

The Riyad Real Estate Fund – Burj Rafal was launched as a closed-end fund pursuant to the Real Estate Investment Funds Regulations (RIFR) issued by the board of the Capital Market Authority (CMA). Riyad Capital Company will distribute the Fund in the Kingdom of Saudi Arabia as a Fund Manager.

## **THE RIYAD REAL ESTATE FUND – BURJ RAFAL**

A closed-end fund investing in a Saudi real estate project

### **RIYAD CAPITAL COMPANY**



### **INFORMATION MEMORANDUM**

Prospective investors should read this Information Memorandum carefully in its entirety and seek appropriate legal, tax and financial advice before making any investment decision regarding the Fund. The Fund is categorized as a high risk investment. Please review article 11 "Main Investment Risks" in the terms and conditions of this Fund before making any decision regarding the fund.

**DATE of issuing the information memorandum : 29 August 2010**

## **IMPORTANT INFORMATION**

The Fund is authorized and registered under the Real Estate Investment Fund Regulations issued by the Board of Capital Market Authority in the Kingdom of Saudi Arabia.

This Information Memorandum may not be used for the purpose of an offer in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or not authorized.

Prospective investors should be aware that investment in Saudi Arabia carries risk. Investment in the Fund is considered high risk and is only suitable for investment by investors who are aware of and understand the risks involved and are able to withstand the loss of their invested capital.

The information in this document is, to the best of the Fund's directors' knowledge, accurate and contains full, true and plain disclosure of all material facts as at the date hereof, and neither the Fund, its directors nor the Fund Manager assume any responsibility for updating any of the information contained herein to reflect matters arising after the date hereof.

Prospective investors should make their own investigation of the investment opportunity offered hereby and should not consider opinions and projections provided by the Fund Manager in this document as recommendations to invest in the Fund.

Prospective investors in the units of the Fund should conduct their own due diligence on the accuracy of the information relating to the units. If they do not understand the contents of this document, they should consult a financial adviser authorized by the CMA.

The Capital Market Authority does not take any responsibility for the contents of this Information Memorandum, does not make any representation as to its accuracy or completeness, and explicitly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

## **FUND DIRECTORY**

<b>Name of the Fund</b>	Riyad Real Estate Fund – Burj Rafal
<b>Fund Manager</b>	Riyad Capital Company
<b>Address of the Fund Manager</b>	Riyad Bank Head Office, Fifth Floor, King Abdulaziz Street, P.O. Box 21116, Riyadh 11475. KSA <a href="http://www.riyadcapital.com">www.riyadcapital.com</a> Tel.: +966 (1) 4083131 Fax: +966 (1) 4042544
<b>Custodian</b>	Riyad Capital Company P. O. Box 229, Riyadh 11411, KSA Tel.: +966 (1) 4113333 Fax: +966 (1) 4119150
<b>Auditor</b>	PKF AlBassam and AlNemer Allied Accountants P.O. Box 28355 Riyadh 11437 Kingdom of Saudi Arabia Tel: +966 (11) 206 5333 Fax: +966 (11) 206 5444
<b>Developer</b>	RAFAL real estate development King Fahd Road, P.O. Box 6929, Riyadh 11547; KSA

**FACT SHEET**

Fund's Currency	Saudi Riyals
Unit Price at Launch Date	SAR10
Fund's Capital	SAR 350 Million
Number of issued units	35 Million units
Period	Four years renewable for up to two years
Risk level	High
Investment strategy	To acquire a share in the share capital of Burj Rafal Real Estate Development Company that will build Burj Rafal. Then to sell the Fund's share in the company and distribute profits to the Fund unitholders, as soon as the Fund expires.
Subscription period	To be determined
Minimum Initial Subscription	SAR 5,000
Accepting Days for Subscription Applications	Every business day
Valuation days	Every six months
Subscription Fee	Up to 3% of the subscribed units value during the subscription period
Dealing fee	Up to 0.5% of the units value to be separately charged to both seller and purchaser
Management fee	1.5% per annum of the Fund's NAV
Custody and administration fees	0.3% per annum of the Fund's NAV
Other fees	Up to 0.2% per annum of the Fund's NAV
Incentive fee	20% of any income that exceeds a 10% Internal Rate of Return (IRR) of the invested amount to be paid to the Fund Manager, when the Fund expires.

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**GLOSSARY**

Project	“Burj Rafal”, a project to be constructed on a prime plot of land on King Fahd Road, North of King Abdullah Financial District, and includes a hotel, office space, residential apartments, retail area and restaurants
Fund	Riyad Real Estate Fund – Burj Rafal managed by Riyad Capital, which is investing in the Burj Rafal project, in compliance with the Shariah guidelines as approved by the Shariah Committee of Riyad Capital
Fund Manager	Riyad Capital Company
Custodian	Riyad Capital Company
Company	Burj Rafal Real Estate Development Company
Developer	Rafal Real Estate Development Company (Rafal)
Valuer	A person who evaluates the Fund's assets, including property and real estate, and is appointed by the Fund Manager
NAV	Net Asset Value of Riyad Real Estate Fund – Burj Rafal;
Business Day	Any day, excluding Thursday and Friday, on which investment companies are generally open for business in Saudi Arabia
Fund Board	Members of the Board of Directors of the Fund appointed by the Fund Manager
Shariah Committee	Shariah Committee of Riyad Capital
Unit	The pro-rata share of any Unitholders in the Fund, and each unit shall be treated as a common portion in the net asset value of the Fund
Incentive fee	The fee received by the Fund Manager when the Fund expires if the Fund achieves a 10% Internal Rate of Return (IRR) of the invested amount over the life of the Fund.
Off-plan sale	The sale of any property of the Burj Rafal project before the end of construction works and the early cashing of the corresponding price.
CMA	Capital Market Authority of Saudi Arabia
Real Estate Investment Funds Regulations	The Regulations issued by the Board of the CMA pursuant to its Resolution No. 1-193-2006 dated 15/7/2006G.

## **THE RIYAD REAL ESTATE FUND – BURJ RAFAL TERMS AND CONDITIONS**

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

Riyad Real Estate Fund – Burj Rafal.

The Fund is a closed ended real estate fund established in accordance with the Real Estate Investment Fund Regulations (the “Regulations”) issued by the Board of the Capital Market Authority (the “CMA”) of the Kingdom of Saudi Arabia.

### **2. Fund Manager’s Address**

Riyad Capital Company

Riyad Capital Company’s head office, Fifth Floor, King Abdulaziz Street, P.O. Box 21116, Riyadh 11475, Kingdom of Saudi Arabia

Email: [info@riyadcapital.com](mailto:info@riyadcapital.com)

Tel.: +966 (1) 4083131

Fax: +966 (1) 4042544

### **3. Fund’s Capital**

The Fund’s capital will be three hundred fifty million Saudi Riyals (SAR 350,000,000), divided into 35 million units. The Fund Manager will issue equal units of ten Saudi Riyals (SAR 10) each. The Minimum Investment is five thousand Saudi Riyals (SAR 5,000) and there is no maximum investment.

### **4. Currency of the Fund**

The Fund is denominated in Saudi Riyal. In the event that an investor subscribes in any currency other than the Fund’s currency, the exchange rate on the concerned date will be applied to convert the investor currency to the Fund’s currency.

### **5. Offering Period**

The offering’s period shall be of one month and may be extended subject to obtaining the CMA’s approval. If the Fund’s targeted capital is not covered, subscribers will be refunded.

### **6. Fund’s Term**

The Fund shall have a term of four years renewable for up to two years, at the Fund Manager’s sole discretion. The Fund’s term begins after the end of the Offering Period.

### **7. Regulator**

The Terms and Conditions are prepared in accordance with the Real Estate Investment Fund Regulations. The Fund is regulated by the CMA and the Fund Manager is licensed to engage in management activities as well as securities custody operations, to deal, arrange and advice under License No. 07070-37 of January 2008G.

### **8. Date the Terms and Conditions Were Issued**

The Terms and Conditions were issued on 29 August 2010.

### **9. Fund’s Objective**

The Fund is established for the purpose of acquiring a share in the share capital of Burj Rafal Real Estate Development Company (the “Company”), a company organized under the laws of Saudi Arabia, with Commercial Registration number 1010263440 dated 1/3/2009G and that will construct Burj Rafal (the “project”) on a prime plot of land on King Fahd Road, North of King Abdullah Financial District, including a hotel, office space, residential apartments, retail area and restaurants. The Company’s capital is currently divided between: Rafal Real Estate Development Company (“Rafal”), which holds 1,650 shares representing 82.5% of the

Company's share capital, and Tawazun Arabian Company for Commercial Investment ("Tawazun"), which holds 350 shares representing 17.5% of the Company's share capital.

Rafal has effected the transfer and the registration of a total of 6,452.20m<sup>2</sup> of land in the name of the Company, and Tawazun has effected the transfer and the registration of a plot of land of an area of 13,545m<sup>2</sup> in the name of the Company pursuant to the Rescinding Agreement entered into between the Rafal and Tawazun dated on 28/11/2009G.

The Fund's objective is to exit the Company once the Project is completed.

The Fund's objective is to realize gains through:

- the potential appreciation of the Project's properties values; and
- the potential appreciation of the Company's shares.

There can be no guarantee that the investment objective of the Fund will be met.

## **10. Fund Strategies**

In order to develop the project, Burj Rafal Real Estate Development Company (the "Company") has entered into the following contracts with third parties as follows:

- a- Exclusive agreement with Rafal Real Estate Development Co. is to manage and develop the project and to implement administrative operations.
- b- Facility Management Consultancy Services Agreement with EFS pursuant to which EFS Facilities Services is to provide facilities management consultancy services in respect of the Project.
- c- Several Management Agreements between the company and Kempinski Hotels S.A ("Kempinski") pursuant to which Kempinski is to perform the management and operation of the hotel upon completion, to provide certain technical and preopening services to the company during the construction of the hotel and prior to its opening and completion. The company was granted a non-exclusive license to use the Kempinski name and logo in respect of the hotel as long as the hotel is under the management of Kempinski. Kempinski is also to provide certain marketing, reservation and administration services in respect of the hotel, during the hotel's preopening phase and during the term of the management agreement after the hotel opens.
- d- Design and Construction Supervision Services Agreement between the company and P&T Architects and Engineers Ltd ("P&T") pursuant to which P&T provides architectural, engineering and construction supervision services on the Project.

The Fund Manager will be responsible for the following:

- a- In managing the Fund's activities, the Fund Manager undertakes to comply with the Shariah guidelines as approved by the Shariah committee of Riyadh Capital;
- b- The Fund Manager will ensure that no asset is acquired that involves the assumption of any liability that is unlimited or assume, guarantee, endorse or otherwise become directly or contingently liable for any obligation or indebtedness of any other person (whether natural or legal);
- c- The Fund may borrow for liquidity purposes only. The maximum borrowing of the Fund shall not exceed 30% of its Net Asset Value (the "NAV"). It will be taken from banks at prevailing rates and in accordance with Shariah requirements.
- d- The Fund Manager will seek with related parties to sell some properties on map, for the purpose of reducing borrowing and associated costs.
- e- The Fund Manager will seek to invest excess liquidity in limited risk short-term investment instruments, in compliance with Shariah rules, including Riyadh Capital short-term funds.
- f- An Investment Committee at Riyadh Capital will be responsible for monitoring the Fund's investment policy and review the guidelines being followed by the Fund. It will also monitor the implementation phases of the project and the Fund's performance, and will conduct a periodic review with the Fund Manager to ensure his observance of the Fund's objectives and strategy, in the interest of investors.
- g- Exit policy: there will be two in phases:



- Phase I: partial exit through the sale of real estate units available for sale and distribution of proceeds to investors pro rata by reference to the Units of the fund held by each investor.
- Phase II: final liquidation of the fund will be through the final exit from the project upon the sale of fund share in the project and distribute the proceeds to the investors and closing the fund.

**11. Principal Risks of Investing in the Fund**

An investment in the Fund involves a high degree of risk. The price of the Units in the Fund can go down as well as up, depending on real estate market conditions, real estate regulations, local, regional and global economy, and otherwise. Therefore, investment in the Fund does not guarantee profit or non-loss and is not the same as an investment deposit. Investors in this Fund must also consider that the previous results of similar funds are not necessarily indicative of the Fund’s future performance, and they must be aware of and familiar with the real estate sector’s risks and be able to accept losses, in the same way as they accept profit.

These risks include the following:

**11.1 Risks Associated with the Fund’s Investments**

**(a) General Risk of Investing in Real Estate**

The Fund is subject to all the risks associated with investing in real estate in Saudi Arabia, including adverse changes in regional, national or international economic conditions, adverse local market conditions, the financial condition of tenants, buyers and sellers of properties, oversupply, lack of demand, competition, changes in availability of financing, real estate tax rates and other operating expenses, environmental laws and regulations, zoning laws and other governmental rules and fiscal policies, environmental claims, energy prices, changes in the relative popularity of property types and locations, risks due to dependence on cash flow and risks and operating problems, shortage of equipment and construction materials, unexpected delays, adverse weather conditions, natural disasters, accidents, other acts of God and other factors which are beyond the reasonable control of the Fund Manager.

**(b) Risks of Construction Costs**

The construction costs for a large scale property development, such as the Project, may exceed forecasts for various reasons including, but not limited to disputes with sub-contractors, an increase in the cost of building materials, equipment and labor, inclement weather and unforeseen problems and circumstances. Where possible, cost overruns will be mitigated by entering into fixed time and price construction contracts with contractors with appropriate provisions made for contingencies. However, there is no assurance that the mitigating measures undertaken will be able to eliminate the risk of incurring substantial cost overruns that result in losses to Unitholders. Further, despite appropriate due diligence on the part of the Developer in selecting contractors, the quality of workmanship by such contractors may negatively affect the subsequent sale of the Project. In such instances, recourse to the contractors may be limited.

**(c) Risks of New Development Projects**

Building and successfully marketing a new project development is subject to numerous risks including, but not limited to:

- delay in obtaining required governmental approvals and permits;
- delays in timely completion of works;
- cost overruns; and
- inability to generate pre-sales to forecast levels.

**(d) Illiquidity Risk:**

Real estate represents a highly illiquid asset class. The Company may not be able to dispose of its assets in the Project at an opportune time, at its expected price, or at all. Moreover, the return of the Fund is largely dependent on the Fund Manager’s ability to liquidate its assets by selling its shares in the Company at the time of the Fund’s liquidation. Delays or difficulties in the Fund’s disposal of its assets may materially affect the ultimate return, if any, received by investors.

- (e) **Risk of Dependence on the Developer:**  
The development and management of the Project will be undertaken by the Developer. The Developer is not under the control of the Fund Manager or the Fund and, as with any counterparty arrangement, there is a potential risk of default by the Developer and a risk of dispute between the parties involved.
- (f) **Environmental Risks**  
The Project may be exposed to liability for any contamination found in the land and may have an obligation to remove or remediate such contamination to comply with relevant government authorities' instructions. The costs of such required remediation could be significant and would impact on the value of the Fund's assets, the profitability of the Project, returns to shareholders of the Company and consequently the returns to Unitholders.
- (g) **Borrowing and Security Risks**  
It is anticipated that the Project will be financed in part by debt and the proceeds of off-plan sales. As at the date of this Information Memorandum, no financing has been secured and there is no guarantee that financing will be secured or that any particular financing structure will be adopted. Where financing is secured, borrowing costs may increase and income from the Project may not generate enough revenue to cover these costs. Off-plan sale proceeds will be used to service the project loans. In the event that off-plan sales are inadequate to service the debt or an event of default occurs, completion of the Project would be jeopardized.
- (h) **Liquidation of Real Estate Assets**  
The valuation of real estate investments depends on various factors and can be difficult to establish. The market value of real estate may decline as a result of a decline in economic, political, regulatory and market conditions. No assurance can be given that real estate valuations will accurately reflect the price which any investment might realise on actual sale and it may not be possible to realise the real estate asset values at the prices indicated by the valuations. Any decline in real estate asset values will affect the return on investment to shareholders of the Company and consequently the returns to Unitholders.
- (i) **Risk of Concentration**  
The Fund intends to derive capital gains through its investment in the Project. Unitholders will be subject to the particular risks associated with the geographic concentration of the Fund's Assets in Riyadh and will not be able to rely on the benefits of diversification geographically or otherwise. Accordingly, the Fund's Assets will be susceptible to fluctuations in value resulting from adverse economic and other conditions that may affect Saudi Arabia's economy and cannot be foreseen. The Fund's financial condition may be subject to a more rapid change in value than in the case of a wider diversification.

## 11.2 Political and Applicable Law Risk

- (a) **Political Climate**  
The value and performance of the Fund may be affected by uncertainties, including political developments, and external influences.
- (b) **Legal Risks**  
Current applicable laws and regulations may be subject to change. Revisions to the applicable regulations and unfavorable interpretations may have an adverse impact on the Fund's activities and performance.
- (c) **Limited Recourse**  
Recourse to the Fund is limited to the Fund's assets and the proceeds of the Fund's assets are the sole source of payments on the Units. There can be no assurance that the net proceeds of the liquidation of, or the enforcement with respect to, the Fund's assets will be sufficient to make all payments due in respect of the Units or to ensure that Unitholders receive all of their money back.

**(d) Emerging Market**

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets. Accordingly, investors should exercise particular care in evaluating the risks involved in investing in the Fund and must decide for themselves whether, in the light of those risks, their investment in the Units is appropriate for them. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved. Investors should also note that a feature of emerging markets is that they are subject to rapid change.

**(e) Other Success of Similar Projects is not an Indicator of Future Returns**

Performance of other real estate developments in Saudi Arabia is not an indicator of, and does not guarantee the success of the Project. The returns generated by developments in Saudi Arabia can vary and are impacted by the factors that are unique to each development including, but not limited to, demographics, timing, environmental factors, design plans and contractors. No assurance, guarantee or representation is hereby given by the Fund that the Project will achieve the same or comparable results to similar real estate developments completed in Saudi Arabia.

**12. Subscription**

Investors wishing to subscribe to the Fund units during the subscription period should do so by completing and signing a subscription application form. Subscription applications shall be submitted to Riyadh Capital branches. The Minimum Investment is five thousand Saudi Riyals (SAR 5,000).

The investor may pay the subscription amount either **(a)** by authorizing the Fund Manager to debit his investment account; or **(b)** by depositing the subscription amount in Riyadh Capital Company's account at Riyadh Bank.

The Fund Manager reserves the right to refuse participation by subscribers in the Fund if they fail to submit their applications subject to these terms and conditions, or fail to submit signed and certified applications, or fail to deliver the funds necessary to purchase the fund units required. Also, the Fund Manager may refuse to accept any subscription application if the acceptance thereof would result in a violation of any of CMA laws and regulations.

If an application is refused, the Fund Manager shall refund the subscription amount to the investor, by sending him a cheque by mail or by a bank transfer.

If the applicant is more than one person, then every one of them should sign the application form unless a legal proxy or a written delegation is given to one of them. In the event of collective subscription, the ownership of such shares shall be shared equally between them.

The Fund Manager reserves the right to ask any information as he deems appropriate to verify the applicant's identity. If the applicant is late in presenting the information required for the purpose of such verification, or if he fails to present them, the Fund Manager may refuse the application.

**13. Fees and Expenses**

The Fund Manager charges the subscriber a subscription fee, set as a percentage of the units purchased during the offering period, as well as a dealing fee calculated as a percentage of the value of sold units and charged to both seller and purchaser during the Fund's term. The Fund Manager also charges a management fee calculated as an annual percentage of the fund assets, charged upon each valuation and deducted from the Fund Assets every six months based on the Assets' book value.

All expenses incidental to organization, operation and asset investment shall be charged against and deducted from the fund assets every six months. These expenses include, but are not limited to, remuneration of the Fund Board of Directors and Shariah Committee, valuer expenses, accounting fees, custody fees and expenses at the Custodian, commissions, taxes, and any other duly authorized petty expenses.

The Fund Manager will be entitled to an incentive fee if returns from the Fund achieve an IRR above the Hurdle Rate. The Incentive Fee shall accrue at every Fund valuation and shall be paid

by the Fund to the Fund Manager upon liquidation of the Fund (for further details, kindly review the Summary Financial Disclosure).

**14. Valuation of Fund Assets**

The Fund assets will be valued once every six months on the basis of the NAV of the Fund, in order to determine an indicative unit price. The NAV is being defined as the current market price of the Fund's assets less all charges calculated as at close of business on the date of valuation, whether paid or accrued. The NAV shall be calculated by subtracting the Fund's total liabilities from its total assets, then dividing the result by the number of the Fund's units on the relevant Valuation Day.

The indicative unit price of the Fund will be advised to Unitholders, by mail or electronic means once every six months following each valuation. The Fund Manager will also publish the unit price on the websites of Tadawul ([www.tadawul.com.sa](http://www.tadawul.com.sa)) and Riyadh Capital ([www.riyadcapital.com](http://www.riyadcapital.com)).

**15. Trading of Fund Units**

Fund Units will be traded on any business day, provided that no sale or purchase shall be made without and through the consent of the Fund Manager. Trading will be subject to the seller and buyer's acceptance of the transaction taking place at a certain price, and there can be no guarantee that the Fund Manager will implement their requests. Unitholders wishing to sell their units in the Fund may do so by completing, signing and sending to the Fund Manager a sales application form. The Fund Manager will then try to find a buyer wishing to purchase the units being offered for sale. The Fund Manager may also decide, at his discretion, to allow the submission of such applications through electronic means or otherwise.

**16. Fund Termination**

The Fund will terminate upon the expiration of the Fund's specified period or in the event of a sale of its share in the Project prior to that. However, if, in the opinion of Fund Manager, the value of the Fund's assets under management is insufficient to justify continued operations of the Fund, or if, due to any change in laws, regulations or other circumstances, the Fund Manager may upon giving a 60 days written notice to investors and after CMA's approval, liquidate the Fund. The Fund's assets will be liquidated, its liabilities discharged and the remaining proceeds of such liquidation distributed to the investors, within two months of such notice, in the proportion which their units bear to the total units then ascertained by the Fund Manager.

**17. Fund Liquidation and Appointment of a Liquidator**

The Capital Market Authority shall have the power to appoint a replacement Fund Manager or a liquidator or to take any other measures, as it deems appropriate, in accordance with Real Estate Investment Funds Regulations.

**18. Distribution of Proceeds to Unitholders**

The Fund Manager may distribute proceeds, whenever achieved, to Unitholders during the Fund's term. The Fund Manager will distribute these proceeds and calculate the incentive fee in accordance with the following procedures:

- Profits resulting from the sale of Project properties will be distributed to Unitholders until each Unitholder has recouped its initial investment in the Fund.
- Any excess will be thereafter distributed to Unitholders, so that each Unitholder obtains a return rate of up to 10% per annum on the initial investment during the life of the Fund.
- Any amount remaining after that will be distributed based on a ratio of 80% to the Unitholders and 20% to the Fund Manager as Incentive Fees upon fund liquidation.

## **19. The Fund Board of Directors**

### **19.1 Board Composition**

The Fund Board of Directors consists of five members which includes two independent members, one of them being the chairman. The period of board membership begins from the date of CMA approval for launching the fund up to its liquidation. The Fund Manager has the right to change board members during the Fund's term, after obtaining approval from CMA and Unit holders should be informed about the change.

Set out below are the names of the directors.

#### Mr. Ali Abdul Rahman Al Quwaiz (chairman)

Mr. Al Quwaiz is currently the CEO of Riyadh Capital. He has a Bachelor degree in Business Administration from Portland University. He obtained a one-year on-the-job training at Chase Manhattan Bank in NY, in addition to cumulative management training at Harvard Business School and INSEAD. He has 22 years of experience in banking and finance, including 10 years in the Project Financing Department of the Saudi Industrial Development Fund (SIDF), and 12 years of experience in investment banking.

#### Mr. Adel Ibrahim Al Ateeq (director)

Mr. Al Ateeq is currently the Director of Asset Management Department of Riyadh Capital. He holds an MBA from Pittsburgh University. He is also a certified Personal Financial Planner and a Certified Wealth Manager. He has more than 10 years of experience in financial markets and investment fund management. Prior to joining Riyadh Bank, he worked two years at Saudi Arabian Monetary Agency (SAMA).

#### Mr. Natheer Abdullah Al-Mahdi (director)

Mr. Al-Mahdi is currently the manager of the local equity funds at the Asset Management Department of Riyadh Capital. He obtained his bachelor degree in quantitative methods from King Saud University. He is working in the asset management previously owned by Riyadh Bank and now owned by Riyadh Capital since 1996G. His experience includes money market funds, commodity trading funds, Saudi equity funds and discretionary portfolios. He attended many investment courses and training programs through SAMA training institute, JP Morgan, Euromoney and others.

#### Dr. Abdul Wahab Saeed Abu Dahesh (independent director)

Dr. Abu Dahesh is currently the General Manager of Investment & Business Development at Alissa Group. He worked at Riyadh Bank from 2001 to 2005 as a Senior Economist in the Economic Division, then as Head of the Investment Research at the Asset Management. Prior to joining Riyadh Bank, he worked in the Ministry of Finance & National Economy and International Monetary Fund. He obtained his Ph.D. in Economics from the American University, Washington, D.C., in 1998G.

#### Mr. Sattam Abdulla Al Swailem (independent director)

Mr. Al Swailem is currently CEO of "Supply Core ME" company, which is specialized in business management and logistics solutions. He got his B.A Degree in Business Administration in 2000G from Rockford College, USA, and a Master Degree in Economics from Western Illinois University.

### **19.2 Board's Responsibilities**

The Fund's board shall have the following responsibilities and powers:

- ensuring that the Fund Manager carries on its obligation in the best interest of the Unitholders, in accordance with the Terms and Conditions and the provisions of the Real Estate Investment Fund Regulations;
- approving all material contracts, decisions and substantial reports that the Fund is party to. This includes, but is not limited to, the approval of contracts on development, custody, marketing and evaluation contracts;
- approving the Fund's Terms and Conditions and any changes to them;
- taking decisions with regards to any transaction which might include any conflict of interests disclosed by the Fund Manager;
- approving the appointment of the Fund's auditor nominated by the Fund Manager;

- meeting at least twice a year with the Fund Manager’s Compliance Officer and the Money Laundering and Terrorism Financing Reporting Officer to ensure the compliance of the Fund Manager with all applicable regulations;
- ensuring the Fund Manager’s compliance with the requirement of disclosure of material information to Unitholders and other interested parties; and
- acting for the benefit of the Fund and its Unitholders.

### 19.3 Funds Supervised by the Board of Directors:

#### Funds Approved by Shariah Committee:

1. Riyadh Equity Fund 2	7. Al Shamekh Shariah Compliant Fund
2. Riyadh Gulf Fund	8. Al Shuja'a Shariah Compliant Fund
3. Global Equity Fund	9. Al Mokdam Shariah Compliant Fund
4. Commodity Trading Fund (SAR)	10. Al Hadi Shariah Compliant
5. Commodity Trading Fund (USD)	11. Al Emmar Fund.
6. Balanced Income Fund	12. Riyadh Small and Medium Cap Fund.

#### Other funds:

1. Riyadh Equity Fund 1	12. US Dollar Bond Fund
2. Riyadh Equity Fund 3	13. International Bond Fund
3. American Stock Fund	14. Riyadh Money Fund USD
4. European Growth Fund	15. Riyadh Money Fund SAR
5. Japan Stock Fund	16. Al Shamekh Fund
6. South East Asia Fund	17. Al Shuja'a Fund
7. British Stock Fund	18. Al Mokdam Fund
8. International Fund	19. Al Hadi Fund
9. Technology Fund	20. Global Property Fund
10. Telecommunication Fund	21. Natural Resources Fund
11. Future Equity Fund	

### 19.4 Board’s Remuneration

The remuneration of independent directors shall be SAR2000 per meeting on real estate funds. The non independent directors shall not be remunerated.

### 20. Fund’s Shariah Committee

The fund is supervised by a Shariah control council including:

- Al Sheikh/ Abdullah bin Sulaiman bin Moneea (Chairman)

He is a member of Council of Senior Scholars in Saudi Arabia, and the former President of the courts of Makkah Al-Mukarramah. In 1396H, he was appointed as the Vice President of the Chairman of Presidency of Scientific Research, IFTA, Call and Guidance. He is also a counselor to many Islamic Financial Institutions around the world and has many publications and researches on Islamic Banking.

- Al Sheikh Dr. Abdullah bin Mohammed Almotleq (member)

He is a member of the Council of Senior Scholars in Saudi Arabia, a member of the Permanent Committee for Issuing Fatwas and the former President of Comparative Fiqh Department in the High Institution of Jurisdiction. He is also a counselor to many Islamic Financial institutions and has many researches and publications about Islamic financial transactions.

- Al Sheikh Dr/ Mohammed Bin Ali Al Qarri (member)

He is a lecturer at King Abdulaziz University, Islamic Economic Department, Jeddah. He is the former president of Islamic Economic Research Center in King Abdulaziz University and an Expert in Islamic Fiqh Academy, a subsidiary of the Organization of the Islamic

Conference in Jeddah. He is also a counselor for many Islamic financial institutions around the world and has many research publications on Islamic Banking.

**21. The Fund Manager**

The Fund Manager is Riyadh Capital, which has its address at: Riyadh Bank head office, fifth floor, King Abdulaziz Street, P.O. Box 21116, Riyadh 11475.

Email: info@riyadcapital.com

Tel.: +966 (1) 4083131

Fax: +966 (1) 4042544

The Fund Manager is an authorized person under the Authorized Persons Regulations with CMA license number 07070-37 dated January 2008G to engage in management activities as well as securities custody operations, to deal, arrange and advice.

**22. The Fund Manager's Investment in the Fund**

The Fund Manager may invest his own money in the same fund.

**23. Custodian**

Riyadh Capital Company, P. O. Box 229, Riyadh 11411, KSA

Tel.: +966 (1) 4113333, Fax: +966 (1) 4119150

**24. Developer**

Rafal Real Estate Development Company Ltd has been appointed as the Project Developer pursuant to the Exclusive Project Development and Back Office Management Agreement. The appointment of the developer may be terminated at any time without justification pursuant to a prior written notice of at least three months, or otherwise pursuant to a prior written notice of 15 days.

**About the Developer**

Rafal Real Estate Development Co. Ltd. (Rafal) was formed in Riyadh in late 2007G by leading companies with more than fifty-seven years of experience namely, Arabian Company for Water and Power Development, Ltd. - ACWA Power, Ibrahim Abdullah Abunayyan & Bros. Company, and Arabian Tawazon for Commercial Investment Ltd., with the purpose of developing outstanding real-estate and construction projects. Rafal Board of Directors is composed of the following:

- Suleiman Al Muhaidib, Chairman, also chairs the board of Abdul Kader Al Muhaidib Group and is a Board Member of SABB. Al Muhaidib also chairs many companies and sits on the board of many other companies.
- Mohammad Abunayyan is a Board Member. He also chairs the board of A. Abunayyan Group and many more companies. He is a board member of many companies and serves as a Consultative Committee Member of the Saudi Supreme Economic Council.
- Abdelalah Abunayyan is a Board Member. He is also the General Manager of Ibrahim A. Abunayyan & Bros. Co. and Board Member of many major companies in KSA.
- Rasheed Al Rasheed is a Board Member. He is also the Managing Director of ACWA Power and a Board Member of many companies and financial and executive committees in KSA.
- Majed Al Hogail is the CEO of Rafal and a Board Member. He is also a Board Member of many executive and financial committees in KSA.

**Developer Address:**

Tatweer Tower, 9th floor, King Fahd Road, Almohammadeyyah District,

P.O. Box 69290 Riyadh 11547

Tel: +966 1 200 8333

Fax: +966 1 200 9393

E-mail: mohamedm@rafal.com.sa

**25. Certified Accountant**

KPMG Al Fozan & Al Sadhan and it may be contacted at the following address:

P.O. Box 92876,  
Riyadh 11663,  
Saudi Arabia,  
Tel.: +966(1) 291 4350  
Fax: +966(1) 291 4351

**26. Financial Statements**

The Fund Manager shall produce audited annual reports containing the audited financial statements of the Fund, a copy of which is required to be filed to the CMA immediately after approval by the Fund's Board of Directors and must be announced to Unitholders immediately after being approved and within 40 days of the end of the Fund's financial year to which they relate.

The Fund Manager shall also produce preliminary financial statements, a copy of which is required to be filed to the CMA and must be then announced to Unitholders immediately after being approved and within 25 days of the end of the period to which they relates. The first preliminary financial statements will be issued on 30 June 2011G.

All reports and financial statements shall be prepared in accordance with Saudi Organization for Certified Public Accountants (SOCPA).

These statements will be available free of charge and upon request.

Unitholders and potential investors may request copies of financial statements by writing to the following address:

Investment Marketing Department, Riyadh Capital Company,  
P. O. Box 21116, Riyadh 11475,  
Kingdom of Saudi Arabia.  
Tel.: +966(1)4083131  
Fax: +966(1)4042544  
[email: info@riyadcapital.com](mailto:info@riyadcapital.com)

**27. Conflict of Interests**

The Fund Manager shall always avoid any conflict of interests between its or any concerned party's interests and the subscribers of the Fund. The subscriber's interests will always take precedence before the Fund Manager or other relevant parties' interests, and shall never be biased towards subscribers against other subscribers in the same Fund. In the event of any potential conflict of interest, the Fund Manager shall report it to the Fund's Board to decide thereon. Procedures for dealing with conflicts of interests will be made available to subscribers upon request.

**28. Anti Money Laundering**

Additional documentation beyond the Subscription Form may be required upon subscription to comply with Anti-Money Laundering Law and to verify the identity of Unitholders. This information will remain confidential. The Fund Manager reserves the right to request such further documentation or information from a prospective investor as may be required. Failure to provide documentation and to prove identity to the satisfaction of the Fund Manager may result in the rejection of a subscription.

The Fund will at all times comply with all circulars issued by the CMA pertaining to anti money laundering and terrorist financing.

**29. Reporting to Unitholders**

The information below shall be provided to the unit holders by mail every six months:

- The Net Asset Value (NAV) of the Fund;
- The number and net value of the units held by the unit holder;
- Any payment of dividends; and
- Any dealing in respect of the Fund units.



The Fund Manager shall disseminate twice a year the investment fund information in a format as prescribed by the CMA.

**30. Changes in Terms and Conditions**

Each Unitholder agrees that the Fund Manager may, at any time and in its sole discretion, amend these terms and conditions provided it obtains the prior approval of the CMA and the Riyadh Capital Shariah Committee of any material amendment. It is also required that the Fund Manager notifies Unitholders by mail of all material changes and furnishes them with a copy of the amended text. The amendments will become effective 60 days from the date of any such notice. Any such changes shall be binding on all Unitholders.

**31. Complaints Procedure**

Should any Unitholder have a complaint in respect of the Fund, he should make his complaint in writing to:

Compliance Officer,  
Riyad Capital,  
P. O. Box 21116,  
Riyadh 11475,  
Kingdom of Saudi Arabia.  
E-mail address: [info@riyadcapital.com](mailto:info@riyadcapital.com)  
Call center: 8001240010

**32. Governing Law**

The Fund will be regulated by the laws and regulations of Saudi Arabia. Any dispute arising between the parties of this agreement shall be referred to a specialized judiciary committee (the Committee for Resolution of Securities Disputes at the CMA) or any other authority nominated in its place.

**33. Compliance with the Real Estate Investment Funds Regulations**

The terms and conditions of the Fund and other documentation are compliant with the Real Estate Investment Funds Regulations issued by CMA and other laws and regulations which govern the investment business in the Kingdom of Saudi Arabia. The terms and conditions and other related documents contain full, true and plain disclosures of all the facts relevant to the investment fund.

**34. Miscellaneous**

A- The investor fully understands that any decision or action taken by the Fund Manager with respect to the Fund assets and liabilities from time to time under this Agreement will be for the Investor's account and risk. All investment decisions taken by the Fund Manager in relations to the Fund will be based solely on information that is available to the public. The Fund Manager will be committed to doing his best and avoid negligence in managing the Fund.

B- Riyadh Capital Company shall hold assets of the Fund as a single common Fund and trust for the investor's interest. Accordingly, such assets do not form part of the assets of Riyadh Capital and each Unit in the fund represents a proportional interest equal to each other Unit.

C- Investor hereby irrevocably appoints the Fund Manager as its attorney-in-fact and authorizes him to delegate others as sub managers after obtaining the approval of CMA and notifying the Unit holders at least (60) sixty calendar days in advance. The Fund Manager will also have the full power of delegation and substitution to execute and deliver any document which may be deemed by the Fund Manager or any delegated party to be necessary in order to acquire or sell any of the Fund's assets or to invest any of the Fund's cash or to transfer any of the Fund's assets into the name of a nominee of Riyadh Capital or any delegated party, or to exercise any of the powers or discretion given hereinabove to the Fund Manager, or delegated by the Fund Manager to any delegated party, or to perform any of the Fund Manager's or any delegated party's obligations in respect of the Fund. Any document to be executed by this

power may be executed by the Fund Manager. The investor hereby agrees to execute or procure to be done and executed all necessary acts, deeds, documents and other things within his power to give effect to this Agreement.

D- The investor can be a single person, a group of persons, an establishment, a partnership, or a limited liability company. If the investor is two or more persons, then, unless otherwise indicated, any investment made in the fund shall be considered the joint property of such persons, providing that each and every person thereof authorizes the Fund Manager to act upon written instructions of all or any one of them. If the investor is an establishment, partnership or limited liability company, then the investor, prior to being allowed to subscribe to the Fund, shall furnish the Fund Manager with a copy of its commercial registration, articles of association and, if necessary, the partners' resolutions, providing that all are in a form and text acceptable to the Fund Manager.

E- If the Investor is a natural person, the terms and conditions hereof shall be binding upon his heirs, executors, administrators, personal representatives, trustees and successors, and the Investor agrees that these terms and conditions shall not be terminated automatically upon his death or disability. In the event that the Investor is a general partnership, limited partnership or Limited Liability Company or other legal person, participation in the Fund shall not terminate automatically upon the death, disability, insolvency or dissolution of any of the partners or shareholders therein. Notwithstanding the foregoing, however, the Fund Manager shall be entitled, at its sole discretion, to suspend any dealings in connection herewith, pending receipt by the Fund Manager of a court order, power of attorney or other evidence satisfactory to the Fund Manager of the authority of any heir, executor, administrator, personal representative, trustee or successor to permit such dealings.

F- The investor shall not be permitted to transfer or assign his rights, benefits or obligations to the Fund without prior written consent of Fund Manager.

G- Gregorian calendar is the approved basis for the execution of transactions.

H- Investor's signature on the subscription request, dealing request or any document related to the Fund shall be considered as an obligation of compliance with these Terms and Conditions.

I/We have read the terms and conditions together with the relevant appendices, understood contents, and agreed thereon; and have received a copy after signing it.

Investor's name: .....

Signature: .....

National ID, Iqama Number, Commercial Registration number:

Address: .....

**The Riyad Real Estate Fund – Burj Rafal**  
**SUMMARY FINANCIAL DISCLOSURE APPENDIX**

A: Fees and expenses to be charged to the unitholders

1.	Subscription Fees	Up to 3% of the value of the Units subscribed to be charged to the subscriber during the offering period
2.	Dealing Fee	Up to 0.5% of the units value to be separately charged to both seller and purchaser
3.	*Management Fee	1.5% per annum of the Fund's NAV
4.	*Custodian and Administration Fee	0.3% per annum of the Fund's NAV
5.	Other expenses including, but not limited to, compensations of the Fund board of directors and Shariah Committee, legal and audit fees, consultancy fees, commission fees, valuer expenses and any other petty expenses required for administering and operating the Fund	Less than 0.2% of the Fund's NAV
6.	Incentive Fee	20% of any income that exceeds a 10% IRR per annum, to be calculated and paid at the Fund liquidation.

B. Fund assets, fees, and actual expenses as at 31/12/2015:

Fund Net Assets	SAR 309,344,960
Issued Units	30,700,000 unit
Unit Price	SAR 10.08
Management Fees	SAR 5,635,845
Valuation Fee	SAR 87,799
Auditing Fees	SAR 18,055
CMA Fees	SAR 7,500
Tadawul Fees	SAR 5,000
Total Expense Ratio over NAV in 2015	1.838%

\* These fees shall be calculated at each valuation of the NAV, on the basis of the Assets' book value. It shall be paid every six months.

C. Yearly total fund return:

Year	Fund Return
2011	12.50%
2012	16.09%
2013	12.02%
2014	3.42%
2015	-13.92%

D. Cumulative fund return as in 31-December-2015:

Period	Fund Return
Last 1 year	-13.92%

Last 3 year	5.55%
Last 5 year	

The past performance of the investment fund is not an indication of how the fund will perform in the future. There is no guarantee for unit holders that the investment fund's absolute performance will repeat or match past performance.