in the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority.

19 Fund Manager

a. Name and address of the fund manager

Saudi Fransi Capital (Closed Jointed Stock Company owned by Banque Saudi Fransi)
 Head Office: 8092 King Fahd Road, Riyadh 12313-3735 – Kingdom of Saudi Arabia
 Mailing Address: PO Box 23454, Riyadh 11426, Saudi Arabia
 Phone +966 11 282 6666 - Fax: +966 11 282 6725
 Web Address: www.sfc.sa

b. Saudi Fransi Capital is licensed under the Capital Market Institutions Regulations and is under the supervision and control of the Capital Market Authority under license 11153/37 dated 26/02/1432H (30/01/2011).

c. A letter from the fund manager regarding the due diligence report

The Fund Manager submitted the professional care report

d. Functions, duties and responsibilities of the fund manager

The Fund Manager shall appoint an investment portfolio manager registered with the CMA in accordance with the Authorized Persons Regulations issued by the CMA to oversee management of the Fund. The Fund Manager will provide management and other services to the Fund, including but not limited to the following:

- Fund management
- Fund operations management including administration
- List Fund units
- Ensure the accuracy and completeness of the terms and conditions and information memorandum of the Fund and that they are complete, clear, correct, not misleading and up-to-date.
- Develop policies and procedures to monitor risks, ensure quick mitigation plans are in place related to the Fund's investments.
- Implement the Fund's compliance program, and provide the Authority with the results of the program upon request.
- Compliance with requests and notifications from the Authority in accordance with the provisions of the rules and regulations issued by the Capital Market Authority, where applicable.

e. Provisions governing the removal/replacement of fund manager

The Authority may dismiss the fund manager in relation to a specific real estate investment fund and take any action it deems appropriate to appoint a replacement fund manager for that fund or take any other measure it deems appropriate in the event of any of the following cases:

- The fund manager has stopped practicing the activity of managing investments and operating funds without notifying the Authority according to the Capital Market Institutions Regulations.
- Cancellation, withdrawal or suspension of the fund manager's license to engage in investment management and fund operation by the Authority.
- Submit a request to the Authority from the fund manager to cancel his license to practice the activity of managing investments and operating funds.
- If the Authority considers that the fund manager has breached - in a manner that the Authority deems essential - to comply with the laws or its implementing regulations.
- The death, disability, or resignation of the investment portfolio manager managing the assets of the REIT, with no other person registered with the fund manager capable of managing the assets of the REIT or the assets of the funds managed by the investment portfolio manager.
- Issuance of a special decision for the fund by the unit owners of the closed fund asking the Authority to dismiss the fund manager.
- Any other case that the Authority deems, on reasonable grounds, to be of material importance.

f. Any other business activities or interests of the fund manager or its board members, that are of significance or could potentially conflict with those of the investment fund.

Until the date of preparing these terms and conditions, there have been no transactions involving a fundamental conflict of interest between the interests of the fund and the interests of the fund's board members or any other parties.

g. Description of any conflict of interest that could potentially affect the fund manager in performing its duties toward the fund.

There is no material conflict of interest for the fund manager, either internally or with any other third party, which is likely to affect the performance of the fund manager's obligations to the Fund.

h. Functions and powers that have been delegated to a third party

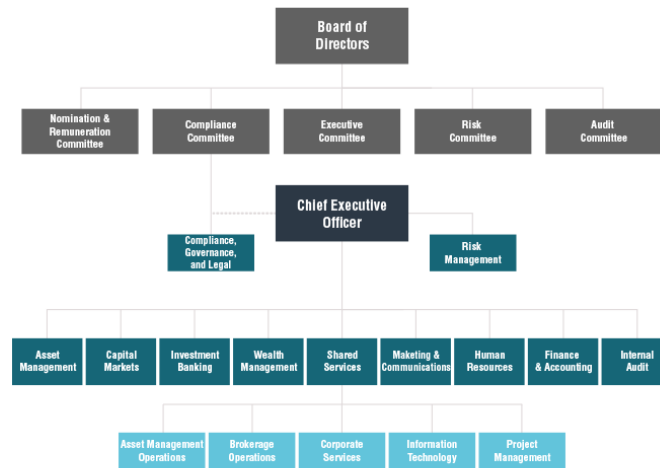
The fund manager has not assigned a third party to manage the fund.

i. Disclosure if the fund manager intends to invest in the fund's units, and the value of such investments

Neither the fund manager nor its affiliated companies will invest in the fund during the subscription period or after the listing of the Fund's units on Tadawul. Affiliates would mean any other legal person who may be under the direct or indirect control of the fund manager.

j. A summary of the fund manager's structure of asset management and the total assets value under its management. In addition to the number of public funds and their size and the number of the asset management employees.

Organizational Structure of the Capital Market Institution



Organizational Structure of Asset Management Division



The number of registered employees in Asset Management is 19.

Overview of Saudi Fransi Capital

Saudi Fransi Capital is the investment arm of Banque Saudi Fransi, where it was trademarked with a paid up capital of 500 million Saudi Riyals as a closed joint stock company. It is licensed by the Capital Market Authority to conduct the full range of investment activities including dealing, arranging, managing, advising, and custody of securities business.

Today, we stand as a leading, full-service Saudi-based financial services provider offering investment banking, asset management, debt and equity research, institutional sales and trading, and local and international securities brokerage. We are headquartered in Riyadh and have locations around the Kingdom of Saudi Arabia.

Asset Management

We are one of the leading providers of managed investment solutions for individuals, corporations and institutions. The extensive range of products and services that are offered reflects our drive to satisfy each client’s unique needs. Today, our range of products covers equity, fixed income, money markets, and alternative investments such as real estate, hedge funds, structured products, and private equity. Our products cover all major asset classes. It includes all our public and private funds, and, our closed-ended private placements.

Investment Banking

We are actively involved in raising capital through the equity and debt capital markets and providing strategic and mergers and acquisitions advisory in the Kingdom of Saudi Arabia and the region. Our services include advising and arranging sukuk and bonds, initial public offerings, rights issue, private placements, mergers and acquisitions, and capital and debt restructuring. We also provide advisory services for companies abroad that wish to cross list on the Saudi stock exchange.

Securities Brokerage

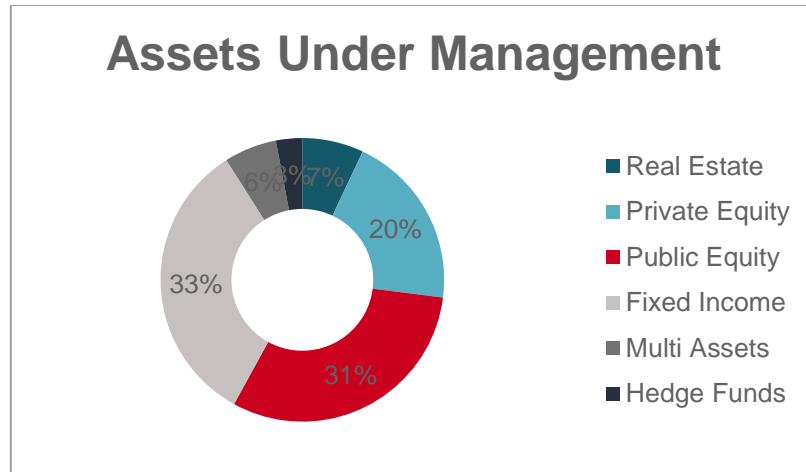
Our brokerage services are comprised of local, regional and global equity markets, swaps on equity, exchange-traded funds, options, fixed income and margin lending facilities both conventional and Sharia compliant. We provide different interfaces for our trading platform whether the client requires in-person service, over the telephone, or through a web or smart device application.

Specialized Institutional Services

We attend to the needs of financial institutions by constantly developing new and innovative services in sales trading, custody and sukuk agency services. In addition, we facilitate access to the Saudi equity market for qualified foreign investors (QFI) and provide them numerous services. Our clients include banks, mutual funds, pension funds, hedge funds, insurance companies, brokers and other financial institutions around the world.

Equities Research

Through our exclusive focus on Saudi equities, our research provides fundamentally driven investment ideas to a diverse range of users with coverage representing the overall market capitalization across major sectors. Research forms an integral part of our equity sales effort by highlighting key investment themes and uncovering tradable ideas. In addition, we issue strategy reports to assist sophisticated investors in navigating volatile markets.



These assets are managed through private investment portfolios (DPMs) or through public funds (11 funds), private funds and private placement managed by the Fund Manager.

20 Legal Advisor

There is no letter issued by the legal advisor, licensed to practice the profession in the Kingdom, regarding the legal due diligence report.

21 Custodian

a. Name of the custodian, address and the authorization number granted to it by the Authority.

KASB
 PO Box 395737 Riyadh 11375, Kingdom of Saudi Arabia
 Tel: +966 11 207 9979
 Website: www.kasbcapital.sa

b. Functions, duties and responsibilities of the custodian

- The Custodian is responsible for its obligations in accordance with the provisions of the Investment Funds Regulations, whether it fulfils its responsibilities directly or assigns it to a third party under the provisions of the Investment Funds Regulations or the list of authorized persons.
- The Custodian is liable towards the Fund Manager and unitholders for the losses of the Fund resulting from its fraud, shortcoming, misbehavior or deliberate negligence.
- The Custodian is responsible for preserving and protecting the Fund's assets for the benefit of unitholders, and it is also responsible for taking all necessary administrative measures in relation to preserving the Fund's assets.

c. Functions related to the real estate investment traded fund in which the custodian has appointed a sub-custodian

The Custodian may assign a third party or more or any of its affiliates to work as sub-Custodian of the Fund, provided that the Custodian incurs the fees and expenses of any sub-Custodian. The assigned sub-custodian must be a licensed capital market institution.

d. Provisions governing the removal/replacement of custodian

The Capital Market Authority has the right to dismiss and replace the custodian and take any action it deems appropriate in the event of any of the following cases:

- The custodian stops practicing custody activity without notifying the Authority in accordance with the Financial Market Institutions Regulations.
- Cancellation, withdrawal or suspension of the custodian's license to practice custody activity by the Authority.
- Submit a request to the Authority from the custodian to cancel his license to practice custodian activity.
- If the Authority considers that the custodian has breached, in a way it deems essential, a commitment to the system or its implementing regulations.
- Any other case that the Authority deems - on reasonable grounds - to be of material importance.

The fund manager has the right to dismiss and replace the custodian in the following cases:

- The fund manager may dismiss the custodian by written notice if it reasonably considers that the dismissal of the custodian is in the interest of the unit holders, and the Authority and the unit holders must be notified of this immediately and in writing, and immediately disclosed on the fund manager's website and website.
- If the Authority or the fund manager exercises any of their powers in accordance with the previous paragraph, the fund manager must appoint a replacement custodian in accordance with the provisions of the Investment Funds Regulations issued by the Capital Market Authority, and the fund manager and the isolated custodian must cooperate fully to facilitate the smooth transfer of responsibilities to the replacement custodian. The isolated custodian must transfer - where necessary and appropriate - to the replacement custodian all contracts related to the fund.

22 Property Manager

There is no property manager because the lessee is responsible for maintenance and operation of the property.

23 Auditor

a. Name and Address of the Auditor

Al Athem & Al Sudairy Certified Public Accountants - a member of Crowe Global
 Prince Muhammad bin Abdulaziz Road - Riyadh
 P.O Box 11, Riyadh 10504
 Phone number: +966112175000 - Fax: +966112175000
 Website: www.crowe.com/sa

b. Auditor's tasks, duties and responsibilities

Among the auditor's tasks, duties and responsibilities is the preparation and review of financial statements in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants, the provisions of the Investment Funds Regulations and the terms and conditions of the fund. Bear in mind that the fund manager has the right, in the interest of the fund and its investors, after obtaining the approval of the fund's board of directors, to change the auditor and terminate the contract with it. This is in the interest of the investors in the fund.

24 Financial Statements

Financial year of the Fund shall start on 1 January and ends on 31 December each year. Financial statements of the Fund will be prepared by the Fund Manager on both a semiannual basis (unaudited) and an annual basis (audited) in accordance with the applicable standards set by the Saudi Organization of Certified Public Accountants (SOCPA), and any amendments from time to time. The Fund's auditor shall audit the annual financial statements. Financial statements of the Fund will be reviewed by the Fund Board and made available to the CMA as soon as they are approved. They are to be made available to unitholders within a maximum of 30 days from the end of the period covered by unaudited financial statements and 3 months from the end of the period covered by audited financial statements, by publishing them on the Fund Manager's and the Exchange's website.

25 Conflict of Interest

There is no material conflict of interest, whether internal or with any other third party, that may affect the performance of the fund manager's obligations towards the fund.

26 Reporting to Unitholders

The fund manager is committed to disclosing the following to the CMA and unitholders:

- Material developments in its sphere of activity which are not public knowledge and which may affect the Fund assets, its counterparties, financial position or general course of business of any other change that would result in the Fund Manager voluntarily resigning from its position as fund manager, and which reasonably may affect the Unit price or have significant effect on the Fund's ability to meet its commitments in respect of debt instruments;
- Transaction to purchase, sell, lease or mortgage a Fund asset at a price equal to or greater than 10% of the Fund's total assets value in accordance with the latest unaudited semi-annual financial statements or audited annual financial statements, whichever is more recent;
- Losses equal to or greater than 10% of the Fund's Net Asset Value; according to the latest unaudited semi-annual financial statements or audited annual financial statements, whichever is more recent;
- Changes in the composition of the Fund Board or committees (if any);
- Dispute, including any litigation, arbitration or mediation where the value involved is equal to or greater than 5% of the Fund's Net Asset Value according to the latest unaudited semi-annual financial statements or audited annual financial statements, whichever is more recent;
- Increase or decrease in the Fund's Net Asset Value that is equal to or greater than 10% according to the latest unaudited semi-annual financial statements or audited annual financial statements, whichever is more recent;
- Increase or decrease in the gross profit of the Fund, that is equal to or greater than 10% according to the latest audited financial statements;
- Transaction between the Fund and a Related Party or any arrangement through which the Fund and a Related Party invest in any project or asset or provide financing thereto in an amount equal to or greater than 1% of the Fund's gross revenue according to the latest audited annual financial statements;
- Interruption in the Fund's core activities equal to or greater than 5% of the gross revenues according to the latest audited annual financial statements;
- Change in the Fund's Auditor;
- Appointment of a replacement custodian for the Fund;
- Passing of any judgment, decision, order or declaration by a court or judicial entity, whether at first instance or at appeal, which may adversely affect the Fund's utilization of any portion of its assets that represents in aggregate a value exceeding 5% of the Net Assets Value according to the latest unaudited semi-annual financial statements or audited annual financial statements, whichever is more recent; and

- Suggested change to the Fund's capital.

27 Meeting of Unitholders

a. Circumstances in which a meeting of unitholders is called

- The fund manager must obtain the approval of the Capital Market Authority to offer additional units to the fund by accepting in-kind or cash contributions, or both.
- The fund manager must obtain the approval of the unitholders for any proposed fundamental change to the Fund.
- The fund manager must take the approval of the unit owners in accordance with above paragraph and take the approval of the CMA on any fundamental change of a fund, including:
 - significant change in the objectives or nature of the fund.
 - change that may have a negative and a material effect on the unitholder or their rights with respect to the fund.
 - change which impacts the risk profile of the fund.
 - increase in fund's capital.

b. Procedures for calling a meeting of unitholders, and the minimum attendance number

- The Fund Manager shall call for a meeting of Unitholders by announcing the invitation on its website and that of Tadawul, and by sending a notice in writing to all Unitholders and the Custodian giving a minimum of 10 days' notice and a maximum of 21 days' notice of the meeting. The announcement and notice must specify the date, place and time of the meeting and the proposed agenda. The Fund Manager must, at the time of sending a notice to Unitholders regarding any meeting, provide a copy of any such notice to the CMA.
- The quorum required to hold a meeting of the Unitholders shall be such number of Unitholders holding collectively at least 25% of the value of the Fund Units.
- If the quorum requirements set out in the above paragraph are not met, the Fund Manager shall call for a second meeting by announcement on its website and that of Tadawul and shall send a notice in writing to all unitholders and the Custodian giving not less than 5 days' notice of the second meeting. At the second meeting, any number of Unitholders holding any number of Units present in person or represented by a proxy shall be deemed to satisfy the quorum.

c. Vote and Their Voting Rights at the Unitholders Meetings

- Every Unitholder shall be entitled to appoint a proxy to represent such Unitholder at a meeting of the Unitholders.
- Each Unit held by a Unitholder shall represent one vote at the meeting of Unitholders.
- The Unitholders meetings and their deliberations and voting on decisions may be conducted through technology means in accordance with the controls set out by the CMA.
- A resolution of the Unitholders shall be enforceable subject to the consent of Unitholders owning 50% of the total Fund Units attending the meeting whether in person, proxy or via technology means.

28 List of Unitholders Rights

Unitholders shall be entitled to exercise all their rights specified herein, including the following:

- Attending Unitholders meetings and voting on decisions taken therein.
- Voting in relation to any fundamental change to the Fund, which shall include the following:
 - an important change in the Fund's objectives or nature;
 - a change which may have an adverse and material effect on the Unitholders or their rights with respect to the Fund;
 - a change that has an impact on the Fund's risk profile; and
 - increase the Fund's capital;
- Subscribing to rights issuances and accepting in-kind contributions related to increasing the Fund's Capital.
- Receiving dividends according to these Terms and Conditions.
- Receiving regular reports and updates according to these Terms and Conditions.

Except, as expressly set forth in this paragraph, unitholders shall not have any rights in relation to the management of the Fund.

29 Other Information

Subscriber's death: If the subscriber is an individual, these terms and conditions will be binding on the heirs, executors of the will, inheritance managers, personal representatives, trustees and successors of the subscriber, and the subscriber's consent to these terms and conditions will not be automatically canceled upon the death or disability of the subscriber. If the subscriber is a legal entity, this agreement will not be automatically canceled upon the death, bankruptcy or dissolution of any partner or shareholder.

30 There are no additional information requirements for other types of Funds.

31 Shariah Board

a. Names and qualifications of the Shariah committee members

The Fund has been approved and is regularly reviewed by the Shariah Board of Banque Saudi Fransi. The Shariah board members are:

- **Sheikh Abdullah Bin Suleiman Al-Mane'a:** Member of Senior Scholars Committee, Member of High Council of Awqaf, Head of the Financial Institutions Control Groups Committee, member of Islamic Fiqh Academy of the Islamic Countries Institution and Chief of Cassation Court (retired).
- **Dr. Mohammed Ali El-Gari:** Professor of Islamic Economics, member of Shariah Board of Islamic institution Accountancy and Audit in Kingdom of Bahrain, Member Shariah Board in International Islamic Financial Markets, an expert in International Islamic Fiqh Academy and Member of Shariah Advisory board for several Banks.
- **Sheikh Abdullah Mohammed Al-Mutlaq:** Member of the Council of Senior Scholars in Saudi Arabia., Adviser at the Royal Court, Head of the Department of Comparative Jurisprudence, Imam Muhammad bin Saud Islamic University, Member of several Shariah boards of banks in the Kingdom of Saudi Arabia, Member of several Sharia boards such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- **Dr. Hisham Abdulmalik Al-AISheikh:** Professor of Sharia Politics at the Higher Judicial Institute at Imam Muhammad bin Saud Islamic University, a graduate of the Shariah Board Program at Banque Saudi Fransi (Good Example), Legal advisor in many quarters.

b. Description of the roles and responsibilities of Shariah Board

Shariah Board believes that investment in real estate assets is permissible subject to the following guidelines:

- Purchase and sale of the real estate assets shall be in the Shariah Board's approved form;
- Invested real estate asset shall be accurately known with due diligence;
- Price shall be known;
- Fund Manager shall not execute any lease contracts on a real estate asset until completion of the purchase of such asset; and
- for the avoidance of non-Shariah compliant leasing, the property may not be rented from the owner for a deferred amount, and then re-leased to the owner for an actual amount that is less than the deferred amount, and the property may not be rented from the owner with a current payment, then re-leased to the owner for a deferred amount that is more than the current amount.

In case of direct investment by the fund in shares of other listed real estate companies or purchase of units in other real estate funds traded on the Saudi Stock Market (Tadawul), the fund may do so if it is compliant with Shariah guidelines and approved by the Shariah Board.

c. There is no remuneration for the Shariah Board members.

32 Unit Characteristics

The fund consists of one share class.

33 Amending the Fund's terms and conditions

The fund manager shall amend these Terms and conditions at its discretion after the approval of Fund Board and CMA provided that consent of the unitholders will be required in the event that the change is considered as fundamental in accordance with the paragraph 6 of the Real Estate Investment Traded Fund Instructions issued by CMA. The fund manager shall announce any details regarding fundamental changes in terms and conditions on its website and on Tadawul at least 20 working days prior to the change coming into effect.

The Fund Manager shall announce on its website and that of Tadawul any details regarding any fundamental changes to the Terms and Conditions of the Fund 10 days before the entry into force of the change. The Fund Manager shall publish the amended copy of the Terms and Conditions on its website and that of Tadawul, and submit a copy thereof to the CMA and the Custodian within 10 days from any change or update, including the annual updates on the Fund's performance.

34 The Fund Manager's Declarations

1. The Director of the Fund acknowledges that the terms and conditions of Taleem REIT Fund have been prepared in accordance with the Real Estate Investment Funds Regulations and the Real Estate Investment Traded Funds Instructions issued by the Saudi Capital Market Authority.
2. The Fund Manager, having conducted all reasonable inquiries, believes that there are no other facts other than those included in this document, which may make any statement contained therein misleading. The Capital Market Authority of Saudi Arabia and the Saudi Stock Exchange are not responsible for the content of these terms and conditions.
3. The Fund Manager acknowledges that the property is free of any irregularities that prevent or may result in the non-use of the property or its operations, as well as the safety of the property technically and free from any major engineering defects or defects that may prevent or may cause the building not to be used or operated or may cause In turn to make major repairs and major changes.
4. The Fund Manager also acknowledges that there is no conflict of interest between:
 - Fund Manager
 - Real estate owners associated with the Fund
 - Tenants whose assets represent 10% or more of the annual rental income of the Fund
5. The Fund Manager acknowledges that all transactions with related parties have been made in a systematic, legal and fair commercial manner and will not adversely affect in any way the performance of the Fund and its unitholders.
6. The Fund Manager acknowledges that all members of the Fund Board are not subject to any bankruptcy, insolvency or liquidation proceedings, nor have they committed any fraudulent, dishonorable or fraudulent acts, nor have they committed any fraud or misconduct related to integrity and honesty, and have the necessary skills and expertise to qualify as board members.
7. The Fund Manager acknowledges that the two independent members are identical to the definition of the independent member included in the list of terms used in CMA regulations and rules, as well as to any independent member appointed by the Fund Manager throughout the lifetime of the Fund.
8. The Fund Manager acknowledges that no other business activities or interest of the Board of Directors of the Fund Manager "Saudi Fransi Capital" are likely to conflict with the interests of the Fund.
9. The Fund Manager acknowledges that no commissions, discounts, brokerage fees or any monetary or non-monetary compensation have been given to any of the parties in or outside the Fund other than as stated in the Terms and Conditions.
10. The Fund Manager acknowledges that there are no conflicts of interest that would affect the Fund Manager in the performance of his or her duties to the Fund.
11. The Fund Manager acknowledges that there are no fees other than those mentioned in the Schedule of Fees and Fees mentioned in Section 9 of these Terms and Conditions.

12. The Fund Manager acknowledges that new units will not be included in the Fund until the completion of the transfer of title to the Fund.
13. The Fund Manager acknowledges that no member of the Fund Board will vote where he has a direct or indirect interest in the business and contracts of the Fund.
14. The Fund Manager acknowledges that all contracts and agreements relating to the Fund have been disclosed which may affect the investors' decisions to participate in the Fund and that there are no contracts and agreements other than those mentioned in these Terms and Conditions.
15. The Fund Manager acknowledges that unit holders are entitled to vote on matters raised in the unit holders' meetings. In addition, the approval of a majority of the unit holders who own more than 50% of the value of the units in respect of any fundamental change to the Fund, which includes the following:
 - Significant change in Fund's objectives or nature;
 - Change that may have a negative and material impact on the unit holders or on their rights with respect to the Fund;
 - Change that may have an impact on the risk position of the Fund;
 - Any increase in the Fund's capital
16. The Fund Manager acknowledges that he shall take all necessary steps for the benefit of the unit holders in accordance with all his knowledge, due diligence and reasonable consideration. The Fund Manager, Directors, Officers, Agents, Consultants, Affiliates, Custodian, Shariah Counsel and Fund Board Members shall endeavor to exercise reasonable diligence and act in good faith. Despite acting for the best interests of unit holders, the Fund may be at risk of loss in the event of any unintentional action by any of the said parties in connection with the management of the Fund. In such instances, such parties shall not be held liable for such loss provided that they have acted in good faith and prove good faith and the absence of any action, decision or correspondence indicating prior knowledge of the negative consequences of such conduct and in the manner believed to serve the interests of the Fund and that the act does not involve gross negligence, fraud or deliberate misconduct.
17. The Fund Manager acknowledges that all terms, conditions and information that may affect the decision to participate in the Fund and its investors have been disclosed.
18. The Fund Manager acknowledges that existing owners and tenants of properties are not subject to restrictions or actions on property or accounts.
19. The Fund Manager acknowledges that there are no disputes over property, judicial proceedings, administrative proceedings, arbitration proceedings or investigations, whether pending, disposed of, or probable and which, combined or individually, would have a negative and substantive impact. The seller of initial real estate assets and the Fund Manager are bound to complete the sale and purchase of initial real estate assets in accordance with the terms of the sale agreements concluded between them and in accordance with the terms and conditions of the Fund and the regulations in force in Saudi Arabia.
20. The Fund Manager recognizes the soundness and solvency of the activities of the main tenants of the real estate assets.

35 Governing Laws

These Terms and Conditions shall form a legally binding contract between the Fund Manager and each Unitholder. Subscribing for and purchasing Units in the Fund is deemed a consent to these Terms and Conditions. These terms and Conditions shall be governed by the laws and regulations applicable in the Kingdom of Saudi Arabia.

The Fund Manager and each investor will seek to resolve amicably any dispute arising out of or in connection with these Terms and Conditions and the matters contemplated herein. In the event that a dispute cannot be settled amicably, it may be referred by either party to the Committee for the Settlement of Securities Disputes established by the CMA.

Annex 1: Financial Disclosure as at 31 December 2020

Gross income	48,786,213
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Fund management fees	3,825,000
Custodian fees	188,175
Board of Directors' fees	10,000
Zakat provision	1,748,511
Depreciation expense on investment properties (non-cash expenses)	3,180,314
Other expenses	945,791
Net profit	35,501,092
Net assets / equity of shareholders	533,708,182
Net asset value per unit (book value)	10.4649
Distributed profit value	SAR 0.64 per unit

36 Acknowledgment from the Unitholder

I/we have read the Terms and Conditions of Taleem REIT Fund, and understand what was stated in them and agree to them, and acknowledge to review the properties of units that were subscribed to in the Fund, and a copy of this agreement was received and signed.

Subscriber name(s)	
Investment Account Number	
Date	
Location or Branch	
Signature	

Salam Zaki AlKhunaizi

Chief Executive Officer and Board Member

Ibrahim A.Al-Ghanem

Acting Chief Compliance, Governance and Legal