

Eastern Europe Real Estate Investment Fund

FUND RULES

Registered in the Estonian Financial Supervision Authority on 26 March 2008

These fund rules (hereinafter the “Rules”) are established with respect to Eastern Europe Real Estate Investment Fund (hereinafter the “EEREIF”) and are in force since 26 March 2008.

Definitions

The following terms shall have the meaning indicated in the relevant Section of the Rules.

1. **Depository** is defined in Section 1 of the Rules;
2. **Distributions** are defined in Section 9 of the Rules;
3. **Exit** is defined in Section 2 of the Rules;
4. **General Meeting** is defined in Section 1 of the Rules;
5. **IFA** is defined in Section 1 of the Rules;
6. **Initial Investment** is defined in Section 11 of the Rules;
7. **Investment Costs** are defined in Section 8 of the Rules;
8. **Investor** is defined in Section 5 of the Rules;
9. **Management Company** is defined in Section 1 of the Rules;
10. **MLTFPA** is defined in Section 14 of the Rules;
11. **NAV** is defined in Section 10 of the Rules;
12. **Other Expenses** are defined in Section 8 of the Rules;
13. **Permitted Regions** are defined in Section 2 of the Rules;
14. **Preferred Payment** is defined in Section 11 of the Rules;
15. **Preferred Return** is defined in Section 11 of the Rules;
16. **Reporting Date** is defined in Section 10 of the Rules;
17. **Unit** is defined in Section 5 of the Rules.

1. General Information

EEREIF

The name of the fund is “Eastern Europe Real Estate Investment Fund”. EEREIF is a public closed-end contractual fund (*i.e.* the units of EEREIF will not be redeemed at the request of the unit-holder). EEREIF is a real estate fund within the meaning of § 253 of the Estonian Investment Funds Act (hereinafter the “IFA”). EEREIF is a fixed-term fund with the duration of 5 years from the registration of the Rules in the Estonian Financial Supervision Authority. The duration of EEREIF may be extended according to Section 11 below.

Management Company

The company managing the assets of EEREIF (hereinafter the “Management Company”) is GILD Property Asset Management AS, register code 11125302, registered address Rävala pst 6, Tallinn, Estonia. The depository of EEREIF (hereinafter the “Depository”) is Aktsiaselts Swedbank, register code 10060701, registered address Liivalaia 8, Tallinn, Estonia. The address of EEREIF is the address of the Management Company.

General Meeting of Investors

The Management Company may convene a general meeting of the Investors (hereinafter the “General Meeting”). General Meeting is competent to:

- amend the duration of EEREIF;
- liquidate EEREIF;
- amend the procedure for the redemption of Units of EEREIF;
- increase the management and depositary fees of EEREIF and other fees and charges paid on behalf of EEREIF;
- amend the procedure for the making of Distributions to Investors out of the income of EEREIF;
- decide on the merger and transformation of EEREIF unless otherwise provided by the IFA;
- decide to amend the investment policy of EEREIF;
- amend the Rules;
- decide on other issues placed within the competence of the General Meeting by the IFA.

Calling the General Meeting

The General Meeting is called by the Management Company as often as the need to decide issues which fall into the competence of the General Meeting arises.

The Estonian Financial Supervision Authority or Investors whose Units represent at least 1/10 of the votes may also demand that a General Meeting be called and issues be included in the agenda of the General Meeting. If the Management Company does not call a General Meeting within one month after receipt of a demand from the Estonian Financial Supervision Authority or Investors, the Estonian Financial Supervision Authority or Investors have the right to call the General Meeting themselves.

Notice of the General Meeting is given at least three weeks in advance. A notice calling the General Meeting is published on the website of the Management Company. At the same time with publication of a notice on the website of the Management Company, the notice calling the General Meeting of EEREIF is published in at least one national daily newspaper or the corresponding notice is sent to the postal addresses of Investors indicated in the register of units.

Procedure of the General Meeting

The Investor in person or a representative of the Investor who has been granted an authorisation document in writing may participate in the General Meeting. The participation of a representative shall not deprive the Investor of the right to participate in the General Meeting.

To participate in any General Meeting, an Investor is required to have Units registered in its name in the Estonian Central Register of Securities no later than at the end of a record date which is the fifth business day before the General Meeting.

A list of the Investors participating in the General Meeting which shall set out the names of the Investors, the number of votes attaching to their Units and the names of the representatives of the Investors is prepared at the General Meeting. The list shall be signed by the chair of the General Meeting and the recording secretary, and by each Investor or his or her representative participating in the General Meeting. The authorisation documents of representatives shall be appended to the minutes of the General Meeting.

In order to adopt resolutions at the General Meeting, the proportion of votes belonging to the Investor is determined pursuant to the ratio of the number of votes arising from Units belonging to the Investor and the number of votes arising from all Units which have been issued and not redeemed as at ten days before the General Meeting is held.

The General Meeting may adopt resolutions if over one-half of the votes represented by the Units are present. If over one-half of the votes represented by the Units are not represented at the General Meeting, the Management Company shall, within three weeks but not earlier than after seven days, call another General Meeting with the same agenda. The new General Meeting is competent to adopt resolutions regardless of the votes represented at the General Meeting.

An issue which is initially not on the agenda of the General Meeting may be included on the agenda with the consent of at least nine-tenths of the Investors who participate in the General Meeting if their Units represent at least two-thirds of the votes.

A resolution of the General Meeting shall be adopted if at least 90% of the votes represented at the General Meeting are in favor unless the law prescribes a greater majority requirement.

The costs related to calling and convening General Meeting are borne by EEREIF.

2. Investment Principles

Objective of EEREIF

EEREIF is a public closed-ended contractual fund, the objective of which is to provide investors with exposure to an actively managed property portfolio with higher than average risk adjusted returns.

The investments of EEREIF shall be subject to restrictions stemming from the law and from these Rules.

Investment Focus and Type of Investments

Subject to certain restrictions outlined in these Rules and the law, the primary focus of EEREIF is on direct investment in real estate and securities related to the same. Securities related to real estate are units or shares of other real estate funds, including other funds managed by the Management Company as well as shares of real estate investment or management companies.

EEREIF intends to invest in real estate located (or securities whose issuers are domiciled) in Estonia, Latvia, Lithuania, Poland, Bulgaria and Ukraine, but may gradually increase its exposure

to other countries in Central and Eastern Europe, Balkans and countries of the Commonwealth of the Independent States (hereinafter “Permitted Regions”). EEREIF may also invest into securities of or otherwise participate in investment vehicles (including but not limited to joint ventures, special purpose vehicles, other real estate funds etc.) which can be registered in any jurisdiction, provided that investment strategy of those investment vehicles is not in conflict with investment strategy of EEREIF under these Rules and the main source of the income of those investment vehicles is acquiring, holding, selling or operating real estate in the Permitted Regions. Such activities should primarily focus on:

- (i) operating commercial cash flow generating properties (*i.e.* operating industrial, warehouse, logistics, retail and office buildings);
- (ii) development projects, mainly developing commercial real estate, but also residential real estate and mixed use development projects;
- (iii) acquisition of land plots with established and non-established zoning suitable for commercial or residential development.

Such investments may be made directly or through special purpose vehicles, the investment in units or shares of other funds or other investment vehicles having a similar investment focus.

At least 80% of the value of assets of EEREIF will be invested in real estate and/or securities related to real estate.

The Management Company will ensure that adequate maintenance and property and facility management is in place with respect to all assets into which investments have been made.

The precise size of each asset class in the assets of EEREIF, type of issuer and region where the assets of EEREIF are invested shall be determined in the course of the everyday activities of EEREIF in compliance with the Rules.

Investment Strategy

Investment strategy of EEREIF is value adding and partly opportunistic with a focus on combination of existing cash flow generating real estates with value added or redevelopment potential and development of new commercial real estate, but also residential real estate and mixed use development projects. Investment spectrum of EEREIF includes all types of commercial, mixed-use and residential real estates.

EEREIF will hold real estate through special purpose vehicles where and when deemed necessary by the Management Company for legal reasons.

EEREIF will invest into markets in the Permitted Regions, which in the view of the Management Company will offer attractive assets, often offering significant potential for adding value through professional management and/or development.

The Management Company may take active participation in the management of the acquired properties and initiate changes in their governing and operating conditions or purpose, where that is believed to increase potential return. By way of auxiliary activity, EEREIF may give loans to special purpose vehicles shares of which are wholly or partially owned or will be owned by

EEREIF and to undertakings whose main activity is investment in real estate or management of real estate.

Co-Investments

EEREIF may co-invest in projects (i.e. properties or special purpose vehicles) with other investors, including real estate funds and companies in accordance with a shareholders' or co-investment agreement if such investment is the only way for EEREIF to invest in a project or in the opinion of the Management Company the most appropriate way to enable EEREIF to optimize its investment from a taxation, securities law, management, Exit or other point of view, provided, however, that the liability of EEREIF at all times remains limited to its investment in such project. In these Rules, any transfer, either full or partial, of the real estate, securities related to real estate or any other investment of EEREIF permitted according to these Rules is considered as the exit situation (hereinafter the "Exit").

Investment restrictions

By law, no more than 20% of the value of assets of EEREIF can be invested in assets other than real estate and/or securities related to real estate. Assets of EEREIF which do not have to be invested in real estate or securities related to real estate can be invested in (a) deposits in credit institutions, (b) shares and other similar tradable rights, bonds, convertible bonds and other tradable debt obligations issued, subscription rights and other tradable rights granting the right to acquire securities, money market instruments (as described below), and tradable depository receipts, (c) derivative instruments (as described below) and (d) shares and units of investment funds (including other investment funds managed by the Management Company). EEREIF may not invest in shares (or other securities) of the Management Company or its subsidiaries. The same applies to shares and other securities issued by group members (in Estonian *kontserni kuuluv äriühing*) of the Management Company, with the exception of investments made through a regulated market.

EEREIF will not directly invest in physical commodities.

The investment restrictions provided in these Rules or the IFA do not apply within twenty four months after registration of the Rules in the Estonian Financial Supervision Authority.

Restrictions for disposal

EEREIF may not acquire assets from the Management Company, members of its management or supervisory board, its auditors, EEREIF managers or employees and persons having a common business interest with the aforementioned persons or from other funds managed by the Management Company, with the exception of acquisition of securities from the funds managed by the Management Company through a regulated market at the market price as at the time of acquisition.

If, however, the conditions provided for in IFA §282 are fulfilled the acquisition of assets from the Management Company or from other funds managed by the Management Company will be allowed.

Risk-spreading requirements

No more than 20% of the value of the assets of EEREIF may be invested into the shares of one issuer or into one real estate. Further, no more than 20% of the value of the assets of EEREIF may be invested into other collective investment undertakings which may invest in excess of 20% of its gross assets in other collective investment undertakings (open-end and/or closed-end type).

The restrictions on risk-spreading provided in these Rules or the IFA do not apply within twenty four months after registration of the Rules in the Estonian Financial Supervision Authority. The restrictions on risk-spreading provided for in these Rules and the IFA may be temporarily exceeded for reasons independent of the Management Company. Exercising a right of pre-emption to acquire securities, a bonus issue, a change in the market value of securities and other such reasons are deemed to be reasons independent of the Management Company if the objective of the transactions performed on behalf of EEREIF is to commence observance the aforementioned restrictions, taking into account the interests of the Investors.

A short overview of the risks related to investment of the assets of EEREIF has been provided in prospectus of EEREIF.

Derivative instruments, money market instruments and currencies

EEREIF may invest in derivative instruments (including, without limitation, currency and interest rate swaps), money market instruments and currencies solely for the purpose of efficient portfolio management (i.e. solely for the purpose of reducing, transferring or eliminating investment risk in the underlying investments of EEREIF). EEREIF will not make any investments into derivative instruments, money market instruments or currencies for investment purposes.

Leverage

Subject to the discretion of the Management Company, EEREIF may leverage its assets by way of borrowing up to an amount equal to 85% of the value of its assets. Loans may be taken for periods of up to 30 years.

Exits

The Management Company will pay particular attention to the potential Exit for all transactions being considered by EEREIF, including sales to third party financial investors, sales to tenants and other options.

EEREIF may not transfer its assets to the Management Company, members of its management or supervisory board, its auditors, EEREIF managers or employees and persons having a common business interest with the aforementioned persons or to other funds managed by the Management Company, with the exception of the transfer of securities to the funds managed by the Management Company through a regulated market at the market price as at the time of transfer.

If conditions provided for in IFA § 282 are fulfilled, the transfer of the assets of EEREIF will be allowed to the Management Company or to other funds managed by the Management Company.

3. Management Company

Competence

The Management Company will evaluate and make all investment and Exit decisions on behalf of EEREIF, in addition to being responsible for the management of EEREIF (including the organisation of its accounting). The Management Company will make all decisions regarding investments, Exits, management and general policy of EEREIF, as well as for the implementation of its investment policy. The Management Company invests the assets of EEREIF in its own name but on the account of the Investors collectively, i.e. on the account of EEREIF. The Management Company would also carry out supervision of the investments and/or special purpose vehicles on a day to day basis and determine what investments/Exits should/could be made by EEREIF. The Management Company will be entitled to fees in accordance with the structure described in Section 8.

The Management Company has the right to dispose of and possess the assets of EEREIF in accordance with the Rules, and has other rights arising therefrom. Real estate and movable property (excluding securities and cash) of EEREIF shall be held by the Management Company.

Duties

The Management Company must comply with the requirements arising from the law, these Rules and from the management agreement concluded between the Management Company and the special purpose vehicles shares of which belong to EEREIF and, in its activities, demonstrate sufficient competence, integrity, accuracy and due care in ensuring the protection of the best interests of EEREIF and its Investors. The Management Company will establish and apply procedures necessary for its activities and ensure the existence of resources necessary to manage EEREIF. The Management Company will refrain from conducting transactions in which the interests of the Management Company are in conflict with those of EEREIF. In the event a conflict of interests cannot be avoided, the Management Company shall act in the best interests of EEREIF.

The Management Company has the right and duty to submit a claim in its own name on behalf of Investors or EEREIF against the Depositary or third parties if failure to submit such claim will result or may result in significant damage to EEREIF or the Investors. The Management Company is not required to submit such claim if EEREIF or Investors have already submitted a claim.

Upon making investment decisions, the Management Company will (i) obtain sufficient information on the assets which EEREIF intends to acquire or has acquired; (ii) monitor the financial and economic situation of the issuer whose securities EEREIF plans to acquire or has acquired; (iii) obtain sufficient information with regard to the solvency of the persons with whom the Management Company transacts on behalf of EEREIF.

The Management Company must hold the assets of EEREIF separately from its own assets and from the assets of other funds and pools of assets managed by the Management Company (and maintain separate accounting records with respect to such assets). The assets of EEREIF do not form a part of the bankruptcy estate of the Management Company, and the claims of creditors of the Management Company shall not be satisfied out of such assets.

The Management Company shall be liable for the damage caused to EEREIF or Investors by violation of the functions of the Management Company.

Transfer of duties

The Management Company may delegate to third parties the following duties:

- organisation of the issue and redemption or re-purchase of Units of EEREIF;
- communication of necessary information to the Investors and provision of other Investor related services;
- organisation of marketing of the Units;
- keeping account of the assets of EEREIF and organisation of accounting of EEREIF;
- determination of the NAV of EEREIF;
- organisation of maintenance of a register of the Units;
- calculation of the income of EEREIF and organisation of the distribution of the income to the Investors;
- monitoring the compliance of the activities of the Management Company and EEREIF with IFA and other Estonian legislation;
- property maintenance, property and facility management;
- real estate development related services;
- activities directly related to the activities specified in this section.

The Management Company must exercise due care in assessing professional competence and reliability of such third persons in order to ensure that such transfer does not impair the interests of EEREIF. In respect of EEREIF and Investors, the Management Company remains liable for management of EEREIF.

Participation in EEREIF

The Management Company may (but is not obliged to) own Units of EEREIF, which will be issued in accordance with these Rules and additional requirements set forth in the law. The Units owned by the Management Company may not exceed 5% of all Units. Information on the size of holding of the Management Company in EEREIF will be made available in accordance with Section 12.

4. Depositary

Under a Depositary Bank Agreement dated 15 February 2008, Depositary has undertaken to provide depositary bank and custody services for some of EEREIF assets. The Depositary (a) safekeeps the money, securities and other liquid assets of EEREIF and (b) organises safekeeping of the other assets of EEREIF unless the Management Company and the Depositary have agreed

otherwise. The Depositary shall be liable for the direct proprietary damage caused to EEREIF, Investors or Management Company as a result of violation of its duties.

The Depositary Bank Agreement may be terminated either upon relevant agreement between the Management Company and the Depositary or unilaterally by either the Management Company or the Depositary in 90 days prior written notice.

Under the Depositary Bank Agreement, the Depositary is entitled to transfer certain duties to third parties. The Depositary is under obligation to exercise due care to ensure reliability of such third parties and verify that the operational and technical organisation and financial situation of such is sufficient for third parties due compliance with the transferred duties. The Depositary shall be liable for violation of above requirements and failure to exercise supervision over third parties.

5. Units

Units

EEREIF has one class of units (each unit of EEREIF a “Unit”), which are freely transferable. Units carry distribution rights in accordance with Section 9.

Units may be offered publicly.

Units are held in registered form and no unit certificates will be issued.

Units will be registered in the Estonian Central Register of Securities (operated by AS Eesti Väärtpaberikeskus, address Tartu mnt. 2, Tallinn 10145, Estonia, register code 10111982) in accordance with the rules and procedures of the same, including the provisions of the Estonian Central Register of Securities Act.

Fractional Units may be issued up to three decimal places (with the fourth decimal place rounded up or down to the closest integer value, numbers ending with 5 to be rounded upwards) and shall carry rights in proportion to the fraction of a Unit they represent.

Units shall have a nominal value of €10 (ten Euros).

Rights attached to Units

Units represent the unit-holders’ (hereinafter each unit-holder the “Investor”) share in the assets of EEREIF. Rights attached to the Unit shall take effect from the moment of entering Investor to the register as the owner of the Unit. An Investor’s share in the assets of EEREIF is determined by the ratio of the number of Units held by such Investor and the total number of all Units.

Assets accumulated by EEREIF through issue of Units and investment activities belong to the Investors in shares described above. No Investor shall be entitled to demand the termination of EEREIF and the division of its assets otherwise than as provided in these Rules and the applicable law.

Investors are not personally liable for the obligations of EEREIF assumed by the Management Company on behalf of EEREIF, or for obligations the performance of which the Management Company has the right to demand pursuant to the Rules. The Investor's liability for performance of such obligations is limited to the Investor's share of the assets of EEREIF. In accordance with the IFA, the Investors have the following rights deriving from their ownership of Units:

- (i) the right to transfer the Units to third parties;
- (ii) the right to receive pursuant to these Rules a share of the income of EEREIF through Distributions (see Section 9 below);
- (iii) the right to receive, pursuant to these Rules, a share of the assets remaining upon liquidation of EEREIF (see Section 11 below);
- (iv) the right to call the General Meeting in the cases and pursuant to the procedure prescribed by these Rules and the law;
- (v) the right to participate and vote in the General Meeting pursuant to the number of votes provided for in Section 1 above (subsection "Procedure of the General Meeting");
- (vi) the right to obtain information on EEREIF and the Management Company as provided in the law;
- (vii) the right to request that the registrar issue a certificate or an extract from the register concerning the Units owned by the Investor; and
- (viii) other rights provided for in the Rules.

6. Unit Issues

There will be only one initial issue of Units. The Management Company may fix the number of Units to be issued. The Management Company will announce about Unit issue (including the number of Units to be issued if applicable) on its website. The issuer of Units is EEREIF.

Procedure of the Unit Issue

In order to acquire a Unit, an Investor must submit a purchase order to the Management Company or intermediary during the subscription period announced by the Management Company. A Unit shall be issued in no more than 6 banking days from the end of the subscription period (T+6). Units shall be issued against payment of the subscription price. Units shall be issued in the order that purchase orders are submitted. If the Management Company has fixed the number of Units to be issued, the purchase orders by which this number would be exceeded shall not be satisfied if not otherwise decided by the Management Company.

By submitting a purchase order, an Investor confirms that he or she has sufficiently acquainted himself or herself with the Rules, accepts the Rules and shall act in accordance with the Rules.

The subscription price of a Unit shall equal to the first NAV of the Unit that has been announced following the subscription period. The Management Company shall determine NAV of Units as indicated in Section 10.

There shall be no issuance fee for issuing the Units.

7. Redemption

Redemptions at the request of the Investor

The Units of EEREIF are not redeemable at the request of the Investor.

Compulsory Redemption

Compulsory redemption is the right of the Management Company to require the Investor and corresponding obligation of the Investor to transfer its Units to EEREIF on the conditions provided below. The Management Company may impose compulsory redemption for the purpose of ensuring that no Units are acquired or held by (a) any person in breach of the law or requirement of any country or governmental authority or (b) any person in circumstances which in the opinion of the Management Company might result in EEREIF or Management Company incurring any liability to taxation or suffering any other pecuniary disadvantage which EEREIF or Management Company might not otherwise have incurred or suffered. The Management Company has the right to impose compulsory redemption of Units belonging to the Investor also in case (a) the Investor does not submit, irrespective of corresponding demand of the Management Company, documents or information necessary for performing obligations of care of the Management Company provided in the MLTFPA (see Section 14 below) or (b) documents or data submitted by the Investor do not eliminate the doubt of the Management Company that the purpose of the business relationship or transaction may be money laundering or terrorist financing.

The Management Company may compulsorily redeem all EEREIF Units held by any such person by notice to the relevant Investor. Units are redeemed for the redemption price of the Unit which is the last NAV of the Unit announced before the redemption. Upon redemption of Units the redemption price (i.e. NAV of the Unit multiplied with the number of Units owned by respective Investor) shall be paid out of the assets of EEREIF to the current account linked to the securities account of the Investor if not otherwise provided for in the MLTFPA.

The Management Company also reserves the right to compulsorily redeem all Units held by any person in case of liquidation and/or merger of EEREIF.

8. Fees and Expenses

Management Fees

Management fee shall be paid on the account of EEREIF to the Management Company in accordance with the following fee structure.

The Management Company will be entitled to a management fee consisting of fixed fee and success fee.

The fixed fee is 2% of the NAV of EEREIF per annum. The fixed fee will be calculated and paid in arrears semi-annually (such payments to be made on January 16th and July 16th), based on the

last NAV of EEREIF announced by the Management Company. NAV of EEREIF will be adjusted following the end of each financial year in accordance with the audited (where applicable) annual reports of EEREIF. Such adjustment will be reflected respectively in the first semi-annual fixed fee paid to the Management Company following the approval of the annual reports of EEREIF. The fixed fee is paid for the services provided by the Management Company during the previous semi-annual period.

The success fee is calculated and paid upon liquidation of EEREIF according to Section 11 below.

The Management Company may waive or reduce the management fee at its sole discretion for any period of time.

Other Expenses

EEREIF covers all fees for real estate valuations by certified appraisers (when related to regular valuations), fees for registering the Units of EEREIF, banking fees, commissions, transaction charges, fees associated with depositing or pledging securities, securities account management fees, state duties, legal fees, adjudication fees, auditor's fees, accounting fees, agent fees associated with interest payments, costs related to calling and convening General Meeting and taxes to be added to expenses provided above (hereinafter the "Other Expenses").

EEREIF covers the Other Expenses only in case those expenses are directly associated with management of EEREIF.

For the purpose of clarification, EEREIF covers also the costs related to making and Exiting from investments (i.e. acquisition and disposal of real estate as well as shares of SPV-s and other assets of EEREIF) and preserving the value of real estates (including, without limitation, administration, maintenance and repair costs) (hereinafter the "Investment Costs"). Among other the Investment Costs include acquisition costs in the meaning of accounting and reporting principles (including, without limitation, construction costs, development costs, brokerage fees, architects' fees, fees related to detail planning and other consultants' costs, fees for real estate valuations by certified appraisers (when related to making and Exiting from investments), fees for legal, tax and other due diligence investigations directly related to acquisition of real estates). Investment Costs are not considered as the Other Expenses, but as investments of EEREIF.

Depositary Fees

The Depositary shall be paid a fee for its services. The upper limit of the annual fee payable to the Depositary will be 0.01% of NAV of EEREIF. The abovementioned depositary fee rate does not include VAT. Depositary fee plus VAT shall be paid on the account of EEREIF.

The depositary fee shall be calculated daily and paid out, on the basis of an invoice submitted by the Depositary to the Management Company, at the earliest in the month following the month during which services were provided.

Upper Limit of Fees and Expenses

The upper limit of the fees (i.e. management fees and depositary fees) and Other Expenses payable annually on the account of EEREIF will be 5 % of the NAV of EEREIF, except in the year of liquidation of EEREIF.

Total fees (i.e. management fees and depositary fees) and Other Expenses payable on the account of EEREIF in the year of liquidation of EEREIF may not exceed 30% of the cash distributed to the Investors over the lifetime of EEREIF (including the payments to Investors upon liquidation).

9. Distribution Policy

During first two years income of EEREIF will be reinvested and no distributions to the Investors will be made. Therefore, during first two years the income of the Investor from investments of EEREIF will be reflected in the change of the NAV of the Unit.

Starting from third year the distributions may be made to the Investors (hereinafter "Distributions"). The Management Company will have the sole discretion upon deciding whether or not to make Distributions and the extent and frequency of Distributions depending on the economic results and financial standing of EEREIF. Investors are not required to perform any acts or formalities (including submit applications) in order to receive the Distribution. The Management Company will notify the Investors pursuant to Section 12 about the Distributions 1 week in advance specifying the amount and date of making the Distribution. Distributions will be made in cash through the Depositary to the current account linked to the securities account of the Investor. The Distributions shall reduce NAV of Units. If no Distributions are made to Investors, such income will be reinvested and reflected in the change of the NAV of the Unit.

No other payments will be made by EEREIF to the Investors other than by way of liquidation, Distribution or compulsory redemption (Section 7).

10. Net Asset Value

Calculating the Net Asset Value

The net asset value of EEREIF and of Units (hereinafter the "NAV") shall be calculated as of the last business day of each calendar month. The first NAV will be calculated as of the last day of the subscription period. The NAV will be determined by the Management Company in accordance with its internal rules and procedures and based on the applicable legislation. The NAV shall be determined in Euros.

The NAV of Units shall be published on the website of the Management Company semi-annually (hereinafter the "Reporting Date"). Reporting Dates are 15th January and 15th July). If such day is not a business day then Reporting Date is the first business day after such day.

The value of the assets of EEREIF shall be determined as follows:

- (i) real estate and shares in special purpose vehicles holding real estate shall be evaluated in accordance with the rules set forth in Appendix 1 to these Rules;
- (ii) the value of any cash on hand or on deposit, accounts receivable, prepaid expenses, cash dividends and interest declared or accrued, and not yet received shall be deemed to be the full amount thereof, unless it is unlikely to be received in which case the value thereof shall be arrived at after making such discount as the Management Company may consider appropriate in such case to reflect the true value thereof;
- (iii) any transferable security and any money market instrument negotiated or listed on a stock exchange or any other regulated market (if any) will be valued on the basis of the last known price, unless this price is not representative, in which case the value of such asset will be determined on the basis of its foreseeable realisation value estimated by the Management Company;
- (iv) the value of any other assets of EEREIF during the first twelve (12) months from the acquisition shall be the acquisition price including all costs, fees and expenses related to such acquisition. After such 12 months period or if acquisition price is not fair, the value will be determined by the Management Company on the reasonably foreseeable sales price thereof determined prudently and in good faith.

NAV of EEREIF and of the Unit shall be calculated as follows:

- (i) the NAV of EEREIF shall be determined based on the value of the assets of EEREIF from where the value of the liabilities of EEREIF shall be deducted;
- (ii) the NAV of the Unit shall be determined by dividing the NAV of EEREIF by the number of Units issued and not redeemed as at the point of valuation;
- (iii) the NAV of the Unit shall be determined with an accuracy of four decimal places.

Temporary Suspension of the Calculation of the Net Asset Value

The Management Company may suspend the determination of the NAV during the existence of any state of affairs which constitutes an emergency as a result of which disposals or accurate valuation of a substantial portion of the assets owned by EEREIF would be impracticable or when, for any other reason, the prices of any investments owned by EEREIF cannot be promptly or accurately ascertained.

The suspension of the NAV determination will be announced on the website of the Management Company, unless the Management Company deems such announcement to be of no usefulness given the short duration of the suspension period.

11. Duration and liquidation of EEREIF

The duration of EEREIF specified in Section 1 above may be extended for up to two years by the resolution of the General Meeting.

If the General Meeting does not decide to extend the duration of EEREIF as specified above, EEREIF shall be liquidated upon expiry of the duration of EEREIF specified in Section 1. In case the General Meeting decides to extend the duration of EEREIF according to the above, EEREIF

shall be liquidated upon expiry of extended duration. The General Meeting may also decide to liquidate EEREIF before the expiry of duration of EEREIF if a change in the economic or political situation relating to EEREIF would justify such liquidation. The decision to liquidate will be notified to the Investors by the Management Company prior to the effective date of the liquidation and the notification will indicate the reasons for, and the procedures of, the liquidation operations.

The liquidator of EEREIF is the Management Company. In the cases provided for in the IFA, the Depository can act as the liquidator. Liquidation may be commenced with the relevant permit from the Estonian Financial Supervision Authority.

Immediately after obtaining the liquidation permit from the Estonian Financial Supervision Authority, the Management Company will publish a liquidation notice in at least one national daily newspaper and on its website. From the day following the date of the liquidation notice, all redemptions of Units and all Distributions will be suspended.

Liquidation will be carried out within six months from the date of the liquidation notice, unless such term is prolonged with the consent of the Estonian Financial Supervision Authority (but in any event not later than within 18 months from the liquidation notice).

During liquidation, the Management Company will as promptly as possible and taking into account the interests of Investors: (i) transfer the assets of EEREIF, (ii) collect the debts of EEREIF and (iii) satisfy the claims of creditors of EEREIF. If the claim of a creditor is not collectible, or the known creditor of EEREIF has not presented its claim, or the creditor does not accept payment, the relevant amount will be deposited in a credit institution. No transactions will be made during the liquidation period that are not necessary for the liquidation of EEREIF.

The expenses related to the liquidation of EEREIF will be covered from the assets of EEREIF to the extent not exceeding 2% of the NAV of EEREIF as of the date when the liquidation decision was passed (unless otherwise provided by law). The Management Company will be responsible for any expenses of liquidation in excess of the aforementioned limit.

Following the transfer of EEREIF assets, collection of debts, satisfaction of claims of creditors and compensation of expenses, the remaining assets of EEREIF will be divided in the following order:

- (i) Payment to the Investors of the subscription price of Units belonging to respective Investor (hereinafter the "Initial Investment").
- (ii) Payment to the Investors of the return (hereinafter "Preferred Payment"). Investors shall be paid the Preferred Payment in the amount not higher than 6% compounded annually from the Initial Investment from the moment of issue of Units (hereinafter the "Preferred Return"). If the Investors have received Distributions according to Section 9 above, then such Distributions shall be deducted from the Preferred Payment (i.e. Preferred Return = Distributions + Preferred Payment). For the purpose of clarification, if the Distributions equal to or exceed the Preferred Return then no Preferred Payment is made to the Investor and if no Distributions have been made to the Investors then the Preferred Payment will equal to the Preferred Return;

- (iii) Payment to the Management Company of a success fee. The Management Company shall be paid a success fee in the amount of 25% of the Preferred Return calculated according to clause (ii);
- (iv) Remaining assets of EEREIF will be divided as follows:
 - a. 80% among the Investors in accordance with the number of their Units;
 - b. 20% to the Management Company as a success fee.

The above payments will be made only to the extent of moneys received from the disposal of the assets of EEREIF.

Assets will be divided between Investors in cash unless otherwise authorized by the Estonian Financial Supervision Authority. The Management Company will publish a notice regarding the assets subject to distribution in at least one national daily newspaper and on its website in accordance with the law.

12. Publication of Information and Advertising

Information regarding EEREIF will be made available on Management Company's website (www.gildrealestate.com). The website of the Management Company will always provide access to:

- (i) these Rules,
- (ii) the last annual report of EEREIF,
- (iii) the last semi-annual report of EEREIF if this is approved after the last annual report,
- (iv) any prospectuses related to issues of Units,
- (v) the name and contact details of the Management Company,
- (vi) the name of the on fund manager of EEREIF,
- (vii) the name and contact details of the Depository,
- (viii) the NAV of EEREIF and of the Unit,
- (ix) internal rules and procedures of the Management Company for determination of the NAV (see Section 10 above),
- (x) the rules for the valuation of real estate,
- (xi) information on the size of holding of the Management Company in EEREIF.

The same information is available at the registered address of the Management Company.

The Management Company shall publish the annual report of EEREIF within four months after the end of a financial year and a semi-annual report of EEREIF within two months after the end of the first six months of a financial year.

The Management Company shall give copies of the documents specified in clauses (i)–(iv) above to the Investors at the request thereof without charge.

In case circumstances that substantially affect the activities or the financials of the funds managed by the Management Company (including EEREIF) or NAV of the Unit should become evident, the respective information shall be published without delay at the website of the Management Company.

EEREIF may be advertised in printed and other media in accordance with the applicable law and subject to the discretion of the Management Company.

13. Amending the Rules

These Rules may be amended by a resolution of the General Meeting. The Management Company must immediately notify the Depository of any amendment made to these Rules.

All amendments will be registered with the Estonian Financial Supervision Authority in accordance with the IFA.

The Management Company will publish a notice of any amendments made to these Rules in at least one national daily newspaper and on its website immediately after the registration of such amendments with the Estonian Financial Supervision Authority.

Any amendments to these Rules will take effect after the expiry of one month from the date of their publication as described above, unless otherwise provided for in the notice of amendments.

14. Anti-money laundry and anti-terrorist rules

The Management Company is an obligated person under the Money Laundering and Terrorist Financing Prevention Act (hereinafter the "MLTFPA"). Therefore, the Management Company shall apply measures of care (including determination of identity of Investors) specified in the MLTFPA while conducting activities provided in the MLTFPA (such as creating business relationship, carrying out transactions specified in the MLTFPA).

The Management Company can require from Investors documents and information provided for in the MLTFPA in order to fulfil its obligations of care.

On occasions provided in the MLTFPA, the Management Company has respectively the right or obligation to refuse from creating business relationship or carrying out transaction with the Investor.

If, upon conducting its business activity, the Management Company identifies an activity or circumstances which indicate to money laundering or terrorist financing, the Management Company will promptly notify the Estonian Financial Intelligence Unit about this.

Estonian Financial Intelligence Unit has the competence to suspend the transaction and prescribe restriction on disposal of the assets being the object of the transaction. Upon fulfilment of conditions provided in MLTFPA the cash or the Units can be transferred into ownership of the Estonian state.

15. General

These Rules are prepared in accordance with and shall be governed by the laws applicable in the Republic of Estonia.

In case of contradiction between the Rules and the provisions of legislation, the provisions of legislation will be applied. In case the different provisions of the Rules conflict with each other, such provisions shall be interpreted in accordance with the best interests of the Investor.

EEREIF

APPENDIX 1 TO FUND RULES

RULES OF EVALUATION IN RESPECT OF REAL ESTATE AND SPECIAL PURPOSE VEHICLES

This is an Appendix to the Rules of Eastern Europe Real Estate Investment Fund, registered with the Estonian Financial Supervision Authority on 26 March 2008. Capitalised terms that are not separately defined herein shall have the meaning assigned to them in the Rules.

The following rules shall apply to the evaluation of the real estate and shares in special purpose vehicles into which EEREIF has invested.

Real estate, either held directly by EEREIF or in special purpose vehicles into where EEREIF holds majority shall be evaluated in accordance with the International Valuation Standards IVS 2007 (as may be amended) as published on the website of the Management Company by a real estate valuator.

Evaluation of the real estate and shares of special purpose vehicles shall be conducted at least once a year as at the end of the financial year and before the audit of the annual report of EEREIF is conducted. From time to time the updates may be carried out (e.g. semi-annually).

Valuation of the shares in special purpose vehicles into which EEREIF has invested shall be carried out by the Management Company.

The valutors conducting the real estate evaluations shall be appointed by the Management Company and shall be recognized real estate valutors in countries where the real estate held by EEREIF or by special purpose vehicle is located in and reasonable price charged for the services of evaluation. The valutors appointed by the Management Company are published on the website of the Management Company.

EEREIF must notify the Estonian Financial Supervision Authority of the valutors appointed to evaluate its real estate and the criteria on which such valutors have been chosen.