

Approved by the Meeting of the Board of AS IPS Hansa Fondi on 9 July 2007

Registered with the Finance and Capital Market Commission

Included in the registrar of licences and certificates on 20 July 2007 with number 06.03.04.01.116/35

Registered under the laws of the Republic of Latvia

Fund term: 7 years

The wording of the Rules approved by AS IPS Hansa Fondi Board Resolution dated 4 January 2008 and effective as from 4 February 2008.

*investment fund*

# **Hansa Baltic Real Estate Fund**

## **RULES**

### **1. General**

The Rules of the closed-ended investment fund Hansa Baltic Real Estate Fund (hereafter – the Fund) governs the management procedure of the Fund.

The terms used in the Rules shall have the same meaning as those used in the Prospectus.

### **2. Company details**

The Fund is managed for investors by the investment management company AS IPS Hansa Fondi. The registered office of the Company is Balasta dambis 1a, Riga, LV1048, Latvia. Single registration number of AS IPS Hansa Fondi with the Commercial Register: 40003337582. The investment management services licence has been issued on 24 September 2004 (the Financial and Capital Market Commission's Licence Register No. 06.06.04.116/143).

### **3. Fund management general principles and procedure**

#### **3.1. Duties of the Company**

AS IPS Hansa Fondi shall, subject to the law, the Articles of Association, the prospectus and these Rules, operate with the Fund assets, and with the rights attached thereto, in its own name on the account of the Fund investors by investing the Fund assets in the investment targets allowed under the Prospectus in compliance with the risk mitigation principle. The Fund assets is a property jointly owned by investors, and it is to be kept, recorded and managed separately from the assets of the Company, of other funds under its management, and of the Custodian Bank.

The Company is responsible for the calculation and publishing the Fund value, for providing publicly available information, for the Fund accounting, as well as for compliance with other requirements of the law. The Company may, subject to the procedure prescribed in laws and regulations, delegate the right to provide certain services pertaining to the management of the Fund, to other persons, who hold the relevant qualifications and are experienced in providing the services in question.

The Board of the Company confirms the amount of remuneration payable to the Company, which may not exceed the maximum size of this remuneration fixed in the Rules.

### 3.2. Fund Manager

The Company shall appoint a Manager of the Fund. The Fund Manager shall operate with the Fund assets in accordance with the law, the Prospectus and these Rules.

The duties of the Manager include:

- to comply with the Fund management procedure and the investment policy set out in the Prospectus, the Rules and the Company's internal documents, as well as with restrictions applicable to transactions with the Fund assets;
- to acquire reasonable comprehensive information about the potential and present investment targets;
- to monitor and analyse, on a continuous basis, the Fund's real estate investments and the financial and economic standing of the persons who are the issuers of securities, money market instruments or deposits, in which the Fund assets have or will be invested or placed.

The Manager shall be entitled to operate freely with the Fund assets – to select the investment types and geographical regions of investments, to select the investment targets and time periods, to apply financial instruments for risk hedging, etc. – insofar as the requirements of the law, the Prospectus and the Rules are met.

Orders for transactions with the Fund assets shall be given by the Fund Manager, but the execution of these orders may be ensured by other employees of the Company. When the Fund Manager is absent, the Fund management functions are carried out by a person expressly authorized for that by the Fund Manager.

### 3.3. Investment Committee

The Company shall approve an Investment Committee consisting of four to six members. One or two members shall be appointed to the responsible for investments in Estonia, for investments in Latvia and for investments in Lithuania. The Company shall notify the Fund Manager and the Custodian Bank about the composition of the Investment Committee.

The Fund's direct real estate investments and investments set out in clause 3.3.2 of the Prospectus and disposal thereof can be made only if

1. a panel of experts approved by the Company has valued the real estate investment or investment set out in clause 3.3.2 of the Prospectus, or has endorsed the real estate investment valuation done by an independent certifier appraiser, and the property to be purchased on the account of the Fund does not exceed this value, and
2. the Investment Committee has adopted a decision to approve the investment in question or the disposal thereof.

The Investment Committee shall make its decisions at the meeting of the Investment Committee, which shall be convened when necessary and when convened by the Fund Manager. In considering potential real estate investments in a certain country, the Investment Committee shall have decision-making power if all of its members responsible for investments in the country(ies), where the real estate investment target under consideration is located, are present at the meeting (the quorum). Decisions shall be adopted if the more than a half of the Investment Committee's quorum votes for. Decisions shall be made in writing and signed by all the Investment Committee members present at the meeting.

All and any transactions with the Fund assets must have the Fund Manager's order and the approval of the Custodian Bank's authorized person. In case the order is at variance with the law, the Prospectus, the Rules or the Custodian Bank agreement, the Custodian Bank shall not execute the order.

#### **4. FUND INVESTMENT RESTRICTIONS**

The monetary assets of the Fund may be placed in investment targets defined in the Prospectus in compliance with the investment restrictions set forth in the law and the Prospectus.

#### **5. Customer Service**

##### 5.1. Availability of the Fund Prospectus

The Fund Prospectus shall be available free of charge at the seat of the Company (at Balasta dambis 1a, Riga, LV-1048, Latvia, hereafter – the seat of the Company) on business days from 0900 - 1700 hours and at the Company's website [www.hansafondi.lv](http://www.hansafondi.lv) (hereafter – the Company's website).

##### 5.2. Information on changes in the distribution of proceeds from transactions with the Fund assets

Information on changes in the distribution of proceeds from transactions with the Fund assets, which concern the operation of the Fund, as well as information on similar events shall be available for inspection at the seat of the Company and the Company's website.

##### 5.3. Acceptance and registration of investment certificate purchase orders

The issuing of investment certificates is carried out in accordance with the procedure set out in the Prospectus.

In the investment certificate purchase order the investor must specify the following:

- 1) private customers – investor's full name and identity number or the number, the issuing date, and issuing institution of identity document (applies to non-residents); corporate customers - investor's name, registration number, registered address, as well as the full name of the authorized person;
- 2) Investor's address, telephone and fax number;
- 3) the number of the investor's financial instruments account, to which the investment certificates purchased will be transferred;
- 4) Investor's cash account number;
- 5) Investor's account custodian's details;
- 6) the name of the Fund and the Fund investment certificates ISIN code;
- 7) the number of investment certificates subscribed to.

The Company shall record the investment certificate purchase orders in a separate register in the order they are received.

The orders may be submitted in person or by fax.

The Company shall have a duty execute only accurately and duly completed Fund investment certificate purchase orders. The responsibility for accuracy and completeness of information presented in the order shall lie with the investor. Neither the Company, nor the Distributor shall bear any liability for losses incurred by investors due to abuse of the investor's name and account numbers by an unauthorized person.

The Fund investors, by submitting an order, acknowledge that they have read the information contained in the Prospectus and the Rules, and agree thereto.

All expenses incurred by investors in connection with purchase of investment certificates (bank charges for operations with financial instruments / cash accounts, etc) shall be covered by investors.

#### 5.4. Reacceptance of investment certificates

The investors shall be entitled to demand that the investment certificates be reaccepted if the Company is at fault for any error or incompleteness of such information furnished in the Prospectus, which is material in the valuation of investment certificates.

The reacceptance of investment certificates shall be carried out in accordance with provisions of the law and the Prospectus.

### **6. Principles of calculation of the Fund value, investment certificate sales price and the Fund income**

#### 6.1. Fund assets valuation principles

The Fund value shall be calculated according to the procedure prescribed herein and the law.

The purchase or sale of assets, which do not constitute direct real estate investments or investments set out in clause 3.3.2 of the Prospectus, shall be recorded on the day of the transaction. The purchase or sale of direct real estate investments and investments set out in clause 3.3.2 of the Prospectus shall be recorded on the day when the Company, in the name and the expense of the Fund, acquires or disposes of the property rights to the real estate investment.

The Fund assets or liabilities shall initially be stated at cost being equivalent to the fair value of the price paid in case of financial assets or the price received in case of financial liabilities. The transaction costs, which are directly relevant to the acquisition of financial asset or financial liability, shall be included in the cost of the financial asset or the financial liability.

The cost of the Fund's financial assets and financial liabilities shall later be changed according to the increase or decrease in these assets or liabilities, and the Company shall be responsible to ensure that this value would reflect the potential sales price, or the fair value, of the securities as accurately as possible. The fair value is the amount, for which an asset can be replaced, or the liabilities can be performed, in an arm's length transaction.

In accounting of the Fund, transactions in foreign currencies shall be translated into the currency of the Republic of Latvia at the exchange rate of the Bank of Latvia effective on day of the transaction. In determining the value of the Fund and value of the Fund unit, the assets and liabilities in currencies other than the base currency of the Fund shall be translated into the base currency of the Fund in accordance with provisions of the Rules. Profit or loss from currency rate fluctuations in increasing or decreasing the value of the Fund assets and liabilities, shall accordingly increase or decrease the value of the Fund.

The Fund value means the difference between the value of the investment fund assets and the value of the investment fund liabilities.

Fund unit value means the Fund value divided by the number of investment certificates issued and not reaccepted.

#### 6.1.1. Valuation of investments in real estate or usufruct thereof

Investments in real estate or usufruct thereof shall initially be stated at cost, which represents the fair value of the price paid for that. The cost includes the transaction costs directly relevant to the real estate acquired (appraisal costs, notary fees, state and

municipal taxes, etc.). The real estate reconstruction, improvement or renovation capital costs shall be added to the value of the real estate.

Valuations of investments in real estate or usufruct thereof for every December shall be carried out by an independent, duly licensed real estate appraiser. In case the market value of investments in real estate or usufruct thereof becomes substantially different in the reporting period from the value thereof at the start of the reporting period, and the change in value is long-lasting, the revaluation of the Fund property may also be more carried out more often. In such an event, the decision on revaluation of the property shall be made by the Board of the Company.

The change in value shall be disclosed as unrealised gains or losses of the value of investment.

The market value of investments in real estate or usufruct thereof shall be determined according to the International Valuation Standards by one of the following methods (several methods when calculating the average result):

- 1) similar transactions method;
- 2) discounted cash flow method;
- 3) replacement cost method.

The method of valuation shall be selected by the person (the Company or an outsourced valuator) carrying out the valuation.

In determining the market value of specific properties, the choice of the most appropriate method shall be based on the nature of information available, market specifics and the specifics of the property to be valued.

The similar transactions method is based on the assumption that a reasonable buyer will not pay for a real estate more than for a property comparable in terms of quality and usability. With the similar transactions method, the value of the real estate is determined using comparative multiple measures (price per square meter, amount of income) and the prices of properties similar to the property to be valued in active market. Where necessary, the valuers shall take into account any differences in the nature, location, and condition of and the terms of contracts for the properties. Where the real estate to be valued does not have an active market, the valuator shall base their valuation on transactions conducted with similar real estate properties in the last 12 months, with a correction for changes in economic conditions since the time of these transactions.

With the discounted cash flow method, the real estate value shall be determined by forecasting the future cash flow (incoming and outgoing) for the specific real estate and discounting this cash flow as at the day of valuation.

With the replacement cost method, the value of the real estate shall be determined by separately determining the value of the land and the value of the buildings according to the cost of renovation or replacement of the buildings. The value of the real estate shall be the aggregate value of the land and the buildings.

The Company's latest approved valuation of the Fund's real estate investment shall be applied in determining the value of the Fund and the Fund unit.

#### 6.1.2. Determination of the value of investments in the capital of business companies

The determination of the market value of investments in the capital of business companies, whose main business is real estate investments, real estate development, own real estate management, or direct or indirect investments into the capital of other business companies whose main business is real estate investments, shall be made according to the

International Valuation Standards, valuing the real estate owned by such business companies according to clause 6.1.1.

#### 6.1.3. Determination of the value of debt securities

Investments in debt securities may be classified as financial assets held for sale or as investments held until maturity.

Financial assets held for sale are financial assets that are acquired or that arise mainly to gain profit as a result of short term fluctuations.

Investments held until maturity are financial assets with fixed or determinable payments and fixed maturity which are deemed and can be held until their maturity.

##### *Determination of the value of debt securities held for sale*

The fair value of debt securities held for sale is determined based on the latest published or known security purchase (bid) prices that are at the disposal of the Custodian Bank.

In case the security price, whose income is paid out in the form of coupon, is quoted on the exchange not including accrued interest or share of coupon, the latter is added in the amount, which accrues in the time period from the start date of coupon calculation until the day of the fund value calculation.

##### *Determination of the value of debt securities held until maturity and debt securities that are not publicly traded*

Debt securities held until maturity and debt securities that are not publicly traded on stock exchange or other regulated market are valued at amortised acquisition price that is calculated using the effective interest rate method, according to which the securities are accounted for at the aggregate of their acquisition price and amortised discount or premium (Agio, Disagio), and, for the purposes of recognising income or reducing the accounting value, using the interest rate which precisely discounts the anticipated future cash flow until the maturity of the financial asset or the next interest rate adjustment date to the current accounting value of the financial asset.

In case the security's income is paid out in the form of coupon, the accrued interest or coupon share is added in the amount, which accrues in the time period from the start date of coupon calculation until the day of the fund value calculation.

#### 6.1.4. Determination of the value of loans

The value of loans is determined at the amortised acquisition price, net of allowance for possible loan losses. Interest is accrued and credited to fund income, based on the principal amount outstanding using effective interest rate method. When the borrower is unable to meet payments as they become due or, in the opinion of the fund manager, there is an indication that the borrower will be unable to meet payments as they become due, the allowance is created. The amount of the allowance is the difference between the carrying amount and the recoverable amount, the latter being the present value of the expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate.

#### 6.1.5. Determination of the value of deposits with credit institutions

Deposits with credit institutions, if they have a fixed maturity period, shall be valued by accruing deposit interest in proportion to the deposit maturity period. If the deposit contract provides for the payout of accrued interest in parts, then on the day the accrued interest is received the interest amount received shall be deducted from the interest amount accrued.

#### 6.1.6. Translation of assets in currencies other than the base currency of the Fund

Any assets in currencies other than the base currency of the Fund shall be translated into the base currency of the Fund at the Bank of Latvia's exchange rate on the transaction day as fixed on the day of calculation of the Fund value.

#### 6.1.7. Determination of the value of mutual fund investment certificates (units)

Investments into mutual fund investment certificates (units) are valued according to their market value. The issuer's published repurchase price for the investment certificates (units) may serve as an indication of the market value.

#### 6.2. Calculation of the value of the Fund liabilities

The value of liabilities shall be the aggregate of all payments payable on the account of the Fund incl. remunerations payable out of the Fund assets to the Company, the Custodian Bank, the auditor and third parties, the liabilities arising from borrowings of the Fund and other liabilities. Any liabilities in currencies other than the base currency of the Fund shall be translated into the base currency of the Fund at the Bank of Latvia's exchange rate on the transaction day as fixed on the day of calculation of the Fund value.

#### 6.3. Recording of incomes and expenses

Incomes and expenses that refer to the reporting period shall be disclosed in the Fund investment income statement irrespective of the date their date of receipt or payment. The incomes accrued shall only be included in the Fund investment income statement if there is no doubt that they will be received.

In case the income payment is more than 90 days past due or the solvency of the issuer of a debt security or other debtor is found to have deteriorated, as a result of which the Company will not be able to receive the debt principal and interest, the Board of the Company shall consider the matter and adopt a decision on the exclusion of the accrued incomes from the income and expense statement and on the creation of special provisions for the accrued incomes.

#### 6.4. Liability

The Company shall be liable for compliance with provisions of the law, the Prospectus and the Rules in calculation of the Fund value and the Fund unit value.

The Custodian Bank shall monitor compliance with the law, the Prospectus and the Rules in calculation of the Fund value and the Fund unit value. The valuation of assets shall be based on the information furnished by the Custodian Bank about the condition of the property of the Fund (cash accounts, securities portfolio, and other).

#### 6.5. Periodicity of the Fund value determination, and publication of the Fund value information

The value of the Fund and the Fund unit, incl. the value of assets and liabilities, shall be determined on a regular basis on the twentieth day of each month or the following business day if the twentieth day is a non-business day.

The Company shall make the information about the Fund value determined for the last business day of every month, public within five business days of the moment it has been determined, at the website of the Company.

#### 6.6. Investment certificate value and sales price

The sales price of investment certificates is composed of the Fund unit value and the fee for the sale of investment certificates.

The Fund unit value is determined with the precision of three decimal places, according to the generally accepted rounding methods.

The Fund unit value in the initial placement shall be EUR 5,000.

The sales fee shall be determined in accordance with the provisions of the Prospectus.

#### 6.7. Fund value and Fund unit value information

Information about the Fund value and Fund unit value shall be available on the website of the Company.

#### 6.8. Proof of ownership of investment certificates

The statement of the Fund investor's financial instruments account issued by a bank or brokerage company, with whom the Fund investor's securities are kept, shall be the proof of ownership of the investment certificates.

The relationship between investors and the custodians of the account of investment certificates owned by them shall be governed by the contract for servicing of the financial instruments account entered into by and between the investors and the custodians of their financial instruments account. All expenses related to servicing this account shall be covered by the Fund investors on their own account.

### **7. Fund liquidation procedure**

#### 7.1. Liquidator

The Fund shall be liquidated as prescribed in the law.

The liquidation of the Fund shall be carried out by the liquidator. The Company, the Custodian Bank or a person appointed by the FCMC may be the liquidator.

The Company shall carry out the liquidation of the Fund:

- if no new Custodian Bank agreement has come into force on the day following expiration of the Custodian Bank agreement;
- if the general meeting of the Fund investors adopts a decision to liquidate the Fund;
- in other cases provided for by the law.

If the Company or the Custodian Bank do not commence the liquidation of the Fund within a month of the day when such liquidation should have been commenced, the FCMC shall have the right to appoint the liquidator of the Fund. Such a liquidator of the Fund shall enjoy all the rights of the Company should the latter fail to carry out the liquidation.

The liquidator of the Fund shall act in the interest of the creditors and investors.

The liquidator of the Fund shall be fully liable before investors and third parties for any loss incurred in the course of liquidation if the liquidator has, deliberately or due to imprudence, violated the law or the Rules or has carried out their duties negligently.

The liquidator of the Fund shall have the right to perform liquidation related activities only. Distribution among investors of the Fund income provided for in the Fund Prospectus may not be carried out in the course of liquidation.

The liquidator shall immediately notify the FCMC of the commencement of liquidation of the Fund and publish a relevant notification in the official gazette "Latvijas Vestnesis". The liquidation notification shall inform about the liquidator and specify the date until which and place where the creditors can file their claims. The period, during which creditors may file their claims, may not be less than three months of the day of the notification.

The liquidator shall report to the FCMC about the course of liquidation once a month.

The liquidator shall, within 10 days of completion of liquidation, give the FCMC a notice on the completion of liquidation and the final liquidation report.

## 7.2. Sale of the Fund assets and satisfaction of claims

After the commencement of liquidation the liquidator shall arrange for and carry out the sale of the Fund assets, except the monetary assets of the Fund.

The proceeds of sale of the Fund assets and the monetary assets of the Fund (the liquidation proceeds) shall be distributed by the Custodian Bank or the liquidator in the following order:

- claims of secured creditors;
- claims of creditors filed before the deadline fixed in the notification;
- claims of creditors filed after the deadline fixed in the notification but before distribution of the liquidation proceeds.

Should the liquidation proceeds be not sufficient to satisfy the above claims, the outstanding claims shall be satisfied from the funds and assets of the Company, except for claims that originated after the expiry of the Company's management right. Any remaining liquidation proceeds shall be distributed among the Fund investors on *pro rata* basis to the number of their investment certificates.

The notification on distribution of liquidation proceeds among investors shall be published by the liquidator in the official gazette "Latvijas Vestnesis", specifying the amount payable per one certificate, as well as the time of payment.

All payments to investors shall be in the base currency of the Fund.

## 7.3. Fund liquidation expenses

The liquidator shall have the right to cover the expenses of liquidation in the course of liquidation from the liquidation proceeds.

The liquidation expenses may not exceed two per cent of the liquidation proceeds.

## **8. The procedure of transferring the Fund management rights and assets to the Custodian Bank or other persons**

### 8.1. Transfer of the Fund management rights and assets to another investment management company

The Company may transfer the Fund management rights to another investment management company on the basis of an agreement and exclusively with the permission of the FCMC. To receive the FCMC's permission for transfer of the management of the Fund, the Company shall submit a motivated application to the FCMC.

The FCMC shall give its permission for the transfer of the Fund management rights within a month of receiving the application, provided such transfer does not violate the interests of the Fund investors, the documents filed for the transfer of management have been prepared in accordance with the requirements of the law and provided the company, to which the Fund management is transferred, meets the requirements defined in the law concerning the capital of the company.

After receiving the permission from the FCMC, the Company shall submit for publication in the official gazette "Latvijas Vestnesis" and in one daily newspaper a notification on the transfer of the Fund management rights to another company, specifying the business name and registration number and the location of the Board of this other company.

The agreement on the transfer of the Fund management rights to another company shall come into force no sooner than a month after the day of publication in the official gazette "Latvijas Vestnesis" of the notification on the transfer of the Fund management rights to another company. All the rights and liabilities attached to the Fund shall pass over to the new company upon the agreement coming into force.

## 8.2. Transition of the Fund management rights to the Custodian Bank

If the Company's right to manage the Fund expire, the right to manage the Fund shall pass over to the Fund's Custodian Bank, except where the Company's right to manage the Fund pass over to other investment management company.

The Custodian Bank shall immediately submit for publication in the official gazette "Latvijas Vestnesis" and in one daily newspaper a notification on the transition of the management rights.

The Company shall immediately hand over all the Fund management related documents to the Custodian Bank.

The Custodian Bank, to which the Fund management rights have passed over, shall enjoy all the rights of the Company, save the right to issue the investment certificates of the Fund under its management.

The Custodian Bank shall, within three months of transition of the Fund management rights, transfer the Fund management rights to other investment management company. The FCMC may extend this time limit to a maximum of six months. The Fund management rights may be transferred to other company exclusively with the permission of the FCMC.

Should the Custodian Bank fail to transfer the Fund management rights to other investment management company within the above time limits, the Custodian Bank shall carry out the liquidation of the Fund.

## **9. Cooperation between the Company and the Custodian Bank in the management of Fund**

The Custodian Bank and the Company shall enter into a Custodian Bank agreement. Based on the Custodian Bank agreement entered into, the Company shall have cash and securities accounts opened for it with the Custodian Bank.

The Company shall conduct settlements in transactions with the Fund assets through the Custodian Bank. The Custodian Bank shall keep the Fund assets in accordance with the law and the Custodian Bank agreement.

The Custodian Bank shall, in performing its duties provided for in the law, act independently from the Company and exclusively in the interests of investors.

The Custodian Bank shall comply with instructions of the Company if not at variance with the law, the Prospectus, the Custodian Bank agreement and the Rules.

The Company may enter into a separate agreement on brokerage services with the Custodian Bank.

The Custodian Bank shall have a duty to report immediately to the FCMC and the Council of the Company on any activities of the Company, which the Custodian Bank has become aware of and which are at variance with the law, the Prospectus, the Rules or the Custodian Bank agreement.

The Custodian Bank shall receive remuneration for the provision of services provided for in the Custodian Bank agreement.

## **10. Types and calculation of payments to the Fund**

### 10.1. Investment certificates sales fee

The investment certificates sales fee is fixed at up to **3.00%** of the value of the Fund unit. The decision on the size of the sales fee shall be made by the Board of the Company.

### 10.2. Payments for the management of the Fund

The Company shall receive remuneration in the following amount for the management and servicing of the Fund:

- a) **1.00%** (one per cent) per annum of the average value of the Fund and **1.00%** (one per cent) per annum of the average value of indirect liabilities of the Fund,
- b) **0.75%** (zero point seven five per cent) of the direct real estate investment transaction value and the transaction value of investments set out in clause 3.3.2 of the Prospectus (except investments in real estate development projects) and
- c) **2%** (two per cent) of the direct real estate investment transaction value and the transaction value of investments set out in clause 3.3.2 of the Prospectus in real estate development projects, and
- d) **20%** (twenty per cent) of the average growth in the Fund unit value over the last 3 years of operation, **which exceeds the compound rate of 8% per annum** (eight per cent).

The remuneration shall be calculated and paid according to the methodology described in the clause 11.2 hereof.

The amount of the remuneration payable to the Company may be subject to change, yet may not be in excess of the amount of remuneration fixed in this section.

### 10.3. Remuneration to the Custodian Bank

#### 10.3.1. Remuneration for custody of the Fund's assets and for investment restriction monitoring

The maximum amount of remuneration to the Custodian Bank for the custody of the Fund assets and for monitoring compliance with investment restrictions shall be 0.18% (zero point one eight per cent) per annum of the average value of the Fund assets. The remuneration payable to the Custodian Bank for the custody of the Fund assets and for investment restriction monitoring may be subject to change but not in excess of the maximum amount of this remuneration. The remuneration to the Custodian Bank shall be payable out of the Fund assets.

The Custodian Bank's remuneration for custody of the Fund's assets and for investment restriction monitoring shall be calculated and accrue on a monthly basis. The Custodian Bank shall receive the remuneration once a month not later than three days after the day when the value of the Fund's unit as at the end of the preceding month is calculated.

#### 10.3.2. Remuneration for other Custodian Bank services

Remuneration to the Custodian Bank for other Fund operations related services not covered by clause 10.3.1 (fees for transactions with the Fund's cash, securities and issue accounts maintained with the Custodian Bank, for DVP settlements and other services) shall be on the account of the Fund assets in accordance with the Custodian Bank agreement or, where the amount of remuneration is not fixed the Custodian Bank agreement, in accordance with the Custodian Bank's price list effective at the time of transaction.

The size of remuneration fixed in the Custodian Bank agreement for services related to the activities of the Fund is specified in the Prospectus.

#### 10.4. Other payments out of the Fund assets

Other costs related to the Fund activities (remuneration to the Fund auditors, real estate management payments, real estate properties insurance payments, taxes, fees for brokerage services, etc) shall be paid at actual cost and according to source documents.

All costs associated with real estate transactions (fees to agents, brokers, notaries, lawyers, land registry fees, taxes, costs related to preparation of documents and research work at the specific property, etc) shall be paid at actual cost and according to source documents. If the relevant transaction is concluded, such costs shall be added to the cost of the real estate investment (shall be capitalized).

#### 10.5. Payments by investors

All expenses incurred by the Fund investors in conducting transactions with investment certificates (such as bank fees for opening cash and securities accounts, for operations with securities and cash accounts, etc) shall be covered by the Fund investors on their own account.

### **11. Procedure for giving public notices, and publicly available information**

#### 11.1. Procedure for giving public notices

The Fund issue shall be promoted by advertisements or by publicly announcing the terms of issue.

Public notices concerning operations of the Company or the Fund shall be given in the following events and subject to the following procedure:

- by the Company publishing in the official gazette "Latvijas Vestnesis" and in one daily newspaper a notification on the transfer of the Fund management rights to another investment management company, specifying the business name, registration number, registered office and the location of the Board of this other company;
- by the Custodian Bank publishing in the official gazette "Latvijas Vestnesis" and in one daily newspaper a notification on the transition of the Fund management rights to the Custodian Bank, specifying the business name of the Company, the name of the Fund, the business name, registered office and the location of the Board of the Custodian Bank;
- by the Fund liquidator publishing in the official gazette "Latvijas Vestnesis" notifications on the commencement of liquidation of the Fund, liquidator details, deadline and location for creditor claims;
- by the Fund liquidator or the Custodian Bank publishing in the official gazette "Latvijas Vestnesis" notifications on distribution of liquidation proceeds among investors, specifying the amount payable per one investment certificate, as well as the time and location of payment.

Information on the start date and end date of the initial placement shall be published on the Company's website, and the Company shall have the right to make this information public in other ways.

#### 11.2. Publicly available information

The Fund Prospectus and Rules shall be freely available to all the Fund investors upon request at the seat of the Company and on the Company's website.

Should the Prospectus or the Rules be amended, the Company shall cause the text of the relevant amendments to be available after coming into force thereof. Decision on whether or not the amendments shall be included in the wording of the Prospectus and the Rules (the restating of the Prospectus and the Rules) shall be made by the Company depending on the amount of amendments.

The annual reports of the Fund shall be publicly available to any person interested in the operation of the Fund within a maximum of one month after the approval of the report and within a maximum of four months after the end of the reporting year.

The semi-annual reports of the Fund shall be publicly available to any person interested in the operation of the Fund within a maximum of two months after the end of the reporting period. The annual and semi-annual reports of the Fund are available for inspection at the seat of the Company and the Company's website.

Considering that the Company is a public limited company incorporated under the provisions of the Latvian Commercial Law, everyone is entitled to inspect, in accordance with the statutory procedure, the records of the Commercial Register and the documents filed with the Commercial Register Office.

## **12. Convocation and proceeding of the general meeting of investors**

The Company shall convene a general meeting of investors on its own initiative or upon written demand of investors representing a minimum of 10 per cent of the Fund value. Where the convocation of a general meeting of investors is demanded by the Fund investors, the Company shall convene the meeting within a month of receiving the demand. Should the Company fail to convene the general meeting of investors within the above time limit, the general meeting shall be convened by the Custodian Bank within two months of the day when the demand was submitted to the Company. Should the Custodian Bank fail to convene the general meeting of investors within the fixed time limit, the investors shall be entitled to submit a written demand to the FCMC, which shall convene the general meeting of investors within a month of receiving the demand.

The notice on convocation of the general meeting of investors shall be published in the official gazette "Latvijas Vestnesis", as well as the FCMC, the Custodian Bank, the Company and the auditor shall be notified thereof.

The cost of convening a general meeting of investors shall be covered by the Fund assets.

The general meeting of investors shall be competent if investors representing at least a half of the Fund value participate there.

Decisions of the general meeting of investors shall be adopted if investors representing at least three quarters of the total Fund value represented at the general meeting, vote in favour.

The representatives of the Company and the Custodian Bank, the representatives of the FCMC and the auditor shall have the right to participate at the general meeting without the right to vote but with advisory right.

The right of investors to participate in the general meeting of investors shall be verified according to the laws and regulations, which stipulate the procedure of identification of the owners of publicly traded securities.

A copy of the minutes of the general meeting of investors shall be delivered to the FCMC within three days of the general meeting.

Decisions of the general meeting shall come into effect after a month following adoption thereof, unless the FCMC has raised motivated objections against the decision on the grounds of incompliance with the law. The FCMC shall have the right to decide on a shorter time period, within which the decision of the general meeting of investors shall come into effect

## **12. Amendment of the Rules**

The decision on the approval of amendments to the Rules shall be made by the Board of the Company. Amendments to the Rules shall come into force no sooner than 10 days after being registered with the FCMC or within other time period decided by the FCMC, but in any event within a maximum of three months of amendments being registered with the FCMC and considering the contents of amendments and the interests of the Fund investors.

Should the Company wish to amend the details of the Rules concerning the business name, registration number, registered office or licence number of the Company, the Company shall amend the Rules without prior registration with the FCMC, but shall deliver the full wording of the Rules to the FCMC according to the procedure provided for in the law. Such amendments to the Rules shall come into force after the approval thereof by the Board of the Company.

Chairperson of the Board of AS IPS Hansa Fondi

Harijs Švarcs

Member of the Board of AS IPS Hansa Fondi

Kristiāns Miķelsons

Member of the Board of AS IPS Hansa Fondi

Mareks Hauks