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**IIAB ISLAMIC MENA FUND**

*(An open-ended Shari'ah compliant investment fund registered under the Laws of the Kingdom of Bahrain)*

*(A FUND CREATED BY IIAB ISLAMIC MENA FUND COMPANY B.S.C. (CLOSED))*

***Offering of up to 25,000,000 Units each valued at US\$ 10 during the Initial Offering Period and thereafter at the subscription price per unit on each Subscription Day***

**Investment Manager and Placement Agent**

Al Arabi Investment Group Co.  
P.O. Box 143156, Amman 11814  
Hashemite Kingdom of Jordan

**Sponsors**

Islamic International Arab Bank plc  
P.O. Box 925802, Amman 1190  
Hashemite Kingdom of Jordan

&

Al Arabi Investment Group Co.  
P.O. Box 143156, Amman 11814  
Hashemite Kingdom of Jordan

**Administrator, Custodian and Registrar**

Gulf Clearing Company B.S.C. (C)  
P.O. Box 2400, Manama  
Kingdom of Bahrain

**Auditor**

Deloitte and Touche

The date of this amended Prospectus is 10 February 2009  
(The original Prospectus was dated 20 February 2008)

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**GENERAL GUIDELINES**

**Minimum Subscription: US\$ 25,000**

**The securities described herein involve a high degree of capital risk.**

**The Fund is registered with the Central Bank of Bahrain (CBB).**

**Registration with the CBB does not imply protection from loss and the Ministry of Industry and Commerce of the Kingdom of Bahrain, the Central Bank of Bahrain, or the Bahrain Stock Exchange take no responsibility for the performance of this Fund, nor shall they have any liability to any person, an investor or otherwise, for any damage or loss resulting from reliance on any statement or information contained herein.**

**The Fund's base currency is the United States dollar.**

**The Prospectus contains full, true, and plain disclosure of material facts relevant to the Fund.**

**Past performance is not a guarantee of future returns.**

**The purchase of Units is not the same as placing cash on deposit with a bank and the Fund has no obligation to redeem Units at their offering value.**

**The value of the Units and the income, if any, from them can go down as well as up and Unit Holders may not get back the amount of money invested.**

**Applications for Units are subject to acceptance by the Fund Company, Placement Agent and Investment Manager.**

**This Prospectus is not for use or distribution in the United States of America or to United States Persons or in any jurisdiction in which such use or distribution is not authorized.**

## NOTICE TO INVESTORS

*(Whenever the context requires, any gender used in the Prospectus shall include all others, the singular number shall include the plural, and vice versa.)*

The Central Bank of Bahrain, the Bahrain Stock Exchange and the Ministry of Industry and Commerce of the Kingdom of Bahrain take no responsibility for the accuracy of the statements and information contained in this Prospectus or the performance of this Fund, nor shall they have any liability to any person, investor or otherwise for any loss or damage resulting from reliance or any statement information contained herein.

The Jordan Securities Commission and Amman Stock Exchange take no responsibility for the accuracy of the statements and information contained in this Prospectus or the performance of this Fund, nor shall they have any liability to any person, investor or otherwise for any loss or damage resulting from reliance or any statement information contained herein.

Any regulatory body or stock exchange in jurisdictions where this Fund is marketed take no responsibility for the accuracy of the statements and information contained in this Prospectus or the performance of this Fund, nor shall they have any liability to any person, investor or otherwise for any loss or damage resulting from reliance or any statement information contained herein.

**Important – If you are in any doubt about the contents of this Prospectus, you should seek independent professional financial advice. Remember that all investments carry varying levels of risk and that the value of your investment may go down as well as up. Investments in this collective investment undertaking are not considered deposits and are therefore not covered by the Kingdom of Bahrain's deposit protection scheme. The fact that this collective investment undertaking has been authorized by the Central Bank of Bahrain, does not mean that the CBB takes responsibility for the performance of these investments, nor for the correctness of any statements or representations made by the operator of this collective investment undertaking.**

Approval was granted on 23 March 2006 by the Central Bank of Bahrain for the establishment and marketing of the IIAB Islamic MENA Fund Company B.S.C.(c) and the IIAB Islamic MENA Fund in and from the Kingdom of Bahrain.

IIAB Islamic MENA Fund is an Expert Fund under the Collective Investments Undertakings regulations issued by the Central Bank of Bahrain under circular no. EDFIS/C/020/2007. As such it is open for subscription by:

Individuals who have a minimum net worth (or joint net worth with their spouse) of USD 100,000, excluding that person's principal place of residence

Companies, partnerships, trusts or other commercial undertakings, which have financial assets available for investment of not less than USD 100,000; and Governments, supranational organizations, central banks or other national monetary authorities, local authorities and state organizations.

The Directors of the Fund Company, whose names appear in section 6 headed "Management and Administration - The Directors", state to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), that all

information contained in this document is in accordance with the facts and does not omit anything, which is likely to affect the information and the completeness of this Prospectus.

This Prospectus is being furnished to investors primarily in the Middle East, North Africa, and Europe so that they may consider the opportunity to purchase the Units. This document is the lawful property of the Fund Company and may not be distributed or copied, as a whole or in part, nor may any of its contents be disclosed without prior written permission from the Fund Company or the Investment Manager.

This Prospectus is not to be reproduced or redistributed without the prior written consent of the Fund Company or the Investment Manager.

**No person has been authorised to give any information or to make any representations other than those contained in this Prospectus. If given or made, such information or representations must not be relied upon as having been authorised by either the Fund Company or its Directors unless expressly approved in writing by either of them prior to the distribution thereof.**

The Prospectus provides a summary of information relevant to investing in the Fund. The information in this Prospectus relating to the Articles of Association does not purport to be complete and this Prospectus is qualified by reference to those documents.

The Fund is an unregulated collective investment scheme for the purpose of the United Kingdom Financial Services and Markets Act 2000 (the "Act"), the promotion of which in the United Kingdom is restricted by section 238 of the Act. No Units in the Fund may be offered or sold in the United Kingdom by an authorised person by means of this document other than in accordance with the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (SI 2001/1060), or the conduct of business rules of the United Kingdom Financial Services Authority (and in particular section 3.11 and Annex 5 thereof). Except as described above, no communication, including this document, made or issued in connection with Units in the Fund may be passed on to any person in the United Kingdom.

The Fund is not registered under the United States (US) Investment Company Act of 1940, as amended. Neither Al Arabi Investment Group Co, as Investment Manager, the Fund Company as the promoter of the Fund, nor Islamic International Arab Bank as a potential investor of seed capital in the Fund, are registered under the US Investment Advisers Act of 1940, as amended, or under the securities laws of any jurisdiction other than in Jordan with respect to the Investment Manager and Islamic International Arab Bank, and Bahrain with the respect to the Fund Company. The Units are offered outside of the US to potential Unit Holders who are not US Persons (as defined). The Prospectus may not be delivered in the US, its territories, or possessions to any prospective Unit Holder except in a transaction, which does not violate applicable US laws. No person (whether or not a US Person) may originate a purchase order for Units from within the US.

The Units being offered may not be purchased or held by, or purchased or held for the benefit of, any non-qualified person (as defined herein after) at any time. Non-qualified Person means any person to whom a transfer to or holding by such person of Units would:

- (a) be in breach of any law or requirement of any country or governmental authority in any jurisdiction, whether on its own or in conjunction with any other relevant circumstances;
- (b) result in the Fund Company or the Fund incurring any liability to taxation which the Fund Company or the Fund would not otherwise have incurred or suffered;

- (c) require the Fund Company or the Fund to be registered under any statute, law, or regulation, whether as an investment company or trust scheme; or
- (d) cause the Fund Company or the Fund to be required to apply for registration or comply with any registration requirements in respect of any of the Units, whether in the United States or the United Kingdom or any other jurisdiction other than Bahrain.

The Units may not be purchased by persons under the age of 21.

Under Bahrain law, an application must be made to the CBB to obtain its consent to offer to investors in the Kingdom of Bahrain participation in a new or in an existing investment fund. The incorporation of the Fund Company for the purposes of offering the Units in accordance with the terms of this Prospectus was approved by the CBB on 23 March 2006.

Under Bahrain law, the Fund is subject to periodic financial reporting requirements pursuant to which the Fund's unaudited semi-annual and audited annual statements must be filed with the CBB. The Fund's financial statements will be made available to Unit Holders.

Investing in the Fund involves a high degree of risk designed for investors seeking a medium- to long-term capital gain as well as a low level income. Investors should nonetheless be able to bear the economic risks of their investment in the Fund, including all or part thereof, and should not be dependent upon any returns from such investment for any basic financial needs.

Prospective investors are referred to Section 10 of this Prospectus "Risk Factors" for a summary of certain of the risks involved.

Investors should be aware that the value of Units might decrease as well as increase.

The business of the Fund shall at all times be conducted in a manner that complies with the Shari'ah guidelines. Shari'ah prohibits the Fund from paying or receiving interest, although the receipt of dividends and capital gains from equity investment in Shari'ah compliant companies is acceptable. However, returns derived from the Fund's investments may comprise an amount, which is attributable, for Shari'ah purposes, to impure income earned or received. Where this is the case, the amount of any return, which is so attributed, will be calculated in accordance with the Shari'ah criteria approved by the Shari'ah Board and donated periodically by the Fund to charities, with no direct or indirect benefit accruing to the Fund or any of its Investors ("Purification").

It is also possible that the Shari'ah investment restrictions placed on investments may result in the Fund performing less well than funds with similar investment objectives but which are not subject to such limitations.

The payment of Zakah shall be the sole responsibility of the Investors. The Fund Company or the Fund shall not calculate or pay or be responsible for calculation or payment of Zakah on the Investor's investment in the Fund or on any capital appreciation derived therefrom.

As a result of the applicable anti-money laundering regulations, verification documentation will be required along with the subscription request for Units. The Fund Company, the Placement Agent, the Investment Manager, the Registrar and the Custodian reserve the absolute right to require further verification of the identify of each potential investor or that of the person or entity on whose behalf the potential Investor is applying for a subscription in the Fund. Each potential Investor will provide satisfactory evidence of identity and if so required the source of funds within a reasonable time period determined by the Fund Company. Pending the provision of such evidence, an application to subscribe for an interest in the Fund will be postponed. If a potential Investor fails to provide

satisfactory evidence within the time specified, or if a potential Investor provides evidence but the Fund Company is not satisfied therewith, the application, will be returned to the applicant by inter-bank transfer to the amount from which the moneys originated, without any addition thereto and at the risk and expense of the applicant.

The Fund Company will comply with Bahrain's Legislative Decree No(4) of 2001 with respect to Prohibition of and Combating Money Laundering and the various Ministerial Orders and circulars issued with regard thereto and Terrorist Financing from time to time including, but not limited to, Ministerial Order No. (7) of 2001 with respect to the Institution's Obligations Concerning the Prohibition of and Combating Money Laundering.

The Prospectus does not constitute an offer or solicitation of Units in any jurisdiction in which such offer or solicitation is not authorised. No action has been taken to permit the distribution of this Prospectus in any jurisdiction. Accordingly, the Prospectus may not be used for the purpose of, and does not constitute an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Recipients of this Prospectus should inform themselves about and observe any applicable legal requirements.

The Fund Company, in its sole discretion, may reject any subscription for Units in whole or in part at any time prior to acceptance thereof. Furthermore, the Fund Company may at any time and at its discretion redeem the Units and distribute to Unit Holders their respective share of the proceeds thereof. The Units may not be directly or indirectly sold, transferred, or assigned, by operation of law or otherwise, without the prior written consent of the Investment Manager. Any attempt by an investor to transfer Units otherwise constitutes a tender to the Investment Manager for the redemption of such Units.

The Fund is required to pay an annual registration fee of BD 2000 to the CBB. The Fund Company will be required to pay annual registration fees to the Ministry of Industry and Commerce in the amount of BD 20. All fees and expenses of the Fund Company shall be to the account of the Fund. The Fund Company is capitalised at BD 1000.

The CBB requires the Fund to appoint a custodian and administrator who is functionally independent of the Investment Manager or the Fund Company. The Fund has complied with the said requirement.

Legal counsel to the Fund Company, in assisting with the preparation of the Prospectus, have relied on information supplied by the Fund Company and the Investment Manager and have not independently verified the accuracy or completeness of any information contained herein; make no representation or warranty with respect thereto, and assume no liability for the contents of, or any omission from, the Prospectus.

This Prospectus should be read in its entirety.

**The contents of the Prospectus should not be construed as investment, legal, or tax advice. Each potential Unit Holder is urged to seek independent investment, legal, and tax advice with respect to the implications of investing in the Units.**

**All the information in the Prospectus is given as of the date hereof, unless expressly otherwise specified herein.**

**SECTION 1**

## Directory

**Fund**

IIAB Islamic MENA Fund  
P.O. Box 2400,  
Manama  
Kingdom of Bahrain

**Investment Manager and Placement Agent**

Al Arabi Investment Group Co  
P.O. Box 143156  
Amman 11814  
Jordan  
Tel: +962 6 5522239  
Fax: +962 6 5526498

**Administrator, Custodian and Registrar**

Gulf Clearing Company B.S.C. (C)  
P.O. Box 2400,  
Manama  
Kingdom of Bahrain

**Directors**

Mr. Moahmmed Ghanameh  
Mr. Ghassan A. Bundakji  
Mr. Adel Kasaji  
Mr. Qutaiba Hawamdeh  
Mr. Ramez Sawabini

**Fund Company**

IIAB Islamic MENA Fund Company  
B.S.C. (C)  
P.O. Box 2400,  
Manama  
Kingdom of Bahrain

**Sharia'h Board**

Sheikh Professor Dr. Ahmad Mohammad Helayyel  
Sheikh Abdul Hafeeth As'ad Al Hijjawi  
Professor Dr. Ahmad Subhi Ahmad Al Ayyadi

**Auditors**

Deloitte and Touche  
Bahrain Tower, 16th Floor,  
Al-Khalifa Road  
P.O. Box 421,  
Manama  
Kingdom of Bahrain

**General Counsel**

Qays H. Zu'bi Attorneys and Legal Consultants  
P.O. Box 2397  
Manama  
Kingdom of Bahrain



## SECTION 2

### Definitions

**This section shall be read to include the definitions set out in the DIRECTORY above:**

<b>Administration Agreement</b>	Means the Administration Agreement between the Administrator and the Fund Company.
<b>“Administrator”</b>	Means Gulf Clearing Company B.S.C.
<b>Articles</b>	Means the Memorandum and Articles of Association of the Fund Company.
<b>Base Currency</b>	The base currency of the Fund is US Dollar
<b>Bahrain</b>	The Kingdom of Bahrain.
<b>Bahrain Law</b>	The laws of Bahrain in force from time to time.
<b>CBB</b>	The Central Bank of Bahrain.
<b>Business Day</b>	A day on which banks are generally open for business in Bahrain and Jordan.
<b>Closing Date</b>	The last Business Day in the Initial Offer Period or, at the discretion of the Investment Manager, the date on which the Investment Manager determines that the Fund is sufficiently subscribed and subscription proceeds can be invested in the Fund.
<b>“Custodian”</b>	Means Gulf Clearing Company B.S.C. (c)
<b>Custody Agreement</b>	The Custody Agreement between the Custodian and the Fund Company
<b>Custody and Administration Fee</b>	The fee payable to the Custodian and the Administrator pursuant to the Custody Agreement and the Administration Agreement.
<b>Directors or Board</b>	Members of the board of directors of the Fund Company.
<b>Financial Year</b>	Means the period commencing on the first Business Day after the Closing Date and ending on the last Business Day of September and each consecutive period of 12 calendar months thereafter commencing on October 1 <sup>st</sup> and ending on the last Business Day of September of

each year

<b>Fund</b>	IIAB Islamic MENA Fund.
<b>Fund Company</b>	IIAB Islamic MENA Fund Company B.S.C.(C), a closed joint stock company incorporated with limited liability under the laws of the Kingdom of Bahrain to create and manage the Fund.
<b>IIAB</b>	Islamic International Arab Bank (a wholly-owned subsidiary of the Arab Bank plc), public shareholding company incorporated under the laws of the Hashemite Kingdom of Jordan
<b>Initial Offer Period</b>	The period during which Units will be offered to investors for subscription for the first time and shall commence on the day following the CBB's approval to establish and market the IIAB Islamic MENA Fund Company B.S.C. (c) and the IIAB Islamic MENA Fund.
<b>Initial Offer Price</b>	The price at which the Unit will be offered to investors during the Initial Period. The Initial Offer Price is US\$ 10.0 per Unit.
<b>Instrument</b>	The instrument created by the Fund Company in relation to the Fund and setting out the terms and conditions of the Units, a copy of which is included in Appendix A.
<b>Investment Manager</b>	means Al Arabi Investment Group Co
<b>Investment Management Agreement</b>	The Investment Management Agreement between the Fund Company and the Investment Manager
<b>Investment Management Fee</b>	The fee payable to the Investment Manager pursuant to the Investment Management Agreement.
<b>MENA Region</b>	Means the Arab Countries in the Middle East and North Africa region.
<b>Net Asset Value</b>	The net asset value of the Fund as determined by the Administrator and approved by the Fund Company on each Valuation Day and calculated as described in the Sub-Section headed "Calculation of Net Asset Value" of Section 7 "Subscription".
<b>Performance Fee</b>	The fee payable to the Investment Manager pursuant to the Investment Management Agreement.

<b>Placement Agreement</b>	means the placement agreement entered between the Fund Company and the Placement Agent a summary of which is set out in Section 11 "Summary of Material Contracts"
<b>Placement Agent</b>	means Al Arabi Investment Group Co.
<b>Prospectus</b>	This Prospectus as may be amended from time to time by the Directors and approved by the CBB.
<b>Quarter</b>	Each period of three calendar months thereafter ending on the last business day of March, June, September, or December. The first quarter commences on the next Business Day after the Closing Date and ends on the last Business Day of the quarter in which such Closing Date occurs.
<b>Register</b>	The register maintained by the Registrar in relation to the Unit Holders and in accordance with the Registrar Agreement.
<b>Registrar</b>	Gulf Clearing Company B.S.C.
<b>Registrar Agreement</b>	The Registrar Agreement between the Registrar and the Fund Company
<b>Registrar Fee</b>	The fee payable to the Registrar pursuant to the Registrar Agreement.
<b>Shari'ah</b>	Means Islamic Shari'ah
<b>Shari'ah Board</b>	Means the board which will establish general investment guidelines for the Fund, which are consistent with the principles of Shari'ah
<b>Subscription Agreement</b>	The subscription agreement in connection with the Units to be entered into between the Unit Holder and the Fund Company.
<b>Subscription Day</b>	The last Business Day of every month.
<b>Trading Day</b>	A day on which subscriptions and redemptions are executed. Such day will usually be two (2) Business Days following final calculation of the Fund's Net Asset Value as of the last Business Day of every month or as per instructions of the Directors.
<b>Unit Holder</b>	Investors who hold units in the Fund. Unit Holders signifies all investors.

<b>Units</b>	All of the units issued by the Fund Company in respect of the Fund.
<b>US\$ or US Dollar</b>	United States dollars, the legal currency of the United States of America.
<b>US Person</b>	A US Person as defined in Regulation 5 of the Securities Act (US) as amended and in force from time to time.
<b>Valuation Day</b>	The last Business Day of each month.

**Where the context admits, any reference to a date in this Prospectus shall be construed as a reference to such date if it is a Business Day, otherwise it shall be construed as a reference to the next following Business Day.**

### **SECTION 3 Summary of Terms**

*This summary should be read in conjunction with and is qualified entirely by reference to the information appearing in the full text of the Prospectus under the sections appearing below and by reference to the agreements and other documents described in this document.*

#### **The Fund**

The Fund is an open-ended investment fund, created by the Fund Company and established as an expert collective investment scheme pursuant to the CBB regulations.

The Fund will provide Unit holders with the opportunity of investing in a Shari'ah compliant listed and unlisted equity and equity related securities in the MENA region and in a manner described in the section titled "Investment Policies and Guidelines".

During the Initial Offer Period, Units will be priced at US\$ 10.00 each.

#### **The Fund Company**

IIAB Islamic MENA Fund Company B.S.C.(c) has been established as a closed joint stock company in Bahrain with registration number **67578** to create and manage the Fund. The Fund Company will, by Instrument, create Units in the Fund for which investors will be invited to subscribe. The monies raised pursuant to the offer of Units will be segregated for accounting purposes from the Fund Company's other assets by being placed in the Fund Company's "IIAB Islamic MENA Fund Units Account" ("Units Fund Account") and invested in accordance with the Investment Objective and Policy. For the avoidance of doubt, the investors will be subscribing for Units in the Fund and not shares in the Fund Company.

The Instrument shall be governed by and construed in accordance with the laws of Bahrain.

The authorized capital of the Fund Company is BD 1,000 divided into 1,000 shares of BD 1 each. The shares are owned by Al Arabi Investment Group Co (990 shares) and Islamic International Arab Bank (10 shares). The personal liability of the shareholders of the Fund Company for its debts or obligations is limited to the amounts they have subscribed to the capital of the Fund Company.

#### **Minimum Subscription**

The minimum subscription amount in the Fund is US\$ 25,000. The minimum for any subsequent subscription for an existing Unit Holder will be 100 Units. Any subsequent redemption will be 1000 Units. The Directors, acting at their own discretion, may elect to change the amount of the minimum subscription

#### **Minimum Fund Size**

The Fund will issue a minimum of 500,000 Units priced at a face value of US\$ 10.00 per Unit. Units will be

issued on a fully-paid basis and will be placed by the Placement Agent.

<b>The Fund Term</b>	<p>The Fund will commence on the first Business Day following the Closing Date.</p> <p>The Fund has been established for an indefinite period but the Fund Company reserves the right to terminate the Fund at any time without penalty to any party involved. Under Bahrain law, termination of the Fund requires the prior written consent of the CBB and that reasonable notice be given to Unit Holders. Neither the death, bankruptcy, nor incapacity of a Unit Holder in the Fund nor the bankruptcy or resignation of the Investment Manager will terminate the Fund or in any way affect its continuity. Details are set out in the Section 4 headed "Introduction", Sub-section "Life and Liquidation of the Fund".</p>
<b>Investment Objective</b>	<p>The investment objective of the Fund is to achieve long-term capital appreciation, whilst adhering to Shari'ah principles. The Fund will seek to achieve this objective by actively investing predominantly in listed and unlisted equities and equity related securities in the MENA region as per the Shari'ah guidelines outlined hereinunder. The Fund may distribute dividends on an annual basis, upon the sole discretion of the Fund Company and subject to the approval of the CBB.</p>
<b>Investment Manager</b>	<p>Al Arabi Investment Group Co, a limited liability company incorporated under the laws of Jordan, has been appointed by the Fund Company to act as the Investment Manager pursuant to the Investment Management Agreement. As Investment Manager it will be responsible for managing the Fund.</p>
<b>Administrator, Custodian and Registrar</b>	<p>Gulf Clearing Company B.S.C. (C), Bahrain is a Bahraini joint stock company that was incorporated in 2003 under Commercial Registration no. 50682 and is a wholly-owned subsidiary of Gulf Clearing Company, Kuwait (GCCCK) and has been appointed as the Custodian, Administrator and Registrar of the Fund.</p>
<b>Return</b>	<p>Neither the capital nor the returns are guaranteed. The Investment Manager is, however, targeting a total return over a complete investment cycle (bull and bear market) of 11% per annum.</p>
<b>Subscription</b>	<p>The Fund is open for subscription on each Subscription Day.</p> <p>Subscriptions during the Initial Offer Period must be made at the latest on or before 12 noon five (5) Business Days before the Closing Date. Subscriptions</p>

after the Initial Offer Period must be made at the latest two (2) Business Days before the relevant Valuation Day. The Directors reserve the right to refuse any subscription in their sole discretion.

**Seed Capital**

IIAB will subscribe to 500,000 Units during the Initial Offer Period at the initial price per Unit of US\$ 10.00 for an aggregate Seed Capital value of US\$ 5,000,000. IIAB will not withdraw the seed capital from the Fund without the prior written approval of the CBB.

**Unit Price and Unit Price Calculations**

The Net Asset Value of the Units will be determined by the Administrator. There will be a deduction from the total value of the Fund's assets of all accrued liabilities. The Net Asset Value of the Fund and the Units will be expressed in US dollars and any items denominated in other currencies shall be converted at prevailing exchange rates as determined by the Administrator.

During the Initial Offer Period, each Unit will be offered at a face value of US\$ 10.00.

Thereafter, the Unit price will be calculated by the Administrator each month to take into consideration the Net Asset Value of the Fund.

**Redemption and Lock-up Period**

For redemption purposes, the Fund will be closed for an initial period of three (3) months after the Closing Date to allow for the investment of proceeds of the initial placement. The Fund will then be open for redemption in accordance with the terms of this Prospectus. If redemptions in any one month period exceed 15% of the Net Asset Value of the Fund, the Directors at its own discretion will decide whether to roll over any such excess to the following Redemption Day to avoid heavy losses resulting from forced liquidation of holdings. Any redemption resulting in a Unit Holder's holding dropping below 2500 Units will result in the whole position being redeemed at the sole discretion of the Directors.

**Secondary Market**

Due to the open-ended nature of the Fund, the Fund Company does not foresee the development of an active secondary market for the Units. It may, however, elect, at the sole discretion of the Directors and subject to CBB approval, to create a secondary market for the Units, in which case the terms governing the sale and purchase of Units in such secondary market will be stipulated by the Directors at their reasonable discretion.

**Compulsory Redemption**

The Fund Company has the right upon seven (7) Business Days notice to compulsorily redeem any Unit held by a Unit Holder at a redemption price per Unit calculated on the basis of the Fund's Net Asset Value as determined on the Valuation Day immediately preceding the relevant redemption date, for any of the following

reasons:

(a) the Units are held by or for the benefit (directly or indirectly) of (i) any US Person or (ii) any other person whose continued holding would subject the Fund, its Unit Holders and the Investment Manager to regulation deemed burdensome by the Fund Company or such other party under the laws of the applicable jurisdiction or would result in any adverse tax consequences for the Fund, its Unit Holders or the Investment Manager.

(b) any of the representations given by a Unit Holder in its Subscription Agreement were not true or have ceased to be true;

(c) the Articles of Association otherwise require such redemption; or

(d) for any other reason the Fund Company, acting in its sole discretion, may deem appropriate.

Where a compulsory redemption occurs as described above, the Fund Company will notify the CBB of it as soon as practicable and of the reasons thereof

**Currency**

The Currency of the Fund is the United States dollars

**Reporting**

The Investment Manager will publish:

(a) on a monthly basis, a fact sheet showing the net asset value of the investment unit, asset allocation, the ten largest holdings in the Fund, performances over 1, 3, 6, and 12 months, and yearly returns since inception;

(b) on a quarterly basis, each of the reports described in (a) above as well as a discussion of market conditions and returns;

(c) on a semi-annual basis each of the reports described in (a) and (b) above as well as the un-audited financial statements of the Fund; and

(d) on an annual basis, each of the reports described in (a) and (b) above as well as the audited financial statements of the Fund.



**Fees**

From the proceeds of the Fund, the Fund Company will pay the following fees:

- an Investment Management Fee of 1.5% per annum of Net Asset Value prior to the accrual of the Performance Fees to be accrued monthly and payable quarterly in arrears with the first payment due on the last Business Day of the Quarter during which the Closing Date occurs to the Investment Manager pursuant to the terms of the Investment Management Agreement. The Investment Manager will be responsible for payment of any advisory fees out of Investment Management Fees paid by the Fund;
- In the event that, in any Financial Year, the Net Asset Value (calculated on the last Business day of that Financial Year before the Performance Fee is deducted, but after deduction of management fee) increases by more than the hurdle rate of 8% per annum since the Closing Date or the previous year end on which the Performance Fee was paid (whichever is the later), the Fund will pay to the Fund Manager on the last day of that Financial Year, a performance fee calculated as 15% of the increase in the Net Asset Value over the hurdle rate of 8% per annum

Performance fee is 15% of the returns in excess of the 8% per annum hurdle rate (after the deduction of all fees including Management Fees. Performance fees (if any) will be accrued on a monthly basis and will be paid at the end of the Financial Year.

- Custody, Administration and Registrar Fees that are payable each Quarter but accrued on a monthly basis with the first payment due on the last Business Day of the Quarter during which the Closing Date occurs. For a more detailed discussion of fees and expenses, see Section 8 "Fund Fees and Expenses".
- All applicable auditing and legal fees.

**Redemption Notice**

The redemption notice must be completed and signed by a Unit Holder as per the instructions set out in Schedule 3 of the Instrument, together with any other documentation as required therein.

**Notice of Transfer**

The notice of transfer of Units by a Unit holder must be completed and signed by the transferor and the transferee as per the instructions set out in Schedule 2 of the Instrument, together with any other documentation as required therein.

**Expenses**

The costs and expenses incurred in establishing the Fund Company and the Fund, issuing the Units and preparing and publishing this Prospectus, including audit, legal, advisory, and other costs and expenses will be charged

to the Fund up to a maximum of US\$150,000, and will be expensed during the first year of the Fund's operation.

For a more detailed discussion of fees and expenses, see Section 8 "Fund Fees and Expenses".

**Risk Factors**

The Fund does not have its own legal personality. As such, the assets of the Fund may be held in the name of the Fund Company. Investment in the Fund carries significant risk, and investment in the Fund should be regarded as medium to long term in nature and is only suitable for investors who understand the risks involved and who are able to withstand the loss of all or part of their invested capital. **Potential investors are referred to Section 10 "Risk Factors".**

## SECTION 4 INTRODUCTION

### ***Establishment of the Fund***

The Fund Company, IIAB Islamic MENA Fund Company B.S.C. (C), has been established as a closed joint stock company in accordance with the provisions of the Bahrain Commercial Companies Law Decree No. 21 of the year 2001. The purpose of this company is to, among other things, enter into an Instrument for the creation of an investment fund and to enter into instruments for the creation of Units in the Fund for which investors will be invited to subscribe. The Instrument shall be governed by and construed in accordance with the laws of Bahrain

The Fund is an open-ended Shari'ah compliant investment fund, established by the Fund Company in accordance with and subject to the terms of the Instrument. The Fund is a collective investment scheme established pursuant to Central Bank of Bahrain regulations for the operation and marketing of collective investment schemes issued by the Circular no. EDFIS/C/020/2007 and subsequent supplementary Circulars and has been approved by the CBB.

The Fund does not have a separate legal status for purposes of Bahrain law. While the Fund is intended to be separate from the Fund Company, investments may have to be made by the Fund Company on behalf of the Fund.

The base currency of the Fund is US dollars. Units are equal to one ordinary class and with a price of US\$ 10.00 each. The Minimum Subscription is US\$ 25,000. The Fund, being open-ended, will offer Units on a continuous basis by the Investment Manager and through distributors authorized by the Placement Agent. The Fund may seek listing on a recognized stock exchange where its Units may be traded although the Fund Company does not expect to pursue such listing.

Any change to the Prospectus must be made by the Directors and shall be subject to the approval of the CBB and will be reported to Unit Holders of the Fund.

For more information on these and other important matters related to the management and administration of the Fund, see section 6 "Management and Administration".

### ***Life and Liquidation of the Fund***

The Fund Company or the Investment Manager, acting for the Fund Company, reserves the right to terminate the Fund at any time without penalty to any party involved. Under Bahrain law, termination of the Fund requires the prior written consent of the CBB and that reasonable notice be given to Unit Holders. The Directors will endeavor to give Unit Holders three (3) months' notice before terminating the Fund.

Neither the death, bankruptcy, nor incapacity of a Unit Holder in the Fund nor the bankruptcy or resignation of the Investment Manager will terminate the Fund or in any way affect its continuity.

The Fund has been established as an open-ended Fund but the Directors may, at any time, subject to prior approval of the CBB, propose to dissolve the Fund at an extraordinary general meeting of shareholders of the Fund Company. If such a voluntary dissolution is adopted, the liquidation would be carried out in accordance with the laws and regulations in force in the Kingdom of Bahrain, which specify the steps to be taken to enable Unit Holders to participate in any liquidation distribution.

Upon liquidation of the Fund, the assets of the Fund will be allocated to Unit Holders after all amounts due to third parties, including those due under the contractual arrangements entered into by the Fund Company on behalf of the Fund and under Bahrain Law, are satisfied.

The Fund must be liquidated if either:

- (a) the Net Asset Value of the Fund declines for any reason to less than the Minimum Fund Size, and such decline continues for three (3) consecutive months; or
- (b) the Net Asset Value per Unit of the Fund drops below 50% of its highest recorded level, after adjustment for cash dividends if any, for a period of 24 months without reasonable justification.

In addition, the Investment Manager may be obligated to terminate the Fund if Islamic International Arab Bank or Al Arabi Investment Group Co enters into bankruptcy or if regulatory changes deem it impractical for the Fund to continue.

#### ***Tax Position of the Fund***

The following comments are based on information regarding the current law and practice in Bahrain and elsewhere and are intended only to assist potential Unit Holders.

Unit Holders should appreciate that as a result of changing law or practice or unfulfilled expectations as to how the Fund or Unit Holders will be regarded by tax authorities in different jurisdictions, the tax consequences for Unit Holders may be other than as stated below.

Unit Holders MUST IN ANY CASE consult their professional advisors on the possible tax consequences of their subscribing for, purchasing, holding, or selling of Units under the laws of their countries of citizenship, residence, ordinary residence, or domicile.

#### ***Bahrain Tax Considerations***

As at the date of this document, there are no taxes payable in respect to income, withholding or capital gains by the Fund under existing Bahrain law. There are no currency or exchange control restrictions currently in force under Bahrain law and the free transfer of currency into and out of Bahrain is permitted, subject to any international regulations in force from time to time.

In the event that there is any material amendment or change to Bahrain law in connection with the matter referred to above, the Investment Manager shall notify the Unit Holders of such amendment or change in the next following report that is circulated to the Unit Holders after such amendment or change has come to the attention of the Investment Manager.

#### ***Unit Holder Taxation***

Potential Unit Holders should ascertain from their professional advisors the consequences of acquiring, holding, redeeming, transferring, or selling Units under the relevant laws of the jurisdictions to which they are subject, including any tax consequences and exchange control requirements.

## SECTION 5 Investment Restrictions and Shari'ah Criteria

### ***Investment Objective***

The investment objective of the Fund is to achieve long-term capital appreciation, whilst adhering to Shari'ah. The Fund will seek to achieve this objective by actively investing predominantly in listed and unlisted equities and equity related securities in the MENA region as per the Shari'ah Guidelines outlined below. The Fund may distribute dividends on an annual basis, upon the sole discretion of the Fund Company and subject to the approval of the CBB. Dividends, if any, will be paid out of investment income from dividends earned by the Fund after deducting expenses.

To achieve this, the Fund will seek investment opportunities in all the formal and recognized local and international securities exchanges in the MENA region. In addition, the Fund may trade in securities listed on other stock exchanges or traded over the counter if a significant part of operations or assets of issuers are involved in the MENA Region.

### ***Shari'ah Criteria***

The business of the Fund shall at all times be conducted in compliance with the Shari'ah guidelines. Primarily, Shari'ah prohibits the paying or receiving of interest, although the receipt of dividends and capital gains from equity investment in Shari'ah compliant companies is acceptable.

In addition, in compliance with the Shari'ah guidelines, the Fund will NOT invest in:

- (i) interest bearing investments;
- (ii) derivatives, including but not limited to, options, futures and contracts for differences;
- (iii) forward currency transactions;
- (iv) equities or other securities issued by companies whose income is derived from activities relating to any of the following sectors:
  - (a) conventional banking or insurance or any other interest related activity;
  - (b) the manufacture or distribution of alcohol products;
  - (c) the manufacture or distribution of arms;
  - (d) gaming or gambling;
  - (e) the production, packaging, processing or any other activity relating to pork or pork products and other non *halal* meat; or
  - (f) companies engaged in any other activities not permissible under Shari'ah as determined by the Shari'ah Board.
- (v) equities or other securities issued by companies whose activities relate in any way to the production or distribution of pornographic material;
- (vi) investment trusts, unit trusts and other collective investment schemes that do not adhere to the Shari'ah guidelines; or
- (vii) listed or unlisted companies with the following financial ratios:
  - (a) total debt divided by trailing 12-monthly average market capitalization is equal to or greater than 30%. (Note: total debt = short term debt + current portion of long-term debt + long-term debt);
  - (b) the sum of cash, interest bearing securities, and accounts receivables divided by total assets is equal to or greater than 50%. (Note: accounts receivables = current receivables + long-term receivables); or

- (c) total interest income divided by total revenue is equal to or greater than 15%.  
Investors should be aware that the Fund may hold, on an ancillary basis, short-term Shari'ah compliant investments or cash balances on non-interest bearing accounts, in order to be able to meet redemption requests and expenses or to avail itself of market opportunities as they may arise.

### ***Purification***

Returns derived from the Fund's investments may comprise an amount, which is attributable, for Shari'ah purposes, to impure income earned or received. Where this is the case, the amount of any return, which is so attributed, will be calculated in accordance with the Shari'ah guidelines approved by the Shari'ah Board and the amount earned or received will be donated periodically by the Fund to charities with no direct or indirect benefit accruing to the Fund or any of its Investors.

There may be circumstances where it is discovered that an investment is not or has ceased to be Shari'ah compliant. In such a situation, the Investment Manager will take steps to liquidate and/or purify the Fund of such non-Shari'ah compliant investment as directed by the Shari'ah Board within a period of six months from the date the Investment Manager learns of such non-compliance.

### ***Targeted Markets***

The Fund will primarily target all the formal and recognized local and international securities related to the MENA Region. In addition, the Fund may trade in securities listed on other stock exchanges or traded over the counter, if a significant part of operations or assets of issuers are involved in the MENA Region.

Subject to its Investment Policies and Guidelines, the Fund may allocate certain investments to securities or funds listed or traded outside the MENA region and to companies or operations outside the MENA Region.

### ***Investment Policies and Guidelines***

The Fund shall invest at least 60% of its assets in the MENA region.

- The maximum allocation to equities will be 100% of the Fund's assets. The Investment Manager, however, can tactically reduce the Fund's equity exposure, in case of down trend expectations to a minimum of 20% of the Fund's assets.
- The maximum allocation to Shari'ah compliant fixed income, including but not limited to, Sukuk, Murabaha, leasing, etc. will be 80% of the Fund's Asset Value. Allocation to Shari'ah compliant fixed income securities will be tactically and primarily used to protect the Fund's position in case of downtrend expectations.
- The Fund shall invest not more than 40% of its assets in any one individual country in the MENA region.
- The Fund shall invest a maximum of 40% of its assets in cash and cash equivalents.
- The Fund shall invest not more than 20% of its assets invested in cash and cash equivalents with a single party.
- Not more than 10% of the total assets of the Fund shall be invested in the securities of a single party;
- Not more than 20% of total assets of the Fund shall be placed with a single group of connected parties;
- Not more than 10% of the total assets of the Fund shall be invested in unlisted securities including pre-IPO securities;
- The maximum allocation to other Shari'ah Compliant funds is 20% of the Fund's Asset Value subject to a ceiling of 10% exposure to a single fund (or group of connected funds);

- The maximum allocation to securities or funds listed or traded over the counter outside the MENA Region and relates to companies or operations outside the MENA Region shall be 15% of the Fund's total assets
- The Investment Manager shall not borrow any funds unless the borrowing is Shari'ah compliant and on a temporary basis. Such borrowing shall not exceed 20% of the Net Asset Value of the Fund.
- The Fund shall not invest in any security (of any class) in a company or other undertaking, if any director or officer of the Fund (or of any relevant person and its affiliates) individually owns more than 0.5 per cent of the total nominal amount of all the issued securities of that class, or collectively the directors or officers of the Fund (or of any relevant person and its affiliates) own more than 5 per cent of those securities. This prohibition shall also apply where the ownership of the directors or officers specified above is in the parent, subsidiary or other associated undertaking of the company in which the Fund is to make the investment;
- The Fund shall invest in third party collective investment undertakings;
- The Fund's operators shall not engage in any transactions with the Fund and shall not trade in the Fund's Units, with the exception of Islamic International Arab Bank which can invest in the Fund in the form of seed capital during the Initial Offer Period
- Subject to the ceiling set out above, the Investment Manager may invest in GDRs and shares of Shari'ah compliant companies operating in the MENA but listed on international markets or in Shari'ah compliant fixed income and money market instruments of foreign companies raising money; the purpose of which is to invest in the MENA Region.
- The percentages set out above are based on the market values of the Fund's investments. As the Investment Manager does not have control over any sudden changes in the market values of the Fund's investments on any Valuation Date, and taking into consideration the expected redemptions as of any Valuation Date, marginal breaches to these percentages may happen as of any Valuation Date of the Units. The Investment Manager will endeavor to correct any breaches in these percentages within one month following the breach.

## SECTION 6

### Management and Administration

#### *The Directors*

The Directors of the Fund Company have overall authority over, and responsibility for, the operations and management of the Fund and will exercise supervision and control of the Fund and the Fund Company including deciding matters of general policy and reviewing the actions of Investment Manager, the Custodian, and the Administrator. Subject to the prior approval of the CBB, The Fund Company may appoint new Directors and officers or remove them from time to time.

As of the date of this Prospectus, the members of the Board of Directors of the Fund Company are:

#### **Mr. Ghassan A. Bundakji**

Mr. Bundakji is a Board Member and the General Manager of Islamic International Arab Bank. Prior to joining the Islamic International Arab Bank, Mr. Bundakji was the Regional Manager of Arab Bank Doha-Qatar. Previously, Mr. Bundakji was the Area Manager of Arab Bank Zarqa branch/Jordan and in Sana'a/Yemen. He also served as the Head of Purchasing and Supplies Department in the general headquarters of Arab Bank. Before that he worked as a Credit Manager in the Credit Facilities Department in the General Management and served as the Manager of Arab Bank Nigeria. Furthermore, Mr. Bundakji worked also as a Manager of Several Arab Bank Branches. During his career path, Mr. Bundakji participated in numerous training courses, seminars and international conferences in finance and banking. Mr. Bundakji received his Bachelor Degree of Accounting from Cairo University and after his graduation he worked for Bank of Jordan, Jordan Petroleum Company and the Royal Scientific Society, respectively.

#### **Mr. Mohammed Ghanameh**

Mr. Ghanameh is the Head of Corporate and Investment Banking at Arab Bank plc. Mr. Ghanameh holds a bachelor degree of Science in Mathematics from Riyadh University. He is a career banker with 33 years of experience in Corporate, Commercial, Retail, Corporate Finance and Investment Banking in Jordan and the Gulf Region. Prior to joining Arab Bank in 2007, Mr. Ghanameh assumed various senior positions with major financial institutions, the last of which was the Head of Corporate and Investment Banking at Banque Saudi Fransi in Riyadh, Saudi Arabia.

#### **Mr. Ramez G. Sawabini**

Mr. Sawabini joined the Arab Bank Group in 2007 as the Global Chief Investment Officer for private and investment banking. He brings with him a wealth of experience and a solid track record of achievements from a diversity of senior positions he held in Saudi Arabia, Bahrain, England and Kuwait. Before joining the Arab Bank Group, Mr. Sawabini worked in the National Commercial Bank in Saudi Arabia as a Chief Investment Officer for Private Banking, where he was broadly responsible for product creation and heading the Fiduciary & Investment Review Committee. Prior to this, Mr. Sawabini headed the Investment Management & Treasury department in Shamil Bank of Bahrain, and as an Assistant General Manager/Head of Managed Investment Products in the Saudi American Bank, where he established and managed SAIF (the only Saudi closed end fund, with assets of over \$250 million, to be listed on the LSE). Earlier in his career, Mr. Sawabini held a variety of positions, the most notable of which is Senior Portfolio Manager and Investment Product Specialist Middle East/Africa, both with Citibank NA, London. Mr. Sawabini holds a B.Sc. in International Business from the American College of Switzerland, Leysin, Switzerland.



### **Mr. Outaiba Al-Hawamdeh**

Mr. Al-Hawamdeh holds a BA degree in business administration and finance; an MBA from Southampton University, England; and an MSc in International Securities, Investment and Banking from the ICMA Centre (formerly ISMA Centre), Reading University, England. Before heading AB Invest's Asset Management, Mr. Hawamdeh worked for Jordinvest managing mutual and pension funds and institutional clients' portfolios. Prior to that, he worked in Mobilecom as a Senior Treasurer, and earlier in his career, Mr. Hawamdeh worked in the Department of Foreign and Domestic Trade Operations at the Arab Bank. In 2005, Mr. Hawamdeh earned the right to use the Chartered Financial Analyst (CFA) designation & is currently a member of the CFA Institute in Charlottesville, Pennsylvania and CFA Jordan Chapter.

### **Mr. Adel Kasaji**

Mr. Kasaji is the CFO/COO of Al Arabi Investment Group. Prior to joining Al Arabi Investment Group, Mr. Kasaji worked with Deloitte & Touche for almost 10 years, first in the Middle East and later in Toronto. Whilst with Deloitte & Touche, Mr. Kasaji's work included managing various due diligence and fraud examination assignments. He was also in charge of audits and special assignments and his clients included major financial institutions, banks, and telecommunications companies, in addition to governmental and private companies encompassing a wide spectrum of industries. He has experience in sophisticated financial instruments and derivatives, for speculation and hedging purposes. Mr. Kasaji is a member of several Accounting bodies, including the Chartered Financial Analyst Institute (CFAI), the National Association of Certified Valuation Analyst (NACVA), and the Illinois Society of Certified Public Accountants (ICPA). Mr. Kasaji received a Bachelor of Science in Accounting and Business Administration from the University of Jordan, holds a CVA qualification as well as a CPA from the State of Illinois, and has been a CFA Charter holder since 2003

### ***Investment Manager, Sponsor and 99% shareholder of Fund Company***

The Fund has appointed Al Arabi Investment Group Co ("**AB Invest**"), a wholly-owned subsidiary company of Arab Bank Plc, as Investment Manager pursuant to the Investment Management Agreement dated February 17<sup>th</sup> 2008.

AB Invest is a premier regional investment banking firm playing a leading role in the development of MENA capital markets serving institutional, corporate, government, and individual clients. AB Invest provides the full range of financial services, including corporate finance, asset management, brokerage, and research. In 2004, AB Invest was acquired by Arab Bank plc and became a member of the Arab Bank Group, one of the principal financial institutions in the Middle East.

AB Invest provides comprehensive advisory services that encompass structuring innovative and conventional financial products and strategies, and conducting in-depth economic, corporate, and securities research. AB Invest analyses client needs in depth and develops customized solutions that are complemented by corresponding services, advisory facilities, and high quality products.

As an asset manager, AB Invest manages, among others, funds, discretionary portfolios; provident funds/pension plans, and endowment funds. AB Invest also advises investors on restructuring funds and portfolios.

Arab Bank Plc has been operating in the Middle East and North Africa region since its inception in 1930. With an unrivalled franchise, the Arab Bank has a presence on the ground in nearly every country in the region, either directly or through affiliates.

In performing its duties and obligations under the Investment Management Agreement, the Investment Manager will be supervised by the Directors. The Investment Manager is

responsible for the Fund's investments and management. This includes overseeing the efficient operation of the Fund and the proper provision of services by the counterparties.

### ***Sponsor and 1% shareholder of Fund Company***

Islamic International Arab Bank plc. ("**IIAB**"), a wholly owned subsidiary of the Arab Bank plc., Jordan, commenced its banking operation in accordance with Islamic Shari'ah Rules on the twelfth day of Shawal 1418 AH, corresponding to the ninth day of February 1998. IIAB provides full range of comprehensive and complementary banking services for individuals and corporations in accordance with Islamic Shari'ah Rules, using latest technology and a highly experienced team of management and staff.

### ***Administrator, Custodian, and Registrar***

The Fund has appointed Gulf Clearing Company B.S.C. (c) ("**GCC**") as the Fund Administrator, Custodian, and Registrar in Bahrain pursuant to an Administration Agreement dated February 17<sup>th</sup> 2008, a Custody Agreement dated February 17<sup>th</sup> 2008 and a Registrar Agreement dated February 17<sup>th</sup> 2008. The Agreements provide that GCC is responsible for acting as the Administrator, Custodian, and Registrar of the Fund. The services provided by GCC include acting as the registrar and transfer agent, which includes the provision by it of redemption and transfer services (if any), allocation of Units to investors, distribution notices, and certain other services such as calculation of the net assets in accordance with the terms of the Agreement(s) and the offering memorandum.

GCC has been appointed custodian of the Fund under the following terms of the Custody Agreement:

- o The Custodian holds, either by itself or through its agents or delegates, all assets of the Fund and all documents of title to such assets for the markets where the Custodian represents the Fund but has no responsibility for selecting the Investments of the Fund.
- o The Custodian may appoint sub-custodians, nominees, and agents to perform its duties provided that, subject to the specific exemptions in the Custody Agreement, it remains liable for any acts or omissions of, or loss directly or indirectly caused by, any such sub-custodians.

The Custodian, Administrator, and Registrar, GCC, Bahrain is a Bahraini joint stock company that was incorporated in 2003 under Commercial Registration no. 50682 and is a wholly-owned subsidiary of Gulf Clearing Company, Kuwait ("**GCCK**"). GCCK was incorporated in Kuwait in 2001 and is one of the leading fund custody and administration service providers in the region.

### ***Shari'ah Board***

With respect to Shari'ah matters, the Fund and the Investment Manager will be advised by the Shari'ah Board, the composition of which is set forth below. The Shari'ah Board will establish general investment guidelines, which are consistent with the principles of Shari'ah.

The Investment Manager will be entitled to rely completely on the directions and decisions of the Shari'ah Board to ensure that the principles of Shari'ah are observed in relation to proposed or actually implemented investments. It should be noted that the Sponsors shall procure that any Shari'ah guidelines notified by the Shari'ah Board shall be implemented so as to warrant continuous observance of the principles of Shari'ah at all times.

The investment process of the Fund has been reviewed by the Shari'ah Board, who has issued an opinion with respect to conformity of the same with Shari'ah (attached hereto as Appendix

C). The Shari'ah Board has a proven track record in the implementation of Shari'ah law, and is comprised of the following prominent scholars:

#### **Sheikh Professor Dr. Ahmad Mohammad Helayyel**

Sheikh Dr. Helayyel is currently the Supreme Judge and Imam (Prayer Leader) of the Hashemite Royal Family, chairman of the Orphans Funds Development Foundation (Jordan), chairman of Islamic Education Curricula Committee at the ministry of Education in Jordan; and vice chairman of the Council of Education (Jordan). He is also member of the Board of Trustees of Aal al Bayt Foundation for Islamic Thought, member of the Foundation Council, Islamic World League, member of the Foundation Assembly, International League for graduates of Al Azhar. Sheikh Dr. Helayyel holds a PhD from Al Azhar University, a Master's degree from Al Azhar University and a Bachelor's degree from the Islamic University in the Madina Munawara. In addition to being a lecturer at the University of Jordan and the International Islamic University in Jordan, Sheikh Dr. Helayyel has issued over twenty research papers (Globalization from an Islamic Perspective, Unity in the Islamic World and History of the Quran). Sheikh Dr. Helayyel participated in many national, regional and international conferences and seminars.

#### **Sheikh Abdul Hafeeth As'ad Al Hijjawi**

Sheikh Al Hijjawi is currently a senior researcher at the Royal Aal al- Bayt Institute for Islamic Thought, prior to that he was the Grand Mufti of the Hashemite Kingdom of Jordan and researcher at the General Fatwa Bureau at the Ministry of Awqaf and Islamic Affairs in Jordan. Sheikh Al Hijjawi participated in many national, regional and international conferences and seminars. He published many research papers (The Book of Hajj, Islamic Waqf and its Role in Serving Society). Sheikh Al- Hijjawi obtained a B.A. in Islamic Sharia form the University of Jordan and a Higher Diploma in Education from the University of Jordan.

#### **Professor Dr. Ahmad Subhi Ahmad Al Ayyadi**

Dr. Al Ayyadi is currently an Associate Professor of Islamic Studies at Educational Sciences Faculty- UNRWA/Jordan, prior to that he was a lecturer at the University of Yarmouk. Dr. Al Ayyadi has many professional licenses which include religious lawyer permit and chief Islamic justice department. Dr. Al Ayyadi has many publications (Special Policies Governing Simple and Multifaceted Profit Selling in Islamic Economy; Monetary and Financial Policies in Islam Used for Combating Inflation; The Comprehensive Concept of Profit and its Applications in Islamic Banks; Risks of Islamic Investment Means). Dr. Al Ayyadi has participated in many national, regional, and international conferences and seminars. Dr. Al Ayyadi obtained his PhD from Al Quran Al Kareem University, Master's degree form the Yarmouk University and Bachelor's degree form the University of Jordan.

In particular, the Shari'ah Board shall be responsible for the following activities:

1. studying and reviewing this Prospectus, the Fund's investment objectives and policies to ensure their compliance with Shari'ah;
2. advising the Investment Manager regarding compliance with Shari'ah;
3. determining appropriate guidelines for the selection of companies in whose securities the Fund may invest;
4. providing appropriate guidelines for the Investment Manager to make purification deductions;
5. monitor the underlying investments against the Shari'ah guidelines prescribed to the Investment Manager; and
6. providing an opinion on the Fund's compliance with Shari'ah for inclusion in the Fund's audited annual financial report.

The Directors shall ensure that any written recommendations of the Shari'ah Board to liquidate investments in accordance with the requirements of Shari'ah shall be timely implemented by the Investment Manager.

***Auditors***

The Fund has appointed Deloitte & Touche, Bahrain, as its independent Auditor. The Auditor will prepare the semi-annual and annual financial reports and will submit the reports to the Fund Company.

***Financial Year***

The financial year ends on September 30 of every year with the first financial year ending on September 30, 2008.

***Alternative Service Providers***

The services of the Fund's service providers, including the Investment Manager, the Administrator, the Custodian and the Registrar, will not be terminated or termination will not come into effect until a suitable alternative has been appointed and approved by the CBB.

## **SECTION 7**

### **Subscription**

#### ***Units***

Except for limited voting rights set out in Schedule 4 of the Instrument, Units do not carry any voting rights with respect to the Fund. Units represent the ownership rights of the Unit Holders in connection with the Fund but not in the Company or any other investment funds launched by the Company other than the Fund. The Units will rank *pari passu* in all respects with each other and the Unitholder shall be bound by the conditions of Units as specified in the Instrument.

Units can be subscribed for on each monthly Valuation Day. Units will be offered at the Net Asset Value per Unit, as calculated on the Valuation Day, subject to the initial Minimum Subscription.

The Minimum Subscription is US\$ 25,000. Subsequent Subscriptions for existing Unit Holders will be permitted at a minimum of 100 units.

During the Initial Investment Period, Units will be available to qualifying investors at a price of USD 10 per Unit plus a subscription fee of up to 2% thereon. Thereafter, Units will be offered on a continuous basis on each Valuation Day at the price determined by the Administrator plus a subscription fee of 2% thereon.

#### ***Unit Allocation***

The acceptance of subscriptions in Units during the Initial Offer Period is subject to confirmation of the prior receipt of cleared funds credited before or on the Business Day immediately preceding the Closing Date to the Fund's subscription account. The acceptance of subscriptions in Units as of the commencement of each Trading Day is subject to confirmation of the prior receipt of cleared funds credited on the Business Day immediately preceding the relevant Valuation Day to the Fund's subscription account. Details of the account are set out in the Subscription Agreement. The Fund Company reserves the right to reject or accept subscriptions in its absolute discretion and without assigning any reason thereof.

#### ***Subscription Agreement***

Prospective Unit Holders will be required to complete and return a Subscription Agreement in the form attached. The completed Subscription Agreement should be sent to AB Invest or one of its delegates, at the address shown on the Subscription Agreement, details of which are provided in the Subscription Agreement, and must be received at least five (5) Business Days prior to the relevant Valuation Day (or such later time as may be determined by the Directors of the Fund at their sole discretion). The subscription monies in cleared funds must be paid by 12 noon on the business day immediately preceding the relevant Valuation Day. If the Subscription Agreement and/or cleared funds are received after the deadline, it will (unless otherwise determined by the Fund Company or the Investment Manager) be treated as a request for subscription on the next Trading Day.

The completed Subscription Agreement will (save as determined by the Fund Company) be irrevocable and may be sent by facsimile at the risk of the applicant. The originals of any Subscription Agreement sent by facsimile should be sent immediately by post or by an internationally recognized courier. Failure to provide the original Subscription Agreement may, at the discretion of the Directors; result in cancellation of the allotment of the Units.

Fractions of Units will not be issued. Subscription monies representing fractions of units will not be returned to the applicant but will accrue to the Fund.

Confirmations will be sent to applicants on approval of their application (i) soon after the relevant Trading Day and (ii) once Net Asset Value has been calculated (other than during the Subscription Period) setting out details of the Units they have been allotted.

Units will be issued only in book-entry form. The Registrar will maintain the official Register of Units. No certificates representing Units shall be issued however, the Registrar shall provide to the Unit Holders written confirmation of entry in the said register.

### ***Redemption***

Redeeming Unit Holders will be required to complete and return a Redemption Notice in the form set out in Schedule 3 to the Instrument. The completed Redemption Notice must be sent to the Fund Manager or one of its delegates, at the address shown on the Redemption Notice, and must be received at least ten (10) Business Days prior to the relevant Valuation Day. If the Redemption Notice is received after the deadline, it will be treated as a request for redemption on the next Trading Day.

The completed Redemption Notice may be sent by facsimile at the risk of the applicant. The originals of any Redemption Notice sent by facsimile should be sent immediately by post or by internationally recognized courier. Failure to provide the original completed Redemption Notice along with other documents that might be detailed in the Redemption Notice including any issued certificates representing units before the deadline may, at the discretion of the Directors, result in cancellation of the redemption request.

Any amount redeemed shall be paid within fifteen (15) Business Days of the applicable Trading Day.

### ***Partial Redemption***

Partial redemptions will be declined if it is for less than one thousand (1000) units or if it would cause a Unit Holder to have an interest of less than the minimum holding unless the Directors otherwise determine in their sole discretion. The Fund has the right upon ten (10) Business Days' notice to compulsorily redeem on a Trading Day any Unit held by a Unit Holder at the redemption price per Unit as at the Valuation Day immediately prior to such Trading Day for the following reasons:

- (a) the Units are held by or for the benefit (directly or indirectly) of (i) any restricted person or (ii) any other person whose continued holding would subject the Fund, its Unit Holders, or the Investment Manager to regulation deemed burdensome by the Fund or such other party under the laws of the applicable jurisdiction, or would result in any adverse tax consequences for the Fund, its Unit Holders, or the Investment Manager;
- (b) any of the representations given by a Unit Holder in its Subscription Agreement were not true or have ceased to be true;
- (c) the Articles otherwise require such redemption; or
- (d) for any other reason the Investment Manager or the Directors, acting at their sole discretion, may deem appropriate.

### ***Redemption Price***

The redemption price for Units in each offering subsequent to the Initial Offer Period will be equal to the Net Asset Value as determined below set out in "Calculation of Net Asset Value". A redemption fee of 1% will be retained by the Fund if the Units are redeemed within 12 months of subscription for such allocation.

Redemption proceeds will be paid in U.S. Dollars and will be remitted by way of cheques or by wire transfer upon request to the account designated by the Investor in the Redemption Request Form after deduction of all relevant expenses.

The cost of remitting redemption proceeds will be charged on the account of the relevant Unit Holder

***Suspension of Subscription and Redemption of Units***

The Fund may temporarily suspend the determination of the Net Asset Value per Unit upon the occurrence of one or more of the following events:

- (a) when the market in which a substantial portion of the Fund's investments are invested or traded is closed other than for ordinary holidays, or during which dealings therein are restricted or suspended in a way that affects the valuation of the Fund's assets;
- (b) the existence of any state of affairs which constitutes, in the opinion of the Directors, an emergency as a result of which disposal or the valuation of the Fund's assets would be impractical;
- (c) any breakdown in the means of communication or computation normally employed in determining the price or value of any of the investments made by the Fund;
- (d) upon issuing restrictions affecting the transfer of funds, transactions on behalf of the Fund are rendered impracticable or if purchase, sale, deposits, and withdrawals of assets of the Fund cannot be affected in the normal course of business; or
- (e) if an order by a court or regulatory body with appropriate jurisdiction in Bahrain, including the CBB, is issued requiring such suspension.

During the suspension period, the Fund shall not issue, redeem, or transfer Units.

Where a suspension occurs as described above, the Administrator shall notify the CBB as soon as practicable of its occurrence and of the reasons thereof.

***Listing and Transfer of Units***

The Fund does not intend to seek listing on the stock exchanges of any of the GCC countries, although the Investment Manager and the Directors may elect to do so.

The Investment Manager does not intend, at this time, to make a secondary market in the Units, but may do so in the future.

Units in the Fund may be transferred by submitting to the Registrar a Notice of Transfer in substantially the form set out in Schedule 2 to the Instrument, executed by the transferor and the transferee.

Execution of transfer notice shall be subject to the consent of the Investment Manager. The Investment Manager shall not unreasonably withhold its consent where it is satisfied that the transferee is eligible to hold Units in the Fund, and that no other interest of the Fund is likely to be adversely affected as a result of the transfer.

Any attempt to transfer Units, other than by way of redemption in the manner described in this Prospectus constitutes a tender to the Investment Manager for the redemption of Units.

Subject to the approval of the Investment Manager, the Registrar will update the Register in accordance with the terms of the Notice of Transfer within three (3) Business Days of receipt of such Notice of Transfer.

***Ownership Restrictions and Compulsory Redemption***

Unit Holders may subscribe provided that legislation or regulations in Bahrain and in their country of citizenship, residence, domicile, or incorporation permit them to do so.

Persons under 21 years of age are not allowed to subscribe unless he/she has the written authorization of his/her lawful guardian.

US Persons or US residents as defined in Regulation S under the US Securities Act of 1933 are not allowed to subscribe.

The Fund may compulsorily redeem any Unit, at the prevailing Net Asset Value per Unit net of applicable redemption fees, if the Investment Manager, in its sole discretion, determines that the holding of any Unit by the relevant Unit Holder is in contravention of any applicable laws or regulations or would result in adverse tax consequences to the Fund.

#### ***Calculation of Net Asset Value***

The calculation of the Net Asset Value is the responsibility of the Fund Company, which has delegated this function to the Administrator.

The Net Asset Value will be calculated within seven (7) business days of the Valuation Day at 12:00 noon Bahrain time, using the closing prices of securities in each market on Valuation Day. The Net Asset Value of the Units will be calculated by the Administrator in accordance with generally accepted international accounting standards that do not conflict Shari'ah, using the formula: (a) the total assets of the Fund less the total liabilities divided by (b) the total number of outstanding Units of the Fund prior to each Valuation Day.

The Administrator will communicate to the Fund Company and to the Investment Manager the Net Asset Value per Unit normally no later than seven (7) Business Days following a Valuation Day.

The assets of the Fund shall be valued on the Valuation Day as follows (as applicable):

- (a) the value of any cash on hand or on Shari'ah compliant cash transactions, accounts receivable, prepaid expenses, cash dividends and Murabaha yield declared or accrued and not yet received shall be deemed to be the full amount thereof unless the Directors shall have in their reasonable judgment determined that any such Shari'ah compliant cash transactions or account receivable is not worth the full amount thereof in which event the value thereof shall be deemed to be such value as the Directors shall deem to be the reasonable value thereof;
- (b) listed equities are valued at the closing price of each securities in each market;
- (c) unlisted equities are valued at the price extract from a reliable data provider such as Bloomberg or Reuters. In the absence of a quote from such data provider, pricing shall be the average bid price of two market makers in this security.
- (d) investments in funds or similar investment vehicles are valued on the basis of the most recent NAV or valuation provided by the manager or administrator of the relevant fund; and
- (e) generally, a security for which a representative price is not readily available or is not regularly traded, will be valued on the estimated realizable value provided by the Administrator based on recognized international equity valuation guidelines. For other types of assets the Administrator will determine the method of valuation.

There will be a deduction from the total value of the Fund's assets of all accrued liabilities, including:



- (a) management and other fees and disbursements of the Investment Manager earned but not yet paid;
- (b) any allowance for the Fund's estimated annual audit, legal, and other fees;
- (c) charges of the Administrator and any brokerage fees;
- (d) amounts attributable to impure income;
- (e) fees and charges of the Directors;
- (f) investments of the Fund contracted to be sold;
- (g) the gross acquisition consideration of investments contracted to be purchased for the Fund;
- (h) reserves authorized or approved by the Directors or the Investment Manager for duties and charges or taxes or contingencies (accrued where appropriate on a day-to-day basis);
- (i) other liabilities of the Fund of whatsoever nature (which shall, where appropriate, be deemed to accrue from day-to-day) including direct borrowing, outstanding payments on any Units previously redeemed, any dividends declared and not paid, as from the record date in respect thereof, and contingent liabilities (if any) being valued in such manner as the Directors may determine from time to time in any particular cases; and
- (j) all costs relating to any litigation in which the Fund or the Fund Company (acting in relation to the Fund) is involved.

The Net Asset Value of the Fund and the Units will be expressed in United States dollars and any items denominated in other currencies shall be converted at prevailing exchange rates as determined by the Administrator. The value of all assets and liabilities denominated in a currency other than US dollars will be converted to US dollars at the exchange rate on the relevant Valuation Day.

### ***Reporting***

The Investment Manager will publish:

- (a) on a monthly basis, a fact sheet showing the Net Asset Value of the investment unit, asset allocation, the ten largest holdings in the Fund, performances over 1, 3, 6, and 12 months, and yearly returns since inception;
- (b) on a quarterly basis, each of the reports described in (a) above, as well as a discussion of market conditions and returns;
- (c) on a semi-annual basis each of the reports described in (a) and (b) above, as well as the un-audited financial statements of the Fund; and
- (d) on an annual basis, each of the reports described in (a) and (b) above, as well as the audited financial statements of the Fund.

### ***Fund Size***

The Fund will issue a minimum of 500,000 Units priced at a face value of US\$ 10.00 per Unit. Units will be issued on a fully paid basis and will be placed by the Placement Agent.

### ***Seed Capital***

Islamic International Arab Bank will subscribe for 500,000 Units during the Initial Offer Period at the initial price per unit of US\$ 10.00 for an aggregate seed capital value of

US\$5,000,000. Islamic International Arab Bank shall not withdraw the seed capital from the Fund without the prior approval of the CBB.

## SECTION 8

### Fund Fees and Expenses

The Fund bears fees and expenses incidental to its operation. These include:

#### ***Launching Cost***

The costs and expenses incurred in establishing the Fund Company and the Fund, issuing the Units and preparing and publishing this Prospectus, including audit, legal, advisory, and other costs and expenses will be charged to the Fund up to a maximum of US\$ 150,000, and will be expensed during the first year of the Fund's operation.

The Fund will also pay, out of its assets, all expenses in connection with the offering of Units and all of operating costs throughout the duration of the Fund which include but are not limited to: brokerage commissions; legal fees; company secretarial fees; Fund registration fees; statutory fees; auditing, translation, legal and accounting expenses; taxes and governmental expenses; costs of preparation, printing, and distribution of reports and notices; costs of all marketing material and advertisements; costs of periodic update of the Prospectus; custody and transfer expenses; all expenses in connection with registration and distribution of the Units issued or to be issued; expenses of Unit Holders meetings; expenses of any publication and distribution of the Net Asset Value, including clerical costs of issue or redemption of shares and any other fees and expenses relating to the management and administration of the Fund or attributable to the Fund's investments and operation.

The above costs, if material, will be capitalized and amortized over a period not exceeding one (1) year, otherwise, such costs will be expensed as incurred.

#### ***Placement Fees***

The Placement Agent may, in its sole discretion, charge the Placement Fee which is up to two percent (2%) of the value of each Subscription.

#### ***Investment Management Fee***

Under the Investment Management Agreement, the Fund will pay the Investment Manager a total annual Investment Management Fee of 1.5% per annum of the Net Asset Value of the Fund prior to the accrual of the Performance Fee.

The Investment Management Fee will accrue monthly and be payable quarterly in arrears by the Fund with the first payment due on the last Business Day of the Quarter during which the Closing Date occurs.

#### ***Performance Fee***

In the event that, in any Financial Year, the Net Asset Value (calculated on the last Business day of that Financial Year before the Performance Fee is deducted, but after deduction of management fee) increases by more than the hurdle rate of 8% per annum since the Closing Date or the previous year end on which the Performance Fee was paid (whichever is the later), the Fund will pay to the Fund Manager on the last day of that Financial Year, a performance fee calculated as 15% of the increase in the Net Asset Value over the hurdle rate of 8% per annum

Performance fee is 15% of the returns in excess of the 8% per annum hurdle rate (after the deduction of all fees including Management Fees. Performance fees (if any) will be accrued on a monthly basis and will be paid at the end of the Financial Year.

### ***Custody and Administration Fees***

Pursuant to the terms of the Custody Agreement and the Administration Agreement, a Custody and Administration Fee is payable each Quarter but accrued on a monthly basis with the first payment due on the last Business Day of the Quarter during which the Closing Date occurs to the Custodian and Administrator. The Fund will be charged an annual Custody and Administration Fee of 0.2% of the Net Asset Value subject to a minimum annual fee of US\$ 75,000

The terms of the Custody Agreement and the Administration Agreement specify that all out of pocket expenses incurred on behalf of the Fund or the Fund Company shall be charged to the Fund. These expenses include, but are not limited to the cost of communications, postage, printing, and out-of-pocket expenses involved in the course of duties, e.g. stamp duty and correspondent bank charges.

The administration fees will be accrued on each Valuation Day. Out of pocket expenses will be charged as incurred, all other fees will be payable quarterly in arrears within seven (7) Business Days following the last Valuation Day of each Quarter.

Custody services include the safekeeping of assets and the settling of trades. The Custodian shall have the right to recover all sub-custodian and any additional charges incurred in the settlement of trades. All such charges will be charged to the Fund at cost.

The Custody Fee will be accrued on each Valuation Day. Out of pocket expenses will be charged as incurred, all other fees will be payable quarterly in arrears within seven (7) Business Days following the last Valuation Day of each Quarter.

To the extent that the Custodian appoints a sub-custodian in accordance with the terms of the Custodian Agreement, the fees of such sub-custodians shall be paid by the Fund Company and shall be subject to a maximum annual fee of 0.100% of the Net Asset Value against official documents.

### ***Registrar's Fees***

Under the terms of the Registrar Agreement, the fee payable by the Fund for the provision of such service will be US\$6,000 per annum for up to 100 Unit Holders and \$40 per annum per additional Unit Holder.

The Registrar Fee will be accrued on each Valuation Day and will be payable quarterly in arrears within seven (7) Business Days following the last Valuation Day of each Quarter.

### ***Auditor***

The Auditor will be entitled to receive a fee of US \$ 17,000 (approximately) per annum paid by the Fund Company.

### ***Other Operating Costs***

- (a) all transactional costs including brokerage, banking, sales and purchase commissions, and exchange fees;
- (b) the honorarium (fees) paid to the Sharia'h Board members ("Sharia'h Board Honararium");
- (c) fees and charges of the Auditor and the General Counsel, including any representation fees;
- (d) all government charges and duties including withholding taxes on dividends if any;

- (e) expenses related to board meetings of the Fund Company and to Shari'ah board meetings with a cap of US\$50,000 annually;
- (f) board insurance expenses if any; and
- (g) costs of borrowing if any.

**Early redemption fee**

A redemption fee of 1% will be charged by the Fund if the Units are redeemed within 12 months of subscription.

The Fund shall not charge any fee that is not disclosed in the Prospectus.

**Shari'ah Board Fee**

The Fund shall pay each of the three members of the Shari'ah Board US\$ 3,400 per annum. The fee of the Shari'ah Board will accrue, and be payable annually in arrears.

## SECTION 9

### **Anti-Money Laundering**

The Fund will be managed and operated in a manner, which complies with the laws and regulations in force in Bahrain including, to the extent applicable to the Fund, the CBB's relevant circulars and instructions.

#### ***"Know your Customer" and Combating Money Laundering***

As a result of the applicable anti-money laundering regulations, verification documentation will be required along with the subscription request for Units. The Fund Company and the Fund reserve the absolute right to require further verification of the identity of the Unit Holder or that of the person or entity on whose behalf the Unit Holder is applying for the purchase of the Units and/or the source of funds. Each Unit Holder must provide satisfactory evidence of identity and if so required, the source of funds within a reasonable timeframe determined by the Fund Company. Pending the provision of such evidence, application for Units will be postponed. If the Unit Holder fails to provide satisfactory evidence within the time specified, or if the Unit Holder provides evidence but the Fund Company was not satisfied there with, the application will be rejected immediately, in which event the money received on application, if any, will be returned without interest.

The Fund and the Fund Company will comply with Bahrain's Legislative Decree No (4) of the year 2001 with respect to Prohibition of and Combating Money Laundering and the various Ministerial Orders and circulars issued with regard thereto and Terrorist Financing from time to time including, but not limited to, Ministerial Order No. 7 of 2001 with respect to the Institutions' Obligations Concerning the Prohibition of and Combating Money Laundering. The Fund shall also comply with the CBB's Anti Money Laundering and terrorist financing regulations and directives issued from time to time.

#### ***Records***

The Fund will maintain records of each new subscription for the period of the Subscription but in any case for not less than ten (10) years from the Subscription Day.

#### ***Indemnity***

The Fund shall hold the Investment Manager and its directors free and harmless against any claim or liability that they may have incurred while performing their duties, except for their respective willful misconduct or gross negligence.

## SECTION 10

### Risk Factors

*An investment in the Units involves certain risks relating to the investment strategies of the Fund Company and the Investment Manager. No representation is hereby made that the Fund's investment objective will be achieved. The Fund is newly formed. The value of Units may go down as well as up and there can be no assurance that on a redemption, or otherwise, Investors will receive the amount originally invested. Accordingly, the Fund is only suitable for investment by Investors who understand the risks involved and who are willing and are able to withstand the total loss of their investment. The following is intended as a summary of certain investment considerations and the risks associated with the investment but is not exhaustive and must be supplemented by, amongst other things, assessment of Investor's personal or corporate financial circumstances.*

#### **Legal Status**

The Fund is an investment fund of the Fund Company. The Fund has been contractually structured with the intent that it exists separately from the Fund Company and from other funds created or marketed by the Fund Company. The Fund is a contractual arrangement between the Unit holders and the Fund Company. Such contractual arrangement is approved, governed, and supervised by the CBB. The Fund does not have its own legal personality as such and the extent to which a Bahraini government agency or a Bahraini Court would up-hold such distinction between the legal status of the Fund and that of the Fund Company is unclear and to our best knowledge untested. Additionally, the assets of the Fund will be held by the Custodian in the name of the Fund Company.

The assets comprising the Fund will at all times be owned by the Fund Company and will at no time become assets of the Investment Manager. Therefore the Fund should not in any way be affected by the insolvency or bankruptcy of the Investment Manager.

#### **Regulatory Framework**

The regulatory supervision, legal infrastructure and accounting, auditing and reporting standards in emerging markets may not provide the same degree of shareholder protection of information to Unit Holders as would generally exist in more mature or developed markets. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liabilities, and consolidation may be treated differently from international accounting standards. This may affect the valuation of the assets in which the Fund invests.

#### **Reliance on Management**

Unit Holders will not be entitled to participate in the management of the Fund. Accordingly, Unit Holders must be prepared to entrust management of the Fund to the Investment Manager. The success of the Fund depends, in part, on the quality, skill, and expertise of the individuals employed by the Investment Manager. The loss of key personnel from the Investment Manager could adversely affect the Fund.

#### **Valuation of Investments**

The valuation of some securities may depend on subjective factors, especially where securities are unlisted and can be difficult to establish with accuracy. In such circumstances, the Fund Company will rely on valuation method proposed by the Investment Manager. This could lead to potential conflicts of interest on the part of the Investment Manager, whose fees will increase as the value of the Fund increases.

When calculating the Net Asset Value of the Units in accordance with any of the provisions of this Prospectus, or approving any methods of valuation determined by the Directors, the Administrator and Custodian will not be liable to any person for any loss, liability, claim, cost,

or expense suffered by any person as a result of the Administrator or the Custodian having relied upon any information, or the accuracy or completeness of information supplied to it either by the Directors, the Investment Manager or their directors, officers, employees or agents, or should the availability of the pricing information be delayed or not be provided by the Investment Manager or any third parties.

#### ***Fees and Expenses Charged to Capital***

The payment of fees and expenses may result in the erosion of the capital of the Fund and thus, on redemption or winding up, Unit Holders may not receive back the full amount invested.

#### ***Performance Fees***

Included in the calculation of the Performance Fee will be net realized and unrealized capital gains plus net realized and unrealized capital losses as at the end of the relevant Performance Period. As a result, Performance Fees may be paid on unrealized gains, which may subsequently never be realized.

#### ***Conflicts of Interest***

Under Bahrain law, an investment manager is obligated to act for the benefit of the Fund with respect to matters within the scope of the Investment Management Agreement.

Due to the widespread operations undertaken by the Investment Manager, the Administrator and the Custodian and their respective holding companies, subsidiaries, and affiliates, (each an interested party) conflicts of interest may arise.

The Investment Manager may act as investment manager to, or be otherwise involved in, other funds or accounts including those, which have similar investment objectives to those of the Fund.

The Investment Manager, the Administrator, and the Custodian may provide similar services to others, provided that the services they provide to the Fund are not impaired thereby and each will, at all times, have regard to its obligations to the Fund and will endeavor to ensure that any conflicts are resolved fairly.

An interested party may acquire or dispose of any investment notwithstanding that the similar investments may be owned by or for the account of or otherwise connected with the Fund.

Furthermore an interested party may acquire, hold, or dispose of investments, notwithstanding that such investments had been acquired or disposed of by or on behalf of the Fund by virtue of a transaction effected by the Fund in which the interested party was concerned, provided that the acquisition or disposal by an interested party of such investments is effected on normal commercial terms as if negotiated on an arm's length basis and the investments held by the Fund are acquired on the best terms reasonably obtainable having regard to the interests of the Fund. An interested party may deal with the Fund as principal or as agent, provided that any such dealings are consistent with the best interests of the Unit Holders and carried out as if effected on normal commercial terms negotiated on an arm's length basis and:

1. a certified valuation of a transaction is approved by the Auditor; or
2. the transaction is executed on best terms reasonably obtainable on an organized investment exchange in accordance with the rules of such exchange.

In the event that a conflict of interest does arise, the Directors will endeavor, so far as they are able, to ensure that it is resolved fairly and in good faith.

#### ***Absence of Public Market for Units***



It is not anticipated that there will be any public market for the Units.

***Economic and Political Stability***

Investment in Middle Eastern and North African countries may carry a high degree of economic and political risks.

The governments of the developing countries may exercise substantial influence over various aspects of the private sector and accordingly may impact both the general economic conditions within the country and specific private sector companies. Expropriations, exchange control, confiscation, taxation, nationalization and political, diplomatic, economic or social stability and high rates of inflation within these developing markets are factors which may adversely affect the Fund's performance. Greater bureaucratic difficulties relating to investment and divestment in developing countries may give rise to further difficulties and the potential adverse effects to the Fund.

***Taxation***

The Fund Company, with the assistance of the Investment Manager, will take reasonable steps to mitigate the Fund's tax liabilities. Investors should review carefully this Prospectus and the Subscription Agreement and discuss with their tax advisors the specific tax and other consequences of investing in the Fund.

***Mandatory Redemption***

Compulsory redemption may result in the liquidation of investments under conditions less favorable as the liquidity of some of the underlying assets may not allow for an orderly liquidation at the prevailing market prices, and consequently result in loss to Investors.

**The foregoing is not a comprehensive list of investment risk factors, and potential Investors are urged to consult with their professional advisors as to the legal, regulatory, tax and business involved in this Fund.**

## SECTION 11

### Summary of Material Contracts

The following is a list and summary of material contracts, which the Fund Company has entered into in connection with the Fund:

#### ***Investment Management Agreement***

The Fund Company has appointed AB Invest to provide investment management and advisory services in relation to the Fund. The duties, functions, and responsibilities of the Investment Manager include: managing the day to day affairs of the Fund; determining the cash needs of the Fund; arranging for the investment and realization of the Fund's assets; monitoring investments held by the Fund; making decisions relating to the selection, timing, size, manner, and disposal of investments of the Fund; providing the monthly and quarterly reports; supplying the Fund Company and the Auditor with such information as they may request; liaising with the Fund Company's professional advisors and reporting to the Directors of the Fund Company in relation to the activities of these professional advisors.

#### ***Administration Agreement***

The Fund Company has appointed GCC to provide administrative services to the Fund Company including: calculating the Net Asset Value of the Fund; liaising with the Auditor and providing the Auditor with all information necessary for the preparation of the financial statements; arranging for the payment or deposit of all monies and securities received on behalf of the Fund; keeping the accounts of the Fund and any other books and records required by law; supervising the administration of the Fund and the procedure for the issue, transfer, allotment, redemption, and purchase of units in accordance with this Prospectus; dealing with correspondence from the Unit Holders and performing all of the duties usually performed by the administrator, transfer agent, and paying agent including making all necessary statutory returns.

#### ***Registrar Agreement***

The Fund Company has appointed GCC to provide registrar and transfer agency services in relation to the Fund. The duties of the Registrar include: creating an electronic register of the Unit Holders containing the names and addresses, number of units held, and the date of acquisition of units by a Unit Holder; sending copies of the Register to the Investment Manager; providing access to the register and maintaining a record of instructions in respect of the Fund.

#### ***Custodian Agreement***

The Fund Company has appointed GCC to provide custodial services in relation to the Fund. The duties of the Custodian include: holding in safe custody such securities, investments, financial instruments, and other items belonging to the Fund; opening and maintaining accounts in the name of the Fund; receiving all income and other payments and distributions in respect of the Fund assets; taking necessary actions in respect of the receipt of such payments; receiving and holding securities for the account of the Fund and making available all relevant information to the Investment Manager, the Fund Company, and the Auditor.

***Auditor***

Deloitte and Touche (Bahrain) will act as auditor to the Fund and the Fund Company

***Placement Agreement***

The Fund Company has appointed AB Invest as the placement agent pursuant to the Placement Agreement dated February 17<sup>th</sup> 2008 between the Fund Company and AB Invest. The Placement Agent has been appointed as distribution agent in respect of all Units issued by the Fund Company. The Placement Agent shall place Units at the subscription price of USD 10 plus a placing fee of up to 2% of the subscription price. The placing fee shall be paid to the Placement Agent in consideration for its services. The Placement Agent shall be entitled to waive or re-allocate the placing fee in whole or in part or to pay it to any sub-distributors.

***Shari'ah Supervisory Agreement***

The Fund Company has entered into a Shariah Supervisory Agreement dated 17 September 2008 with Sheikh Professor Dr. Ahmad Mohammad Helayyel, Sheikh Abdul Hafeeth As'ad Al Hijjawi and Professor Dr. Ahmad Subhi Ahmad Al Ayyadi (jointly, the "**Shariah Supervisory Board**") pursuant to which the Shariah Supervisory Board has agreed to provide Shariah advisory services to the Fund Company in connection with the Fund.

## SECTION 12

### Subscription Instructions

#### ***Subscription Applications***

Applications may be made only by using the accompanying Subscription Agreement. All applications should be directed to AB Invest, at the address shown on the Subscription Agreement, or to an authorized placement agent who will process applications on behalf of Unit Holders. The Fund reserves the right to require additional information and certification to comply with anti-money laundering regulations or to reject subscriptions in whole or in part, in which event subscription payments will be refunded at the applicant's risk, without interest. A properly completed and signed copy of a Subscription Agreement may be submitted to the Placement Agent by fax at + 962 6 5526498 in advance of submitting the original in order to expedite processing of the application. However, the signed original must be submitted as soon as practicable.

#### ***Subscription Payments***

Payments in full for the amount subscribed should be made by bank telegraphic transfer as follows:

Beneficiary Account Name : IIAB ISLAMIC MENA FUND  
Beneficiary Account Number : 341170 410201

#### Payment Details:

Please pay to : Bank of NewYork, New York  
Swift Code : IRVTUS3N  
Account Name : Arab Banking Corporation BSC, Bahrain  
Account Number : 890-0433-736,  
Favoring : ABC Islamic Bank (E.C.), Bahrain  
SWIFT Code : ABCIBHBM

In order to facilitate prompt and accurate credit of subscription payments, Unit Holders must notify the Placement Agent prior to remitting payment, of the details of the subscription payment indicating:

- (a) the name of the Unit Holders;
- (b) the US\$ amount subscribed;
- (c) the US\$ amount of Placement Fee (if any);
- (d) the total US\$ amount transferred;
- (e) the Unit Holder's address (including a fax number if available);
- (f) the name and address of the financial institution remitting the subscription payment;  
and
- (g) the approximate date as of which the payment is being wired to the Fund's account  
and the approximate value date of such payment.

#### ***Confirmations***

Confirmations will be sent to Unit Holders showing the details of each transaction. Any Unit Holder who has not given the necessary status and residence declarations and confirmations will be required to complete and return a form of Subscription Agreement to the Administrator

and Registrar as soon as practicable. Subscription Agreements will (save as determined by the Directors) be irrevocable and may be sent by facsimile at the risk of the applicant. The originals of any Subscription Agreement sent by facsimile should be sent immediately by post or by internationally recognized courier. Failure to provide the original Subscription Agreement may, at the discretion of the Directors; result in the cancellation of the allotment of the Units.

### Section 13

#### ARRANGEMENTS FOR PLACING UNITS

Pursuant to the Placement Agreement dated February 17<sup>th</sup> 2008 between the Fund Company and the Placement Agent being the Al Arabi Investment Group Co, the Placement Agent has been appointed as distribution agent in respect of all Units issued by the Fund Company.

The Placement Agent has agreed to place Units at the subscription price plus a placing fee of up to 2% of the subscription price. The placing fee shall be paid to the Placement Agent in consideration for its services. The Placement Agent shall be entitled to waive or re-allocate the placing fee in whole or in part or to pay it to any sub-distributors.

The Units have not been and will not be registered under the US Securities Act or any applicable securities laws of any state or other political subdivision of the United States. The Units may not be offered, sold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any US Person except pursuant to transactions exempt from, or not subject to, the registration requirements of the US Securities Act. In addition, the Fund is not and will not be registered under the US Investment Company Act. Accordingly, there are restrictions on the number of US Persons that may be beneficial owners of the Units. The Fund Company may, in its sole discretion, refuse to accept any investments, irrespective of whether they are from US Persons. In addition, the Fund Company may redeem any Units sold in contravention of any of the prohibitions contained in this Prospectus and may compulsorily redeem the Units of any investor at any time if, at the Directors' discretion, such redemption would be appropriate to protect the Fund Company, the Investment Manager or their affiliates from a requirement to register as an investment company under the US Investment Company Act, from a requirement to register as a property adviser under the US Investment Advisers Act, from adverse tax consequences or from other adverse legal or regulatory consequences.

The Placement Agent has represented and agreed in the relevant Placement Agreement, and shall procure that any agent appointed by it represents and agrees that:

- (i) it will not offer, sell or deliver Units within the United States at any time;
- (ii) it has complied with and will comply with all applicable provisions of the FSMA 2000 and no communication, including this document, made or issued in connection with the Units may be passed on to any such person in the United Kingdom except in accordance with the FSMA 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (2001/1060) (as amended) or the FSMA 2000 (Financial Promotion) Order 2001 (SI 2001/1335) (as amended), as appropriate; and
- (iii) it will comply with all applicable laws and regulations in any country where such Placement Agent promotes or sells Units.

The Placement Agreement contains certain warranties and indemnities by the Fund Company in favour of the Placement Agent in respect of, *inter alia*, the accuracy and completeness of this document, the material contracts and all regulatory consents and approvals.

## Section 14

### GENERAL INFORMATION

#### 1. Shares in the Fund Company

Shares in the Fund Company will be held by Al Arabi Investment Group Co. and IIAB in accordance with the laws of Bahrain and will not be available for subscription. For the avoidance of doubt, the investors will be subscribing for Units in the Fund and not for shares in the Fund Company.

#### 2. Unitholder Rights

The conditions upon which the Units are issued are set out in detail in the section headed " Form of Instrument."

#### 3. Directors and Other Interests

There are no service contracts in existence between the Fund Company and any of its Directors and no such contracts are proposed.

Save as aforesaid, no Director or any connected person thereof has, or will immediately following the Initial Offer, have any direct or indirect interest in any Units.

No Director has:

1. any unspent convictions in relation to indictable offences; or
2. been bankrupt or the subject of an involuntary arrangement, or has had a receiver appointed to any asset of such Director; or
3. been a director of any Fund Company which, while he was a director with an executive function or within 12 months after he ceased to be a director with an executive function, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or Fund Company voluntary arrangements, or made any composition or arrangements with its creditors generally or with any class of its creditors; or
4. been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
5. been disqualified by a court from acting as a director or from acting in the management or conduct of affairs of any Fund Company.

#### 4. Actual and Potential Conflicts of Interests

In accordance with the Articles of the Fund Company, any director, officer or agent of the Fund Company may not profit from any transaction between the Fund Company and a third party except insofar as the same has been specifically authorized by the Fund Company.

It is possible that, from time to time, Directors of the Fund Company may be directors and/or shareholders of (i) Unitholders in the Fund; (ii) Shareholders in the Fund Company; or (iii) a party contracting with the Fund Company. All such relationships will be specifically disclosed to, and recorded by, the Fund Company. Each Director undertakes that should a conflict of interest arise as a result of the aforementioned, the Fund Company and Director will seek to resolve such conflict fairly and in the best interests of the Fund Company and the Fund.

## **5. General Meetings of Unitholders**

Information on general meetings of Unitholders is set out in the Schedule 4 of the "Form of Instrument."

## **6. Miscellaneous**

1. The Fund Company is not engaged in any litigation or arbitration and no litigation, arbitration or claim is known to the Directors to be pending or threatened against it, since incorporation.
2. The Fund Company assumes no responsibility for the withholding of tax at source. Unit Holders are referred to Section 4 "Introduction – Tax Position of the Fund" , Section 4 "Introduction – Bahrain Tax Considerations" and Section 10 "Risk Factors – Taxation" for more details of the tax treatment of the Fund Company and its Unit Holders.
3. As at the date of this document, the Fund Company has no loan capital (including term loans) outstanding or created but un-issued, nor any outstanding mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase commitments, guarantees or other contingent liabilities.
4. The Directors have stated that the Fund Company was incorporated and registered on January 23<sup>rd</sup> 2008 and that at the date of this document the Fund Company has not commenced business and no accounts have been made up and no dividends have been declared.
5. Copies of the following documents are, or as the case may be, will be available for inspection without charge, during normal business hours at the registered office of the Fund Company which is referred to in the Section 1 "Directory".
  - (i) this Prospectus and any other offering or placing documents produced from time to time by the Fund Company;
  - (ii) the most recent Annual Report and Accounts of the Fund Company (when available); and
  - (iii) any interim or periodic accounts and/or reports sent to Unitholders.
6. The Fund Company is not and does not intend to be registered or licensed in any jurisdiction or with any supervisory or regulatory authority outside Bahrain.



**7. Accounts**

The Fund will prepare annual accounts as of 30 September in each year and the first set of annual accounts will be prepared as of 30 September 2008. Unaudited interim accounts will be prepared in respect of the first six months of each annual accounting period of the Fund.

Unitholders will be sent a copy of the Fund's annual report and audited financial statements within four months of the end of the period to which they relate and semi-annual reviewed accounts within two months of the end of the period to which they relate.

**8. Maximum and Minimum Subscription Levels**

Although the Initial Offer is for 25,000,000 Units the Directors may, with the prior approval of the CBB, increase the size of the Initial Offer if, after consultation with the Investment Manager, they are satisfied that the proceeds of the Initial Offer can be invested within a reasonable time frame in accordance with the Investment Objective and Policy set out in this document. Similarly, although the minimum subscription level for the Initial Offer is 2500 Units, the Directors may, with the prior approval of the CBB, proceed with a lower minimum subscription level if they consider, in the light of anticipated future demand for Units, that it is in the best interests of the Fund for the Initial Offer to proceed to closing. Each Unit will have a value of US \$10.

The subscription in Units during the Initial Offer Period must be made on or before 12 noon five (5) Business Days before the Closing Date. The acceptance of subscriptions in Units during the Initial Offer Period is subject to confirmation of the prior receipt of cleared funds credited before or on the Business Day immediately preceding the Closing Date to the Fund's subscription account. Subscriptions after the Initial Offer Period must be made two (2) Business Days before the relevant Valuation Day. The acceptance of subscriptions in Units as of the commencement of each Trading Day is subject to confirmation of the prior receipt of cleared funds credited on the Business Day immediately preceding the relevant Valuation Day to the Fund's subscription account.

Details of the account are set out in the Subscription Agreement. The Fund Company reserves the right to reject or accept subscriptions in its absolute discretion and without assigning any reason therefore.

**9. Allocation Procedure in Case of Over-Subscription**

Allocation of Units in case of over-subscription will be at the discretion of the Investment Manager. Emphasis will be placed upon choosing long-term investors and having a wide Unitholder base.

**10. Documents available for inspection**

Copies of the following documents are available for inspection at the registered office of the Fund Company during usual business hours (Friday and public holidays excepted) for a period of fourteen days from the date of this document, or for the duration of any offer to which this document relates, if longer:

- (a) The material contracts referred to in section headed Material Contracts;
- (b) The Memorandum of Association and Articles of Association of the Fund Company; and
- (c) The Bahrain Commercial Companies Law. Decree Law No. 21/2001.

**11. Borrowing**

The Investment Manager may not borrow any funds unless the borrowing is Shari'ah compliant. Such borrowing shall be on a temporary basis and not exceed 20% of the Net Asset Value of the Fund.

**12. Reports**

The Investment Manager will publish:

- (a) on a monthly basis, a fact sheet showing the Net Asset Value of the investment unit, asset allocation, the ten largest holdings in the Fund, performances over 1, 3, 6, and 12 months, and yearly returns since inception;
- (b) on a quarterly basis, each of the reports described in (a) above, as well as a discussion of market conditions and returns;
- (c) on a semi-annual basis each of the reports described in (a) and (b) above, as well as the un-audited financial statements of the Fund; and
- (d) on an annual basis, each of the reports described in (a) and (b) above, as well as the audited financial statements of the Fund.

A copy of the un-audited semi- annual financial statements will be filed with the CBB and sent to the Unitholders within 2 months from the end of the period to which it relates. A copy of the annual report of the Fund and the audited financial statements shall be filed with the CBB and sent to the Unitholders within 4 months from the end of the financial year.

**13. Termination of the Fund**

Under the following circumstances, subject to the prior approval of the CBB, the Fund Company shall terminate the Fund:

- (a) In case of an unusual decline in the Net asset Value to a degree that will materially affect the Investment Manager's ability to carry out the Fund's investment policy.
- (b) Insufficient subscription during the Initial Offer Period.

**14. Changes to the Prospectus**

Proposed changes to this Prospectus shall be made by the Directors after the prior approval of the CBB. Changes once approved will be reported to Investors of the

Fund. However, under the following circumstances, Unit Holders shall be notified at least 14 calendar days before the changes take effect.

- a. Any changes in the investment policy;
- b. Any changes in the operator, manager, administrator or custodian or directors of the Fund;
- c. The merger, division or termination of the Fund; and
- d. Any other major issues that may materially affect the Unitholders.

**15. Governing Law**

This Prospectus and other material contracts listed hereinabove shall be governed by the laws of the Kingdom of Bahrain.

## 14. APPENDIX A

### FORM OF INSTRUMENT

THIS INSTRUMENT is made this February 14<sup>th</sup> 2008.

By IIAB Islamic MENA Fund Company B.S.C. (C) (the "Fund Company") whose registered office is at P. O. Box 2400, Manama, Kingdom of Bahrain.

WHEREAS the Fund Company has by a resolution of its Board of Directors passed on February 14<sup>th</sup> 2008 resolved to establish the IIAB Islamic MENA Fund (the "Fund"), as unsubordinated obligations of the Fund Company to be constituted as hereinafter provided.

NOW THIS INSTRUMENT WITNESSETH and the Fund Company HEREBY DECLARES as follows:

#### 1. DEFINITIONS AND INTERPRETATION

1.1 In this Instrument and the Schedules hereto, unless the subject or context otherwise requires, the following expressions shall have the following meanings:

**"Actual Unit Price"** means the value of a Unit at any point in time calculated by dividing the NAV by the number of Units held by Unit Holders.

**"Administrator"** means Gulf Clearing Company B.S.C. (C) or any other administrator appointed by the Fund Company in relation to the Fund.

**"Articles"** means, collectively, the Articles of Association and Memorandum of Association of the Fund Company, for the time being in force.

**"CBB"** means the Central Bank of Bahrain.

**"Business Day"** means a day on which banks and financial institutions are open for general business in Bahrain and Jordan.

**"Conditions"** means the conditions set out in Schedule 1 together with schedules thereto as the same may from time to time be modified in accordance with the terms of this Instrument.

**"Date of Allocation"** means the date on which Units are allocated to a Unit Holder.

**"Directors"** means the board of directors for the time being of the Fund Company.

**"Initial Offer Period"** means the period commencing on February 20<sup>th</sup> 2008 and ending on December 31, 2008 or as otherwise determined by the Investment Manager.

**"Initial Offer Price"** means US\$ 10.00 (ten U.S. Dollars).

**"Investment Manager"** means Al Arabi Investment Group Co, a limited liability company incorporated under the laws of Jordan or any other investment manager appointed by the Fund Company in relation to the Fund.

**"Net Asset Value"** and **"NAV"** mean the net asset value of the Fund as determined by the Administrator and approved by the Fund Company

**"Notice of Transfer"** means the Notice of Transfer as set out in Schedule 2 to this Instrument.

**"Prospectus"** means the Prospectus of the Fund dated on or about the date hereof, together with any amendment or supplement at any time published by the Fund.

**“Redemption Notice”** means the redemption notice as set out in Schedule 3 to this Instrument.

**“Registrar”** means Gulf Clearing Company B.S.C.(c) or any other registrar appointed by the Fund Company in relation to the Fund.

**“Trading Day”** means a day on which subscriptions and redemptions are executed. Such day will usually be two (2) Business Days following final calculation of the Fund’s Net Asset Value at the last business day of every month or as per instructions of the Directors.

**“Unit”** means a unit in the Fund and **“Units”** means all of them.

**“Unit Holder”** means each holder of a Unit and **“Unit Holders”** means all of them.

**“Unit Price”** means, in relation to each Unit, either the Initial Offer Price or the Actual Unit Price.

**“U.S. Dollars”** or **“US\$”** means the lawful currency of United States of America.

**“US Person”** means a **“US Person”** as defined in Regulation 5 of the Securities Act (US) as amended and in force from time to time

**“Valuation Day”** means the last Business Day of each month or as otherwise determined by the Directors.

1.2 Words denoting persons shall include corporations, the masculine gender shall include the feminine, and the singular shall include plural and vice versa. Reference to a schedule is to a schedule to this Instrument.

1.3 Capitalized, but not defined, terms in this Instrument shall be given the meaning assigned to them in this Prospectus.

## **2. TERMS AND CONDITIONS**

2.1 The Units, the Unit Holders and the Fund will be subject to the Conditions.

2.2 Units will be issued during the Initial Offer Period at the Initial Offer Price plus a placing fee of up to 2% of the subscription price. The Placement Agent shall be entitled to waive or re-allocate the placing fee in whole or in part or to pay it to any sub-distributors.

2.3 Thereafter, Units will be offered on a continuous basis on each Valuation Day at the price determined by the Administrator [plus a subscription fee of 2% thereon

2.4 The Units will be issued in uncertificated form in whole numbers only.

2.5 The total nominal value of each unit is US\$ 10. The rights of each Unit Holder in respect of Units, when issued, it will rank pari passu with all other Unit Holders.

2.6 All distributions paid to the Fund from investments made by the Investment Manager will be re-invested by the Fund with the exception of 2.7 below.

2.7 Subject to the approval of the CBB, the Fund may make distributions to Unit holders at the discretion of the Directors, which may be received in cash or by way of additional Units in the Fund.

2.8 The NAV payable in respect of Units redeemed by a Unit Holder will be calculated on the Valuation Day.

2.9 Monies representing the NAV, payable in respect of the Units, shall be payable on receipt of a Redemption Notice in accordance with this Instrument, at the principal

place of business of the Administrator, or such other place as may be notified to Unit Holders from time to time.

2.10 The provisions of this Instrument shall be for the benefit of and shall be binding upon Unit Holders as the same may be registered from time to time.

2.11 The provisions of the Articles shall be binding on all Unitholders.

Dates and periods of time are according to the Gregorian calendar.

This Instrument shall be governed by and construed in accordance with the laws of the Kingdom of Bahrain and any dispute in connection with the enforceability or interpretation of the Instrument shall be referred to arbitration in accordance with Bahrain's arbitration laws in force at the time of such dispute.

**SCHEDULE 1**  
**Conditions of the Units**

**1. Register**

- 1.1 A Register of the Unit Holders (the "Register") will be kept by the Registrar, as appointed by the Fund Company from time to time, and the Register shall contain the following:
- (a) the number of Units held by each Unit Holder;
  - (b) the date upon which the name of each such Unit Holder is entered in the Register and, where that person became a Unit Holder by virtue of an instrument of transfer, a sufficient reference to enable the name and address of the transferor to be identified; and
  - (c) the date on which any transfer was registered and the name and address of the transferee.
- 1.2 Any change of the name or address of any Unit Holder shall forthwith be notified to the Registrar and thereupon the Register shall be altered accordingly.
- 1.3 Except as required by law, the Fund Company will recognize each Unit Holder as the absolute owner of the Units registered in its name, and shall not be bound to take notice or see to execution of any trust whether express, implied or constructive, to which any Unit may be subject. A receipt duly given in accordance with the provisions of this Instrument, for any monies payable in respect of any Unit or the payment by cheque or warrant sent by post pursuant to Condition 5.1 herein, shall be a good discharge to the Fund Company notwithstanding any notice it may have, whether express or otherwise, of the right, title, interest or claim of any other person to, or in such Unit or monies. No notice of any trust, whether express, implied or constructive, shall be entered in the Register in respect of any Unit.
- 1.4 Every Unit Holder will be recognized by the Fund Company as entitled to the Units registered in its name free from any equity, set-off or counter-claim on the part of the Fund Company against the original, or any intermediate holder of such Units.

**2. Units**

Each Unit is in registered form and may be transferred, subject to the provisions of this Instrument and the Prospectus.

**3. Transfer of Units**

- 3.1 The Fund does not intend to seek listing on the stock exchanges of any of the GCC Countries although the Investment Manager and the Director may elect to do so at some time in the future. In such circumstances reasonable notice will be given to the Unit Holders.
- 3.2 The Investment Manager does not intend at this time to make a secondary market in the Units, but may do so in the future.
- 3.3 Units in the Fund may be transferred by submitting to the Registrar a Notice of Transfer in substantially the form set out in Schedule 2 to these Conditions and executed by the transferor and the transferee.
- 3.4 Execution of transfer notice shall be subject to the consent of the Investment Manager. The Investment Manager shall not unreasonably withhold its consent where it is satisfied that the transferee is eligible to hold Units in the Fund, and that no other interest of the Fund is likely to be adversely affected as a result of the transfer. Any attempt to transfer Units, other than by way of redemption in the manner described in this Prospectus constitutes a tender to the Investment Manager for the redemption of

Units.

- 3.5 Subject to the approval of the Investment Manager, the Registrar will update the Register in accordance with the terms of the Notice of Transfer within three (3) Business Days of receipt of such Notice of Transfer.

#### 4. Redemption

- 4.1 For redemption purposes, the Fund will be closed for a three (3) month period immediately following the end of the Initial Offer Period to allow for the investment of proceeds of the initial private placement. The Fund will then be open for redemption in accordance with the terms of the Prospectus and Instrument. If redemptions in any one period exceed 15% of the Net Asset Value of the Fund, the board of directors at its own discretion will decide whether to roll over any such excess to the following redemption day to avoid heavy losses resulting from forced liquidation of holdings. Any redemption resulting in a Unit Holder's holding dropping below 2500 Units may result in the whole position being redeemed at the sole discretion of the Directors.
- 4.2 The minimum subsequent subscription for an existing Unit Holder will be 100 Units. Subsequent redemption will be 1000 Units. The Fund will be open for subscription and redemption on a monthly basis.
- 4.3 The Fund Company has the right upon seven Business Days notice to compulsorily redeem any Unit held by a Unit Holder at a redemption price per Unit calculated on the basis of the Fund's aggregate Net Asset Value as determined on the Valuation Day immediately preceding the relevant redemption date, for any of the following reasons:
- (a) the Units are held by or for the benefit (directly or indirectly) of (i) any US Person or (ii) any other person whose continued holding would subject the Fund, its Unit Holders, the Investment Manager, and the Investment Adviser to regulation deemed burdensome by the Fund or such other party under the laws of the applicable jurisdiction or would result in any adverse tax consequences for the Fund, its Unit Holders, the Investment Manager and/or the Administrator.
  - (b) any of the representations given by the Unit Holders in its Subscription Agreement were not true or have ceased to be true;
  - (c) by operation of law or as otherwise determined by governmental or regulatory authority having appropriate jurisdiction;
  - (d) the Articles otherwise require such redemption; or
  - (e) for any other reason the Fund Company, acting in its sole discretion, may deem appropriate.

Where a suspension occurs as described above, the Fund Company will notify the CBB, as soon as practicable together with the reasons therefore.

- 4.4 Redeeming Unit Holders will be required to complete and return a Redemption Notice in the form set out in Schedule 3 to these Conditions. The completed Redemption Notice should be sent to the Investment Manager or one of its delegates, at the address shown on the Redemption Notice, and must be received at least ten (10) Business Days prior to the relevant Valuation Day. If the Redemption Notice is received after the deadline, it will (unless otherwise determined by the Fund Company) be treated as a request for redemption on the next Trading Day.
- 4.5 The completed Redemption Notice may be sent by facsimile at the risk of the applicant. The originals of any Redemption Notice sent by facsimile should be sent immediately by post or by internationally recognized courier. Failure to provide the



- original completed Redemption Notice along with other documents that might be detailed in the Redemption Notice including any issued certificates representing units before the deadline may, at the discretion of the Directors, result in cancellation of the redemption request.
- 4.6 Any amount redeemed shall be paid within 15 business days of the applicable Trading Day.
- 4.7 Partial redemptions will be declined if they are for less than one thousand (1000) units or if they would cause a Unit Holder to have an interest of less than the minimum holding unless the Directors otherwise determine in their sole discretion. The Fund has the right upon ten (10) Business Days' notice to compulsorily redeem on a Trading Day any Unit held by a Unit Holder at the redemption price per Unit as at the Valuation Day immediately prior to such Trading Day for the following reasons:
- (a) the Units are held by or for the benefit (directly or indirectly) of (i) any restricted person or (ii) any other person whose continued holding would subject the Fund, the Unit Holders or the Investment Manager to regulation deemed burdensome by the Fund or such other party under the laws of the applicable jurisdiction or would result in any adverse tax consequences for the Fund, its Unit Holders, or the Investment Manager.
  - (b) any of the representations given by the Unit Holders in its Subscription Agreement were not true or have ceased to be true;
  - (c) by operation of law or as otherwise as determined by governmental or regulatory authority having appropriate jurisdiction;
  - (d) the Articles otherwise require such redemption; or
  - (e) for any other reason the Investment Manager or the Directors, acting at their sole discretion, may deem appropriate.
- 4.8 The redemption price for Units in each offering subsequent to the Initial Offer Period will be equal to the Net Asset Value as determined by the Administrator in accordance with the Prospectus. A redemption fee of 1% will be retained by the Fund, if any Units are redeemed by a Unit Holder within one year of allocation of such Units to such Unit Holder by the Fund Company at the time of redemption.
- 4.9 The Fund may temporarily suspend the determination of the Net Asset Value per Unit upon the occurrence of one or more of the following events:
- (a) when the market in which a substantial portion of the Fund's investments are invested or traded is closed other than for ordinary holidays, or during which dealings therein are restricted or suspended in a way that affects the valuation of the Fund's assets;
  - (b) the existence of any state of affairs which constitutes in the opinion of the Directors an emergency as a result of which disposal or the valuation of the Fund's assets would be impractical;
  - (c) any breakdown in the means of communication or computation normally employed in determining the price or value of any of the investments made by the Fund;
  - (d) upon issuing restrictions affecting the transfer of funds, transactions on behalf of the Fund are rendered impracticable or if purchase, sale, deposits and withdrawals of assets of the Fund cannot be affected in the normal course of business; or

- (e) if an order by a court or regulatory body with appropriate jurisdiction in Bahrain, including the CBB, is issued requiring such suspension.

During the suspension period, the Fund shall not issue, redeem or transfer Units.

Where a suspension occurs as described above, the Administrator shall notify the CBB, as soon as practicable and the reasons thereof.

- 4.10 The cost of remitting redemption proceeds will be charged on the account of the relevant Unit Holder

## **5. Payments**

- 5.1 Any monies payable on or in respect of any Units may be paid by cheque, warrant or wire transfer in U.S. Dollars and (a) sent through the post to the address of the Unit Holder as set out in the Register or (b) collected by the Unit Holder in person from the office of the Registrar where specific written instructions to this effect, from the Unit Holder, are received by the Fund at least five (5) days before the date of distribution of the said monies. Every such cheque, warrant or wire transfer shall be made payable to the order of the person to whom it is sent or to such person or persons as the Unit Holder may in writing direct and payment of the cheque, warrant or wire transfer shall be in satisfaction of the monies represented thereby. The Fund will not be liable or responsible for any loss or delay in the post.

- 5.2 All payments will be made by the Fund Company after the deduction or withholding of any amounts, which the Fund Company is required to deduct or withhold for, or on account of, any present or future tax.

- 5.3 If any Unit Holder fails or refuses to accept payment of the monies repayable in respect of Units held by him, the Fund Company shall be at liberty to deposit in the Unit Holder's bank account or if not available in the account of the Fund Company acting on behalf of the Fund, the amount due to such Unit Holder and, upon such deposit or payment being made, those Units shall be deemed to have been repaid and satisfied in accordance with the provisions hereof. Such account shall not bear interest.

## **6. Meetings of Unit Holders**

- 6.1 The Fund Company shall have the right to hold meeting of the Unit Holders in respect of the Fund.

- 6.2 All meetings in respect of the Fund shall be conducted in accordance with the terms set out in Schedule 4 to the Conditions.

## **7. Notices**

- 7.1 Any notice or other documents shall be given or sent to any Unit Holder by sending the same through the post in a prepaid letter addressed to such Unit Holder at his address appearing in the register. Any notice given by post shall be deemed to have been served twenty-four hours (five days if by airmail) after the time when it is posted and, in proving such service shall be sufficient to prove that the envelope containing the notice was properly addressed and stamped and posted.

- 7.2 Notwithstanding Condition 7.1 above, notices regarding the Units will be valid if published in one local Arabic and one local English daily newspaper printed in Bahrain. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication.

**SCHEDULE 2  
Notice of Transfer**

To:

AL ARABI INVESTMENT GROUP CO  
P.O. Box 143156, Amman 11814  
Jordan  
Fax: +962 6 552 6498

Date: \_\_\_\_\_

**IIAB Islamic MENA Fund Company B.S.C. (C): Notice of Transfer of Units**

This Notice of Transfer is given in respect of Units issued pursuant to a subscription agreement executed by the IIAB Islamic MENA Fund Company B.S.C. (C) (the "Fund Company") on or about [·],

Details of Units to be transferred: \_\_\_\_\_

Name of Transferor of Units: \_\_\_\_\_

Name of Transferee of Units: \_\_\_\_\_

Date of transfer of Units: \_\_\_\_\_

Details of Transferee:

Full Name:	
Address:	
Telephone:	
E-mail:	
Bank Account Details	

The Transferee hereby notifies the Administrator that the above Units have been transferred by the Transferor to the Transferee of the Units.

Executed on \_\_\_\_\_

\_\_\_\_\_  
Transferee

\_\_\_\_\_  
Transferor

Approved by Al Arabi Investment Group Co

Yes

No

**SCHEDULE 3**  
**Redemption Notice**

**IIAB ISLAMIC MENA FUND**  
**REDEMPTION NOTICE**  
**FOR UNITS IN**  
**IIAB ISLAMIC MENA FUND**

Please fax and mail the original to:  
AL ARABI INVESTMENT GROUP CO  
P.O. Box 143156, Amman 11814  
Jordan  
Fax: +962 6 552 6498

I/We \_\_\_\_\_  
of \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

give notice that I/we wish to redeem my/our following Units in the IIAB Islamic MENA Fund:  
\_\_\_\_\_ Number of Units, or US Dollar amount, to be  
redeemed.

Please wire transfer funds to:

Bank name

\_\_\_\_\_

Bank address

\_\_\_\_\_

ABA#/Sort Code

\_\_\_\_\_

Swift Code

\_\_\_\_\_

Account name

\_\_\_\_\_

Account number

\_\_\_\_\_

\*Sub-account name

\_\_\_\_\_

\*Sub-account number

\_\_\_\_\_

\*if required

***NB: the above bank details must be in the name of the registered shareholder***

**PLEASE SIGN HERE**

Please ensure that all the registered Unit Holders or authorised signatories sign this Redemption Notice.

Name of signatory/signatories

Signature

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

**SCHEDULE 4**

1. The Directors may at any time and in their sole discretion (not mandatory), with the approval of the CBB and the Ministry of Commerce to the extent applicable, convene a meeting of the Unit Holders at such place as the Directors shall determine, for the following purposes only:
  - (a) to sanction any scheme of arrangement or for the reconstruction of the Fund or for the amalgamation of the Fund with any other Fund;
  - (b) to sanction the exchange of the Units for or the conversion of the Units into shares, stock, debentures, debenture stock or other obligations or securities of the Fund or any other company formed or to be formed;
  - (c) to sanction the release of the Fund from all or any part of the principal monies owing upon the Units;
  - (d) to sanction any modification or compromise of the rights of the Unit Holders against the Fund proposed or agreed to by the Fund, whether such rights arise under this Instrument or otherwise; and/or
  - (e) to assent to any modification of the provisions of this Instrument (including this Schedule) proposed or agreed to by the Fund.
2. At least fifteen days' written notice (exclusive of the day on which the notice is served or deemed to be served and of the day of the meeting for which the notice is given) of every meeting shall be given to the Unit Holders. The notice shall specify the place, day or hour of the meeting and the general nature of the business to be transacted. The accidental omission to give notice to, or the non-receipt of notice by, any of the Unit Holders shall not invalidate the proceedings at any meeting.
3. The quorum for a general meeting of Unit Holders shall be the attendance in person or by proxy of Unit Holders who together hold more than half the issued and unredeemed Units. A resolution of the general meeting shall only be valid if Unit Holders representing more than one half of the issued and unredeemed Units approve it. If the quorum shall not be obtained the Unit Holders may be summoned for another meeting to be held within thirty days following the date of the first meeting. The said second meeting shall be valid irrespective of the number or the issued Unit holding of the Unit Holders present. Resolutions of the second meeting shall be passed by a majority of Unit Holders present in person or by proxy.
4. The person nominated in writing by the Fund Company shall preside at every meeting as Chairman. Any Director and the Secretary, Auditors and Solicitors of the Fund and any other person authorized in that behalf by the Fund may attend any meeting.
5. The Chairman may with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting, except business which might lawfully have been transacted at the meeting from which the adjournment took place.
6. At any meeting a resolution put to the vote of the meeting shall be decided on a poll of all those Unit Holders present at such a meeting. Each Unit Holder will be entitled to one vote per Unit held.
7. The instrument appointing a proxy shall be in writing under the hand of the appointor, or of his attorney, duly authorized in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney so authorized.
8. A person appointed to act as a proxy need not be a Unit Holder.

9. An instrument of proxy may be in the usual or common form, or in any other form, which the Directors shall approve. A proxy shall be deemed to include the right to demand or join in the demanding of a poll. A proxy whether in the usual or common form or not, shall, unless the contrary is stated thereon, be valid for any adjournment of the meeting as well as for the meeting, and need not be witnessed and shall be lodged with the Administrator not less than forty eight hours before the meeting, adjourned meeting or poll, as the case may be, and shall be valid only for the meeting, adjourned meeting or poll referred to therein.
10. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy, or of the authority under which the proxy was executed, provided that no notice in writing of such death, insanity or revocation shall have been received by the Administrator before the commencement of the meeting or adjourned meeting at which the proxy is used.
11. Any company or corporation which is a registered holder of any of the Units may by resolution of its directors, or other governing body, authorise any person to act as its representative at any meeting of the Unit Holders and such representative shall be entitled to exercise the same powers on behalf of the company, or corporation which he represents as if he were the registered holder of the Units.
12. It is made clear that except for the matters listed in Section 1 above and subject to the sole discretion of the Directors, the Unit Holders shall have no right whatsoever to vote on any matters other than the ones listed in Section 1 above. Any resolution passed at a meeting of the Unit Holders, duly convened and held in accordance with this Instrument, shall be binding upon all the Unit Holders whether or not present at the meeting, and each of the Unit Holders shall be bound to give effect thereto accordingly.
13. Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be provided for that purpose by the Administrator. Any such minutes, if purporting to be signed by the Chairman of the meeting, shall be conclusive evidence of the matters therein stated and, until the contrary is proved, every such meeting in respect of the proceeding of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed thereat to have been duly passed.

**APPENDIX B**

**IIAB ISLAMIC MENA FUND  
Subscription Agreement**

To:  
Al Arabi Investment  
Group Co  
P.O. Box 143156  
Amman (11814), Jordan  
Fax: +962 6 5526498

By signing below I/we confirm and acknowledge having received and read a copy of the Prospectus dated 9<sup>th</sup> of February 2009 relating to IIAB ISLAMIC MENA FUND (the "Fund") (including any addendums), the section "Representations and Warranties of the Subscriber" at the end of the this Subscription Form and that the information set out herein is true and correct. Capitalized terms in this Subscription Agreement will have the same meaning given to them in the Prospectus.

**1. Registration**

Individual

Corporation

**First applicant :** .....

Nationality : .....

Passport/CPR/C.R. No : .....

Registered Address : .....

Mailing Address : .....

Telephone No. : .....

Fax No. : .....

E-mail : .....

**Second applicant :** .....

Nationality : .....

Passport/CPR/C.R. No : .....

Registered Address : .....

Mailing Address : .....

Telephone No. : .....

Fax No. : .....

E-mail : .....

**1. Subscription**

Investment Amount : .....

Sales Charge (2%): .....

Total Amount: .....



## 2. Details of payment

**Wire transfer to :**  
 Beneficiary Account Name : IIAB ISLAMIC MENA FUND  
 Beneficiary Account Number : 341170 410201  
 Payment Details:  
 Please pay to : Bank of NewYork, New York  
 Swift Code : IRVTUS3N  
 Account Name : Arab Banking Corporation BSC, Bahrain  
 Account Number : 890-0433-736,  
 Favoring : ABC Islamic Bank (E.C.), Bahrain  
 SWIFT Code : ABCIBHBM

## 3. Reinvestment Option

Reinvest dividend payments  Distribute dividend payments

## 4. Money Laundering Protection

The Fund, in order to comply with Bahrain's Legislative Decree No. (4) of the year 2001 with respect to Prohibition and of Combating Money Laundering and the various Ministerial Orders issued there under including, but not limited to, Ministerial Order No. (7) of 2001 with respect to the Institutions' Obligations Concerning the Prohibition of and Combating Money Laundering, requires additional documentation along with the subscription request for Units.

I/We hereby attach the following certified documents in support of this application for Subscription in Units:

### For individual applicants:

- Two government issued forms of identification (e.g., passport or drivers license) provided that one at least is a picture identification.
- Proof of the individual's current address (e.g., current utility bill), if not included in the form of picture identification.

### For financial institutions within Bahrain:

- Documentary evidence that the entity is registered with CBB, BSE or Ministry of Commerce as a financial institution.
- Certified copy of commercial registration certificate.
- Names and addresses of all directors or partners and authorized signatories.

### For non-financial institutions within Bahrain and all Investors outside Bahrain:

- Certified copy of Incorporation.
- Certified copy of Memorandum and Articles of Association.

- Certified copy of commercial registration certificate.
- Names and addresses of all directors or partners and authorized signatories.
- ID documents of majority owners if the entity is not listed.

## 6. Representatives and Warranties of the Subscriber

Upon signature on Section 14 titled Signature(s), I/We hereby undertake, represent and warrant to the Fund and the Fund Company:

- A. I/We have had the opportunity to review the Prospectus (including the section headed "Risk Factor" and "Conflicts of Interests") and to ask questions and receive answers concerning the Fund and the terms and conditions of this information from authorized representatives of the Fund Company and the Placement Agent from time to time and agree to be bound by the terms of this Subscription Agreement and the Prospectus from time to time. I/We acknowledge that in making a decision to subscribe for Units, I/we have relied solely upon the Prospectus and this Subscription Agreement. The Placement Agent made available for our review the Investment Management Agreement, the Administration and Placement Agent Agreement, the Custody Agreement, the Registrar Agreement.
- B. I am/we are aware of and understand the risks involved in investing in the Fund.
- C. In the case of individual Investors - am/We are 21 years of age or over.
- D. I/We have the legal capacity and authority and am/are permitted by applicable law to execute and deliver this Subscription Agreement.
- E. I/We have such knowledge and experience in financial and business matters that I am/we are capable of evaluating the merits and risks of my/our acquisition of the Units.
- F. (a) I am/We are not a U.S. Person and am/are not acquiring Units on behalf of or for the benefit of, a U.S. Person nor do I/we intend on selling or transferring any Units which I/we may purchase to any person who is a U.S. Person under the laws and regulations in force in the United States and that I was/we were not in the U.S. the time any Units were offered to me/us or at the time I/we executed this Subscription Agreement.
- (b) I/We agree that I/we will promptly notify the Fund Company at any time when I/we become a U.S. Person, and I/we agree that in such event the Fund will be entitled to (but will not be obliged to) repurchase or to require me/us to redeem at a price equal to the redemption price per Unit as calculated by the Administrator, as at the date of the repurchase or sale or as at the date of any unauthorized transfer giving rise to such repurchase or sale.
- (c) I/We will supply the Fund Company with such other facts as from time to time are deemed reasonably necessary or desirable by the Fund Company to enable the Fund Company to determine that I am/we are not U.S. Person(s).
- (d) I/We acknowledge and agree that the Investment Manager may in its sole discretion refuse to accept any transfers to U.S. Persons, and prior to the registration of any transfer the Directors may require of a proposed transferee or transferor such documentation, certifications, notifications, agreements, warranties, legal opinions of duly qualified counsel as they may reasonably require (including but not limited to, in the case of transferees that are U.S. Persons as defined in

- Regulation S, an opinion of counsel to the effect that the transferee will not be counted as more than one beneficial owner of the Units (for purposes of the Fund Company's reliance upon Section 3(c)(1) of the US Investment Company Act)) and such other information as the Directors may consider appropriate to ensure the proposed investor or transferee would be entitled to hold Units and that all applicable laws will be or would have been complied with
- G. All consents required to be obtained and all legal requirements necessary to be complied with or observed in order for this Subscription Agreement or the issuance of the Units to be lawful and valid under the laws of any jurisdiction to which I am/we are subject have been obtained, complied with and observed.
- H. I/We understand that my/our Subscription cannot be withdrawn from the Fund except by way of redemption of the Units in accordance with the terms outlined in the Prospectus, that a portion of my/our Subscription may be invested in securities that are illiquid.
- I. I/We will repeat these undertakings, representations and warranties to the Fund and the Fund Company on such future occasions as the Fund Company may request, and will provide on request such certificates, documents or other evidence as the Fund may reasonably require to substantiate such undertakings, representations and warranties.
- J. I/We will notify the Fund immediately if I/we become aware that any of these undertakings, representations and warranties are no longer accurate and complete in all respects, and agree immediately either to sell or to tender to the Fund Company for redemption a sufficient number of Units to allow the undertaking, representation or warranty to be made.
- K. I/We understand that if any of the representations, warranties, agreements or certifications given by me/us in this Subscription Agreement are untrue, the Directors in their sole discretion may require a retroactive redemption of all or part of the Units.
- L. Except for limited voting rights set out in Schedule 4 of the Instrument, I/We understand that the Units have no voting rights and, therefore, I/we will not be able to exercise any management or control functions with respect to the Fund's or the Fund Company's operations.
- M. I/We will not duplicate or furnish copies of the Prospectus, or divulge any of its contents, to any other person other than my/our investment, legal or tax adviser (who may use such documents solely for purposes related to my/our investment in the Fund).
- N. The acceptance of my/our application for Subscription in Units together with the appropriate remittance will not breach any applicable money laundering rules and regulations and I/we undertake to provide verification of our identity and source of funds reasonably satisfactory (on a confidential basis), to the Fund Company, the Placement Agent or the Administrator and Registrar promptly on request and I/we agree to the release of any information provided by me/us to the Bahraini authorities by the Fund Company, the Placement Agent, the Administrator the Registrar or its delegate.
- O. The person signing this Subscription Agreement on my/our behalf has full power and authority to do so.
- P. I/We understand that the Units will be issued in the form of Certificates and maintained in book form in the register held at the offices of the Registrar, and such register will be and will remain the sole and conclusive proof of ownership of the Units.

- Q. I/We acknowledge(s) that due to money laundering requirements operating within their respective jurisdictions, the Fund, the Fund Company, the Placement Agent, the Investment Manager, the Custodian, the Registrar and/or the Administrator may require further identification of the applicant(s) and source of funds before applications for Subscription in Units can be processed.
- R. I/We have been advised of, and hereby consent to, the compensation arrangements payable to any placement agent including the Placement Agent, in respect of my subscription for Units. Without prejudice to the section titled Nominees below, if I am/we are executing this Subscription Agreement as a nominee I/we further represent that I/we have advised my/our client and/or underlying beneficial owner of, and have obtained its/their consent to, such compensation arrangements.
- S. If I am/we are a non-U.S. banking institution (a "**Foreign Bank**") or if I/we receive deposits from, make payments on behalf of or handle other financial transactions related to a Foreign Bank, I/we represent and warrant to the Fund that:
- (a) the Foreign Bank has a fixed address, other than solely an electronic address, in a country in which the Foreign Bank is authorised to conduct banking activities;
  - (b) the Foreign Bank employs one or more individuals on a full-time basis;
  - (c) the Foreign Bank maintains operating records related to its banking activities; and
  - (d) the Foreign Bank is subject to inspection by the regulatory authority that licensed the Foreign Bank to conduct banking activities; and

## 7. Indemnity

I/We agree to indemnify and hold harmless the Fund, the Fund Company, the Directors, the Placement Agent, the Investment Manager, the Custodian, the Administrator and the Registrar, their affiliates and each other person, if any, who controls or is controlled by any of the said persons, against any and all loss, liability, claim, damage and expense whatsoever (including, but not limited to, any and all expenses and costs (including attorneys' fees) reasonably incurred in investigating, preparing or defending against any litigation commenced or threatened or any claim whatsoever) arising out of or based on:

- (a) any false representation or warranty or breach or failure by me/us to comply with any covenant or agreement made by the undersigned herein or in any other document furnished by the undersigned to any of the foregoing in connection with the transaction; or
- (b) any actions for securities or money laundering laws violations instituted by or against me/us which is resolved by judgment against the undersigned; or
- (c) my/our failure to provide source of funds information.

## 8. Additional Know Your Customer and Combat of Money Laundering Considerations

I/We represent and warrant and agree that the following representations and warranties are deemed to be continuous for this investment and for any subsequent purchase of Units:

- (i) I/We are purchasing the Units with lawfully acquired funds for investment.
- (ii) To the extent that I/we offer interests in the Units to my/our clients, or holds such Units for the benefit of such clients, I/we represent and warrants with respect to the Units subscribed for hereby and all other Units subsequently acquired by me/us:

- (a) that each such client could make the representations in (i) and (ii) above;
- (b) that due to the application of money laundering, tax or similar requirements, or otherwise, upon request from time to time by or on behalf of the Fund, the Fund Company, the Investment Manager, the Registrar, the Placement Agent, the Administrator or the Custodian, I/we will, with respect to such clients, provide such certifications, documents or other evidence as may be reasonably required to substantiate the representations made herein; and
- (c) that I/we satisfied myself/ourselves that all legal requirements in the country in which each relevant client is a resident have been fully observed in connection with the purchase of Units, including obtaining any governmental or other consents which may be required and that it has otherwise complied with all necessary formalities.

#### **9. Authorization**

The Administrator, the Registrar, the Investment Manager, the Placement Agent, the Fund Company and the Fund are each hereby authorized and instructed to accept and execute any instructions in respect of the Units to which this Subscription Agreement relates. If the instructions are given by me/us by facsimile, I/we undertake to confirm them in writing by mail. I/we hereby agree to indemnify each of the Administrator, the Investment Manager, the Registrar, the Placement Agent, the Fund Company and the Fund and agree to keep each of them indemnified against any loss of any nature whatsoever arising to any of them as a result of any of them acting upon facsimile instructions.

#### **10. Registration of Units**

I/We request that the Units issued pursuant to this Subscription Agreement are registered in the name and address set out above.

In respect of joint Subscriptions, we direct that on the death of one of us the Units for which we hereby apply be held in the name of and to the order of the survivor or survivors of us or the executor or administrator of each survivor or survivors.

#### **11. Confidentiality**

Information provided in this Subscription Agreement will be treated confidentially by the Fund, the Fund Company, the Directors, the Placement Agent, the Investment Manager, the Registrar, the Administrator, and the Custodian provided that they may present this Subscription Agreement and the information provided herein to such parties as deemed advisable if:

- (a) called upon to establish that the offer and sale of the Units is exempt from registration under applicable law;
- (b) the information is requested by any regulatory agency with jurisdiction over the Fund, the Fund Company, the Directors, the Placement Agent, the Investment Manager, the Registrar, the Administrator and Registrar and the Custodian; or
- (c) the information is relevant to an issue in any action, suit or proceeding to which the Fund, the Fund Company, the Directors, the Placement Agent, the Investment Manager, the Registrar, the Administrator and Registrar or the Custodian or any of their affiliates is a party or by which they are or may be bound.

**12. Nominees (to be filled out in the case of nominees)**

I hereby make the following declarations:

- I am/We are investing as a nominee for, or otherwise for or on behalf of, anyone other than myself/ourselves a certificate of due formation and organization and continued authorization to conduct business in the jurisdiction of its organization.

If the answer is "yes," the person for whom I am/We are acting:

- is an individual.
- is an entity, but is not an investment company.
- is an investment company (including any family investment vehicle, trust, hedge company, investment club or other entity, group or association by means of which more than one individual makes investments).

**Choice of Law and Forum**

I/We agree to be bound by the laws in force in the Kingdom of Bahrain and in addition to the non-exclusive jurisdiction of the relevant courts of the Kingdom of Bahrain subject to which laws this Subscription Agreement will be governed and interpreted.

**13. Joint Account**

In case we are joint account holders, unless we notify you otherwise and provide such documentation, as you require, our subscription shall be held by us jointly with rights of survivorship (payable to either or the survivor of us). Each joint tenant irrevocably appoints the other as attorney-in-fact to take all action on his or her behalf and to represent him or her in all respects in connection with this Subscription Agreement. You shall be fully protected in acting upon the instructions of either of us. Each of us shall be liable, jointly and severally, for any obligations due to you pursuant to this Subscription Agreement.

**14. Signatures**

Signature: _____	Signature: _____
Printed Name: _____	Printed Name: _____
Title*: _____	Title*: _____
Name of Entity*: _____	Name of Entity*: _____
Capacity*: _____	Capacity*: _____
Date: _____	Date: _____

\* Not applicable in case of individuals

**For Official Use Only**

Accepted and Approved by: \_\_\_\_\_  
 Signature of Representative: \_\_\_\_\_ Date: \_\_\_\_\_  
 Marketing Officer: \_\_\_\_\_  
 Other information or comments:

**ACCEPTANCE**

IIAB Islamic MENA Fund Company B.S.C. (c) (the "**Fund Company**") hereby accepts the application by \_\_\_\_\_ to acquire Units in the IIAB Islamic MENA Fund as detailed below, upon the terms and conditions of the Subscription Agreement dated \_\_\_\_\_ to which this Acceptance is attached and of which it is a part, and in exchange for an investment commitment set forth in such Subscription Agreement.

The details of the Units allocated to you and the total amount payable by you pursuant to this acceptance are as follows:

Total number and value of Units allocated to you are:

Number of Units	_____		
Subscription Amount		Units x US \$10	each = _____
<b>Plus</b> Placement Fee	_____	Units x US\$_____	each = _____
			<b>TOTAL</b> _____

Accepted on behalf of the Fund Company:

Signed: .....

By: .....

Title:

Dated:

**APPENDIX C**  
**SHARI'AH BOARD CERTIFICATE**

**To whom it may concern**

Praise is due to Allah and blessings be to our leader Prophet Mohammed (peace be upon him) and to his family and companions.

The Shari'ah Board of the IIAB Islamic MENA Fund has reviewed the documents relating to the formation of the Fund, which fully and exclusively aims to invest in companies satisfying the Shari'ah requirements and excluding companies involved in impermissible activities as per Shari'ah.

The Shari'ah Board confirms that the Shari'ah criteria require the Fund to dispose off such portion of income that is attributable to illegitimate sources by donating the same to charities ("Purification").

The Shari'ah Board of the Fund obliges the Fund Company and the companies involved in the management of the Fund to comply with the Shari'ah compliant method prescribed by the Board and ensure all necessary policies are in place regarding selection of Shari'ah compliant companies and continuous monitoring of Fund's investments. The Shari'ah Board also obliges the concerned parties to submit information, documents and reports required for Shari'ah verification on a regular basis.

In view of the Shari'ah Board there are no Shari'ah restrictions to participate in this Fund.

**Allah is the guide to success.**

Sheikh Professor Dr. Ahmad Mohammad Helayyel  
Sheikh Abdul Hafeeth As'ad Al Hijjawi  
Professor Dr. Ahmad Subhi Ahmad Al Ayyadi



**IIAB Islamic MENA Fund Co. B.S.C**  
**P.O. Box 2400**  
**Manama, Kingdom of Bahrain**

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**Addendum to the Prospectus of the IIAB Islamic MENA Fund, dated February 10<sup>th</sup> 2009 (the original prospectus was dated 20 February 2008).**

**This addendum is to be read in conjunction with the Prospectus dated February 10<sup>th</sup> 2009 and with any consecutive addendums to the Prospectus issued thereafter, and is to be considered an integral part thereof.**

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Dear Unit Holder;

The following Directors have resigned from the Board of Directors of the IIAB Islamic MENA Fund:

- Mr. Ghassan A. Bundakji; and
- Mr. Ramez Sawabini.

There shall be no new directors appointed as replacements. The current Board of Directors consisting of three directors satisfies the minimum legal requirement of the number of directors in accordance with the laws of the Kingdom of Bahrain.

The names of the directors have been mentioned in page 8 and page 24 of the IIAB Islamic MENA Fund's Prospectus dated February 10<sup>th</sup> 2009.