

MODIFICATION NOTICE

To	Gulf Fund Management Limited
Address	3 rd East building, 4 th Floor, Dubai Airport Free Zone, Dubai, United Arab Emirates
DFSA Firm Reference No.	F000428
Notice No.	W052/2007

THE DFSA HEREBY GIVES NOTICE THAT:

The Rules specified in the table herein do not apply to the above mentioned Person in the form appearing in the Rulebook but instead apply to that Person in the modified form prescribed in the table below.

This notice is issued by the DFSA under Article 25 of the Regulatory Law 2004.

Effective date: This notice comes into effect on **18 June 2007** and remains in force until further notice.

RULES MODIFIED

The Rules listed in the left hand column of the table below are modified as shown in the right hand column of the table. In this table, underlining indicates new text and striking through indicates deleted text.

Rule	Modified Text
CIR 13.5.2	<p>Permitted Investment Vehicles and Listing</p> <p>(1) An Operator of a Domestic Fund which is a Property Fund must use only a closed-ended legal structure for the investment vehicle. <u>However, subject to the requirements under (2) – (7) an Operator may in the Constitution and the Prospectus of a Private Property Fund:</u></p>

	<p><u>(a) permit Unitholders to make a written request to the Trustee 18 months after the close of the subscription period set out in the initial private placement memorandum of the Fund to offer their Units for resale to existing Unitholders of the Fund;</u></p> <p><u>(b) require the Trustee to comply with such a request in accordance with the requirements in (2);</u></p> <p><u>(c) permit Unitholders to make a written request to the Trustee 18 months after the close of the subscription period set out in the initial private placement memorandum of the Fund to buy back any Units not sold to other Unitholders following the process specified in (2); and</u></p> <p><u>(d) require the Trustee to comply with such a request in accordance with the requirements of (3) – (8).</u></p> <p><u>(2) The Trustee must:</u></p> <p><u>(a) offer the Units which are the subject of a request under (1)(a) by means of an open bidding process to existing Unitholders within 3 months of the date of the request; and</u></p> <p><u>(b) give effect to a transfer of one or more of the offered Units, following the acceptance by the offering Unitholder of a bid in respect of a Unit to which the offer relates.</u></p> <p><u>(3) If any of the Units offered in (2) remain unsold then the Trustee may, subject to the conditions specified under (4) and applying the deductions specified under (5), upon receiving a request from the relevant Unitholder, buy back such Units by paying a sum equal to the value of the relevant Units calculated in accordance with the most recently available net asset valuation for those Units where such valuation is not more than 3 months old.</u></p> <p><u>(4) The buy-back in (3) is subject to the following conditions:</u></p> <p><u>(a) the Trustee's oversight committee and the</u></p>
--	---

	<p><u>Operator are satisfied that adequate liquid assets of the type referred to under (7) will be maintained and such buy-back does not adversely affect the Fund and the remaining Unitholders; and</u></p> <p><u>(b) the number of the Units in respect of which payment is to be made does not, when aggregated with any Units bought back during the 6 month period occurring immediately before such buy-back, exceed 10% of the Units of the Fund at the beginning of the said 6 month period.</u></p> <p><u>(5) The buy-back in (3) is subject to the following deductions:</u></p> <p><u>(a) the deduction of 15% of the value of the price of the Units calculated in accordance with (3); and</u></p> <p><u>(b) the deduction of any reasonable costs incurred by the Operator and the Trustee when dealing with a request under (1)(c).</u></p> <p><u>(6) If more than one request is received by the Operator under (1)(c) during any particular 6 month period the Operator must, give priority to each request in accordance with the terms of the Constitution and Prospectus.</u></p> <p><u>(7) The type of liquid assets referred to in (4)(a) are cash or assets which can be readily converted into cash, including but not limited to marketable securities, government bonds, treasury bills and notes that mature within 90 days.</u></p> <p><u>(8) If the Fund in (1) is a Public Fund, then the Operator must use either an Investment Company or Investment Trust as the investment vehicle.</u></p> <p><u>(9) If the Fund in (1) is a Public Fund, then the Operator must ensure that it is listed and traded on an Authorised Market Institution or is listed and traded on an exchange in a Recognised Jurisdiction.</u></p>
CIR 13.5.3	<p><u>(1) An Operator of a Property Fund must, subject to (2), call a meeting of Unitholders to vote on the election</u></p>

	<p>of at least three experts who are independent of the Operator to sit on an investment committee of the Fund.</p> <p>(2) An Operator of a <u>Private Fund</u> which is constituted as an Investment Trust need not <u>must</u> appoint an investment committee <u>comprising at least three experts who are independent of the Operator.</u></p> <p>(3) The committee members in (1) <u>and (2)</u> are appointed to review investment opportunities and must not involve themselves in the day to day management of the Fund.</p> <p>(4) <u>The Trustee of a Private Fund which is an Investment Trust, must appoint an oversight committee comprising at least three individuals who are independent of the Operator.</u></p> <p>(5) <u>A Person is independent of the Operator for the purposes of this Rule if that Person meets the requirements under Article 34 of the Law.</u></p>
<p>CIR 13.5.11</p>	<p>Use of Special Purpose Vehicles</p> <p>(1) The Operator of a Property Fund may hold Real Property for the Fund:</p> <p>(a) through a Special Purpose Vehicle, subject to (2) and (3), only if the Fund <u>or the Trustee, as the case may be,</u> has majority ownership and control of the Special Purpose Vehicle; or</p> <p>(b) <u>in accordance with the arrangements for ownership and control in (4).</u></p> <p>(2) A Special Purpose Vehicle set up by the Operator of a Fund under (1) may itself hold Real Property through another Special Purpose Vehicle (the second Special Purpose Vehicle) for the sole purpose of directly holding Real Property for the Fund or arranging financing for the Fund but the second Special Purpose Vehicle must not hold Real Property for the Fund <u>or Trustee, as the case may be,</u> through another Special Purpose Vehicle</p> <p>(3) The Operator of the Fund must ensure that:</p>

	<p>(a) neither the Constitution of any Special Purpose Vehicle nor the organisation, transactions or activities of such vehicles must under any circumstance contravene any requirements of the Rules in this section;</p> <p>(b) the board of directors of each of the Special Purpose Vehicles must be appointed by the Operator in agreement with the Trustee or Persons performing oversight functions of the Fund and where elected, the investment committee; and</p> <p><u>(4) For the purposes of (1)(b), where the Special Purpose Vehicles is wholly owned by the Operator of the Property Fund the Operator and Trustee must ensure that the following safeguards have been implemented before the Trustee issues any of the Fund's Units:</u></p> <p><u>(a) a declaration of trust has been executed by the Special Purpose Vehicles declaring that all assets of any nature whatsoever are held on behalf of the Trustee of the Fund;</u></p> <p><u>(b) a declaration of trust has been executed by the Operator declaring that the Shares it holds in respect of the Special Purpose Vehicles are held on behalf of the Trustee of the Fund and declaring that it will not deal with the such Shares in any way without express instructions from the Trustee and will not pass any resolutions contrary to the express wishes of the Trustee;</u></p> <p><u>(c) the Trust Deed contains an indemnity provision, the effect of which is that the Operator agrees to use any powers and rights vested through its ownership of the Special Purpose Vehicles' Shares in accordance with the express wishes of the Trustee, failing which it shall indemnify the Investment Trust;</u></p> <p><u>(d) a resolution has been passed by the Governing Body of the Operator, the effect of which is that the signing authority for the Special Purpose Vehicles rests legally with one or more representatives of the Trustee; and</u></p>
--	---

	<p><u>(e) a resolution has been passed by the Governing Body of the Operator stating that the original documents including but not limited to certificates of title and Special Purpose Vehicles share certificates which are required to complete any transaction concerning Real Property or other assets of the Fund, remain in the possession of the Trustee at all times, unless the documents are to be dealt with in accordance with transactions approved by the Trust, specifically including the Investment Trust's Oversight Committee.</u></p> <p><u>(5) The Trustee of a Private Property Fund with arrangements falling within (4) must provide the DFSA with a legal opinion addressed to the DFSA stating that the trusts and resolutions prescribed under (4) are legally effective within the DIFC and in compliance with the requirements of this Rule.</u></p>
<p>CIR 13.5.18</p>	<p>(1) The Operator and, if appointed, the Trustee must not engage Affected Persons as property agents for rendering services to the Fund, including advisory or agency services in property transactions <u>except in the case of:</u></p> <p><u>(a) locating suitable assets for acquisition;</u></p> <p><u>(b) designing leasing programmes for newly acquired vacant buildings; or</u></p> <p><u>(c) property management services;</u></p> <p><u>but only where such services are contracted on normal commercial terms and subject to the prior approval of the Trustee in accordance with Rule 6.4.1.</u></p>
<p>CIR 13.5.22</p>	<p>(1) The Operator must ensure that the property is acquired within a reasonable time from the date of the report and in any event not later than six months from the date of valuation <u>and, subject to (2) at a price no more than 5% above the valuation price.</u></p> <p><u>(2) The Operator of a Private Fund may acquire Real Property at a price more than 5% above the</u></p>

	<p><u>independent valuation price but only in the following circumstances:</u></p> <p>(a) <u>if the purchase price represents an amount which is greater than 5% but less than 10% of the most recently calculated Net Asset Value of the Fund, the Operator may acquire the property where the purchase has been recommended by the Operator's investment committee, no objection has been raised by the Trustee's oversight committee and it has notified all the Unitholders in writing of the proposed purchase and received no request within 10 days of such notice being issued from any Unitholder to call a Unitholder meeting;</u></p> <p>(b) <u>if the purchase price represents an amount which is greater than 10% but less than 20% of the most recently calculated Net Asset Value of the Fund, Operator may acquire the property where it has obtained an ordinary resolution of the Unitholders agreeing to the relevant purchase; or</u></p> <p>(c) <u>if the purchase price represents an amount which is greater than 20% of the most recently calculated Net Asset Value of the Fund, Operator may acquire the property where it has obtained a Special Resolution of the Unitholders agreeing to the relevant purchase.</u></p>
<p>CIR 13.5.23</p>	<p><u>(1)</u> An Operator must ensure that any valuation report prepared by the Independent Valuer:</p> <p>(a) includes all material details in relation to the basis of valuation and the assumptions used;</p> <p>(b) describes and explains the valuation methodologies adopted;</p> <p>(c) outlines the overall structure and condition of the relevant market including an analysis of the supply and demand situation, the market trend and investment activities;</p> <p>(d) includes a brief description of the property, its location, the nature of the interest the Fund</p>

	<p>holds in the property, existing use, any encumbrances concerning or affecting the property, lease expiry profile, the capital value in existing state at the date the valuation was performed, net monthly income from the property, and any other matters which may affect the property or its value;</p> <p>(e) confirms the independent status of the valuer and that the valuation report is prepared on a fair and unbiased basis; and</p> <p>(f) explains the rationale for choosing the particular valuation method if more than one method is adopted.</p> <p><u>(2) In relation to a Private Fund, the Operator's investment committee and the Trustee's oversight committee must be satisfied on reasonable grounds that the independent valuation report contains sufficient detail and rationale in respect of the matters under (1) for the purpose of making an informed judgment about the merits of the proposed acquisition or disposal of the relevant Real Property.</u></p>
<p>CIR 17.1.1</p>	<p><u>(1) This chapter applies to a Person in accordance with the application provisions under Chapter 1 but only in relation to a Domestic Fund which is a Public Fund.</u></p> <p><u>(2) Sections 17.4 to 17.11 apply to a Person in accordance with Chapter 1 in relation to a Private Fund which has implemented oversight arrangements pursuant to Rule 13.5.3(4).</u></p>

CONDITIONS

The modifications in respect of the Rules specified above remain in effect for the duration of the period set out above on condition that:

- (a) every Prospectus, in respect of a Fund which takes advantage of the relief set forth above, contains this notice; and
- (b) if a request is made by a Unitholder under Rule 13.5.2(1)(a) or (c), the Operator informs the DFSA forthwith of such a request being received and prior to carrying out any action in relation to such a request.

INTERPRETATION

The provisions in this notice are to be construed in accordance with GEN section 6.2 as if these provisions are provisions of the Rulebook.

Defined terms are identified in this notice by the capitalisation of the initial letter of a word or of each word in a phrase and are defined in the Glossary (GLO). Unless the context otherwise requires, where capitalisation of the initial letter is not used, an expression has its natural meaning.

This notice was issued by:

Name : David W. Knott

Position : Chief Executive

Date : 18 June 2007