

INVESTMENT COMPANY MANAGEMENT AGREEMENT NO. [...]

[...] [...] 2016, Vilnius

AB INVL Baltic Real Estate, legal entity code: 152105644, address of the registered office: Gynėjų g. 14, Vilnius, represented by the Manager Egidijus Damulis, acting pursuant to the Articles of Association (hereinafter, the **Company**),

and

UAB INVL Asset Management, legal entity code: 126263073, address of the registered office: Gynėjų g. 14, Vilnius, represented by the General Manager Darius Šulnis, acting pursuant to the Articles of Association (hereinafter, the **Management Company**),

(the Company and the Management Company are hereinafter collectively referred to as the **Parties**, whereas each individually – as a **Party**)

WHEREAS:

- (a) The Company is a public limited liability company established according to legal acts of the Republic of Lithuania, seeking to obtain a relevant license to perform activities according to the Law of the Republic of Lithuania on Collective Investment Undertakings as a collective investment undertaking – a special closed-end type real estate investment company, the management of which is transferred to a management company;
- (b) The Management Company is a management company acting pursuant to the Law of the Republic of Lithuania on Collective Investment Undertakings, the activity license held by which (license issue date: 9 January 2004, No. VĮK-005) gives it the right to manage real estate collective investment undertakings;
- (c) On [...] the general meeting of shareholders of the Company took a decision to transfer management of the Company to the Management Company and to approve the management agreement with the Management Company;

Now, therefore, the Parties enter into this Investment Company Management Agreement No. [...] (hereinafter, the **Agreement**).

I. DEFINITIONS

1. Capitalised terms used in this Agreement shall have the following meanings, except for cases when the context obviously gives them another meaning:
 - 1.1. **Shareholder** shall mean a natural person or a legal entity holding Shares;
 - 1.2. **Articles of Association** shall mean the effective Articles of Association of the Company approved by the general meeting of shareholders of the Company and registered with the Register of Legal Entities;
 - 1.3. **Management** shall mean management, administration, marketing of investments of the Company and other related activities, as defined in Law on Collective Investment Undertakings;
 - 1.4. **NAV** shall mean the net asset value, i.e. the difference between the value of assets owned by the Company and long-term and current financial liabilities of the Company;
 - 1.5. **Supervisory Authority** shall mean the Bank of Lithuania;
 - 1.6. **IAS** shall mean the International Accounting Standards, as they are defined in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of

international accounting standards: International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), all the interpretations regarding IAS and IFRS, updates and later changes on standards themselves and updates and later changes of all the interpretations regarding IAS and IFRS, upcoming standards and all the interpretations of the upcoming standards issued and approved by the International Accounting Standards Board.

II. SUBJECT-MATTER OF THE AGREEMENT

2. The Company hereby transfers its Management to the Management Company, whereas the Management Company takes over the Management of the Company and undertakes to perform the functions of the management company of the Company, following the requirements set in the Agreement, the Articles of Association and legal acts of the Republic of Lithuania.
3. All the rights and duties assigned to the head and the Board of the Company by the Law of the Republic of Lithuania on Companies are also transferred to the Management Company by this Agreement.

III. RIGHTS AND DUTIES OF THE MANAGEMENT COMPANY

4. Management Company hereby undertakes to provide following services that are compensated by the Management Fee:
 - 4.1. search and selection of new investments that are appropriate according to the investment strategy of the Company;
 - 4.2. structuring and management of acquisition transaction for new investments;
 - 4.3. structuring and management of sale transactions of existing investments of the Company;
 - 4.4. administration and management of maintenance of property owned by the Company;
 - 4.5. management and control of the risks that the Company is exposed to;
 - 4.6. tenant – landlord relationship management and new tenants acquisition;
 - 4.7. initiation of development of Company's property and development management.
5. Provision of services provided in Article 4 includes employment of necessary service providers (for example legal counsellors, real estate brokers, intermediaries) and operators (for example contractors, architects, engineers, contractors) on behalf of the Company.
6. Expenses incurred because of provision services provided in Article 4 by the Company (save expenses provided in Article 5) are subtracted from the Management Fee.
7. The Management Company shall have the right:
 - 7.1. to perform all actions of management bodies of the Company and other actions assigned to the competence of the Management Company according to effective legal acts and/or the Articles of Association;
 - 7.2. to represent interests of the Company in relationship with the Supervisory Authority, the depository of the Company, other institutions, authorities and organisations, natural persons and legal entities;
 - 7.3. acting on behalf of the Company, at its expense and in its interests, to conduct and perform transactions and to perform any other actions related to management of assets of the Company;
 - 7.4. to make deductions from assets of the Company provided for in the Articles of Association;
 - 7.5. to receive remuneration consisting of the management fee and the success fee;
 - 7.6. to assign performance of some of its Management functions (including services provided in Article 4) to a company having the right to provide relevant services;

- 7.7. to initiate and perform the issue, offering of and subscription for shares of the Company under the procedure set in the Articles of Association;
 - 7.8. to suspend and/or resume payment of dividend to Shareholders on the grounds and under the procedure set in the Articles of Association;
 - 7.9. other rights set in the Articles of Association and legal acts of the Republic of Lithuania.
8. The Management Company must:
- 8.1. act in a fair, just and professional manner on the terms best for the Company and the Shareholders and in their interests and ensure integrity of the market;
 - 8.2. act carefully, professionally and prudently;
 - 8.3. have and use means and procedures necessary for its activities;
 - 8.4. have reliable administration and accounting procedures, electronic data processing control and protection measures and a proper internal control mechanism, including the rules for personal transactions in financial instruments conducted by employees of the Management Company and transactions in financial instruments conducted at the expense of the Management Company;
 - 8.5. ensure that documents of and information about investment decisions taken and transactions conducted would be kept for at least 10 years after the date of taking an investment decision, conduction of a transaction or performance of an operation, unless legal acts establish a longer term for keeping of documents;
 - 8.6. have such an organisational structure, which would help to avoid conflicts of interest. When it is impossible to avoid a conflict of interest, the Management Company must ensure that Shareholders are treated fairly;
 - 8.7. ensure that persons taking decisions on management of the Company would have the qualification and experience set by the Supervisory Authority, would be of sufficiently good repute;
 - 8.8. ensure that assets of the Company would be invested in accordance with the investment strategy set in the Articles of Association and requirements set in legal acts of the Republic of Lithuania;
 - 8.9. in cases and under the procedure set in the Articles of Association, give its recommendations (along with related documents and/or information) to the general meeting of shareholders of the Company;
 - 8.10. under the procedure set in the Articles of Association, pay dividend to Shareholders;
 - 8.11. keep accounts of the Company and prepare its financial statements in accordance with the IFRS, the Law of the Republic of Lithuania on Accounting, the Law of the Republic of Lithuania on Collective Investment Undertakings, legal acts adopted by the Board of the Bank of Lithuania, which define keeping of financial accounts and drawing up of financial statements, as well as other legal acts regulating accounting and financial reporting;
 - 8.12. in cases provided for in the Articles of Association and/or legal acts, perform functions of the liquidator of the Company;
 - 8.13. provide all information set in the Articles of Association and legal acts of the Republic of Lithuania to the Company and Shareholders;
 - 8.14. notify about circumstances, due to which there is a risk that the Management Company will not be able to perform management functions in the future, immediately, but in any case no later than within 5 business days after becoming aware of such circumstances;
 - 8.15. perform other duties set in the Agreement, the Articles of Association and legal acts of the Republic of Lithuania.
9. The Management Company shall also be responsible for convocation and organisation of the general meeting of shareholders of the Company, giving due notices about disclosure of previously non disclosed information under the procedure set by legal acts, organisation of activities of the Company,

proper management of information about activities of the Company and performance of other functions assigned to the Management Company.

10. Money laundering and terrorist financing prevention requirements in the Company are implemented by the Management Company in accordance with laws of Republic of Lithuania and internal legal acts of the Management Company, which regulate money laundering and terrorist financing prevention.
11. The activities of the Management Company shall be controlled by the general meeting of shareholders of the Company.

IV. MANAGEMENT OF INVESTMENTS OF THE COMPANY

12. In taking and fulfilling investment decisions, the Management Company must take into account the purposes of investment activities of the Company and follow the investment strategy of the Company.
13. The purpose of investment activities of the Company is to accumulate funds of Shareholders of the Company by public offering of shares of the Company under the procedure set in the Articles of Association and, diversifying the risk, to invest them collectively into assets indicated in the Articles of Association in compliance with investment requirements indicated in legal acts. For this purpose, the Company shall rationalise the structure of the investment portfolio, shall perform investment and reinvestment activity.
14. The investment strategy of the Company is set in the Articles of Association. The strategy of investment of assets of the Company can be amended by making relevant amendments to the Articles of Association under the procedure set therein.
15. The procedure of taking and performance of investment decisions shall be regulated by the policy of assessment, taking and performance of investment decisions approved by the Management Company. By signing this Agreement, the Company confirms that it is familiar with the policy provided for in this clause, as well as with the regulations of the investment committee and the advisory committee and consents to such documents.
16. The general meeting of shareholders or the Company shall not have the right to take decisions, which are assigned to the competence of the Management Company by the Articles of Association or which in essence are Management decisions.
17. The composition of the assets of the Company transferred to the Management Company for management under this Agreement and their market value are given in Annex No. 1 hereto.

V. REMUNERATION TO THE MANAGEMENT COMPANY AND COMPENSATION FOR EXPENSES

18. For management of the assets of the Company, the Management Company shall be paid remuneration consisting of the management fee and the success fee.
19. The management fee is the remuneration paid to the Management Company for management of assets of the Company, which shall be payable for each quarter of a calendar year. The management fee for a full quarter of a calendar year shall be 0,375 percent of the weighted average capitalisation of the Company, calculated according to the following formula:

$$VM_{ketv} = VSK_{ketv} * AVM_{ketv} = VSK_{ketv} * A$$

where:

VM_{ketv} – the amount of the management fee;

A – the quarterly percentage of the management fee, used for calculation of the quarterly amount of the management fee;

VSK_{ketv} – weighted quarterly average of the Company's capitalization calculated according to the following formula:

$$VSK_{ketv} = \frac{T_{ketv}}{Q_{ketv}} * \sum_{i=1}^{n_{ketv}} \frac{Vnt_i}{n_{ketv}}$$

where:

Vnt_i – number of Shares at the end of the business day i ;

Q_{ketv} – number of Shares transferred on the regulated market during a respective quarter;
 n_{ketv} – the number of the business days per respective quarter, irrespective of the number of trading days (except when the Management Fee is calculated not for a full quarter of a calendar year; in this case the number of business days in a relevant period shall be used in the calculation);
 T_{ketv} – turnover of the Shares during the respective quarter according to Shares trading data on the regulated market, calculated according to the formula:

$$T_{ketv} = \sum_{j=0}^k (P_j * Q_j)$$

where:

k – the number of transactions on the regulated market during the respective quarter;
 P_j – Share price of the transaction j on the regulated market;
 Q_j – the number of Shares traded in transaction j on the regulated market.

If the management fee is calculated only for a part of a calendar quarter of the year – the management fee in percentage terms shall be recalculated by dividing it by the number of business days in the calendar quarter and multiplying by the number of business days in the period for which the management fee is calculated (a part of the quarter). If there was no trading in Shares throughout the entire calendar quarter, the management fee for the quarter of a calendar year shall be equal to 0.375 percent of the average Net Asset Value of the Company in the quarter, which shall be calculated as the arithmetic average of the values at the beginning and at the end of the quarter.

20. The calculated management fee shall be entered into accounts and added to the Net Asset Value according to the accounting policy of the Management Company and the rules for calculating the Net Asset Value.
21. The Management Company undertakes to use the management fee received by the Management Company for covering 50 percent of the Company's expenses, arising out of agreement No. INTV/2012-88 on provision of services of maintenance and administration of assets of the Company entered into between the Company and UAB Inreal Valdymas on 2 January 2013 and the services agreement entered into between the Company and UAB Inreal Valdymas on 1 March 2016. This obligation shall remain in effect until the end of the above-indicated agreements. The Parties agree that the Company shall respectively reduce the management fee indicated in Clause 19 of the Agreement as payable to the Management Company by amounts of funds payable to UAB Inreal Valdymas.
22. The share of profit of the Company belonging to the Management Company, i.e. the success fee, directly depends on the return earned by the Company, which shall be calculated for the whole Company but not for an individual Shareholder. Microsoft Excel function XIRR shall be used for determining the return earned by the Company, which shall regard days (i.e. account shall be taken of periods) when positive and negative flows occurred and the amount of such flows.
23. The profit of the Company shall be the amount of positive and negative flows in respect of Shareholders, where:
 - 23.1. the initial negative flow:
 - 23.1.1. until the last day of the reporting period (a calendar quarter of the Company's activities), after the end of which the success fee is paid to the Management Company for the first time – the initial negative flow is deemed equal to the Net Asset Value on the last day of a previous month, before the Company was granted a closed-end type investment company license;
 - 23.1.2. after the date provided in Article 23.1.1 – the initial negative flow is deemed equal to the amount of funds, used for calculation of the success fee paid to the Management Company last time, which is determined according to Clause 25 (if the NAV was used for calculation of the paid success fee, then the initial negative flow for the next calculation shall be the NAV determined at the end of the reporting period (for which the success fee was paid last time)

according to Clause 23.6, reduced by the amount of the success fee paid to the Management Company after the reporting period, for which the success fee was paid last time).

- 23.2. a positive flow is dividend paid to Shareholders, if any was paid when distributing the net profit of the Company;
 - 23.3. a positive flow is funds disbursed to Shareholders by the Company when purchasing its own Shares;
 - 23.4. a positive flow is funds disbursed to Shareholders by the Company when mandatorily redeeming Shares;
 - 23.5. a positive flow is funds disbursed to Shareholders by the Company when reducing the authorised capital;
 - 23.6. a positive flow is the Net Asset Value, plus the success fee commitment recognised in the balance sheet of the Company as at the end of the period for calculation of the success fee assigned for the Management Company;
 - 23.7. a positive flow is any other payments to Shareholders;
 - 23.8. a negative flow is the size of each new Share issue.
24. Profit of the Company will be distributed in following way:
- 24.1. profit of the Company shall be assigned only to Shareholders until the share of profit of the Company assigned to them reaches the average return of 8 percent earned by the Company on the negative flows indicated in Article 23 of this Agreement (amounts of funds invested by Shareholders) during the period of calculation of the success fee assigned to the Management Company;
 - 24.2. after the distribution provided for in Clause 24.1, 80 percent of all the remaining free funds shall be assigned to Shareholders, whereas 20 percent – to the Management Company as the success fee. The success fee, which was calculated in earlier calculation periods, but which was not paid according to Clause 29, shall reduce the success fee calculated in a new calculation period;
 - 24.3. in case the annual return of the Company is less than or equal to 8 percent, no success fee shall be assigned to the Management Company – all the return of the Company shall be assigned to Shareholders.
25. The assignment of the success fee shall be subject to the high-water mark principle, which says that the success fee can be assigned only in case the Net Asset Value or the average weighted capitalisation of the Shares for the last ended quarter on the Nasdaq Vilnius stock exchange (whichever is less) exceeds the highest value calculated until then, according to which the success fee was paid. In such a case, in later periods the initial point for calculation of the success fee shall be the value of the highest limit which was reached last (the Net Asset Value or the average weighted capitalisation of the Shares for the last ended quarter on the Nasdaq Vilnius stock exchange) (whichever is less), for which the success fee was paid to the Management Company.
26. The success fee commitment shall be recalculated on the NAV calculation day (each quarter), taking into account the return earned by the Company from the date indicated in Clause 23.1 until the relevant NAV calculation day.
27. The calculated success fee commitment shall be entered into accounts and added to the NAV subject to the accounting policy of the Company and the Net Asset Value calculation rules approved by the Management Company.
28. The assigned success fee shall be paid to the Management Company after the end of a calendar quarter of activities of the Company.
29. The success fee shall be paid to the Management Company if the following conditions are satisfied:
- 29.1. the condition indicated in paragraph 24.1 of this Agreement is satisfied;

- 29.2. the return earned by the Company for Shareholders, calculated both according to the NAV defined in Clause 23.6 and according to the average weighted capitalisation of the Shares for the last ended quarter on the Nasdaq Vilnius stock exchange, exceeds the average return of 8 percent earned by the Company on the negative flows indicated in Article 23 of this Agreement (the amounts of funds invested by the Shareholders);
- 29.3. the success fee paid to the Management Company cannot exceed the return earned by the Company for Shareholders, calculated on the lesser of the amounts indicated in Clause 29.2. In determining the success fee amount, which must be paid to the Management Company in the nearest reporting period, Clause 24.2 shall apply, accordingly using the lesser of the amounts indicated in Clause 23.2 instead of the amount indicated in Clause 29.6 in calculations;
- 29.4. the average weighted capitalisation of the Shares for the last ended quarter on the Nasdaq Vilnius stock exchange exceeds the highest value calculated until then, according to which the success fee was paid.
30. The Company shall compensate the Management Company for expenses incurred by the Management Company for the benefit of the Company, which according to the Articles of Association may be covered from assets of the Company.

VI. LIABILITY OF THE PARTIES, DISPUTE RESOLUTION AND GOVERNING LAW

31. The Parties undertake to fulfil all the conditions and obligations provided for in the Agreement, the Articles of Association and laws of the Republic of Lithuania.
32. A Party, in breach of the requirements of the Agreement, shall compensate the other Party for suffered damages under the procedure set by legal acts. The Parties agree that, except for the cases set in legal acts of the Republic of Lithuania, the Parties shall be held liable under the Agreement only in case they are at fault and their liability shall be limited to indemnification for direct damages.
33. The amount of the liability of the Management Company cannot exceed the amount of the remuneration received under this Agreement, except for cases when liability arises due to wilfulness or gross negligence of the Management Company.
34. The Management Company shall not be liable for damages of the Company (its shareholders) arising due to fluctuation in the value of financial instruments; crises or other negative changes in the markets; changes in currency exchange rates and inflation; other risks related to financial instruments. Nor shall the Management Company be liable for loss and damages suffered by the Company (its shareholders) due to actions or omissions of issuers or third parties; the issuer's bankruptcy; due to any other circumstances, which are not related to failure to perform or improper performance of the obligations of the Management Company under the Agreement.
35. The Management Company shall not be liable for any damages, loss or other negative consequences appearing by the reason that the general meeting of shareholders of the Company took relevant decisions ignoring the recommendations given by the Management Company under the procedure set in the Articles of Association.
36. A Party shall be released from liability for failure to perform or improper performance of its obligations under the Agreement due to circumstances, which were beyond its control and which it could not reasonably foresee at the time of conclusion of the Agreement and could not prevent the appearance of such circumstances or their consequences (*force majeure*).
37. The Management Company shall compensate for differences appearing due to the NAV calculation mistakes under the procedure set in the Methodology of Calculation of the Net Asset Value approved by Resolution No. 03-153 of the Board of the Bank of Lithuania.
38. The Parties shall seek that all disputes, controversies, demands and claims, which may arise between the Parties with regard to the application and interpretation of this Agreement, would be settled by way of negotiations, mutual agreement and cooperation.
39. If the Parties fail to settle disagreements by way of negotiations, any and all disputes, controversies, demands and claims, arising out of the application and interpretation of this Agreement, shall be settled by arbitration in the Vilnius Court of Commercial Arbitration according to its Arbitration Rules.

The number of arbitrators in the arbitral tribunal shall be 3 (three), the venue of arbitration shall be Vilnius, the language used in arbitration proceedings shall be Lithuanian.

40. The Agreement is governed by the law of the Republic of Lithuania. The law of the Republic of Lithuania shall apply to the application and interpretation of the Agreement.

VII. EFFECTIVE TERM AND TERMINATION

41. The Agreement shall come into effect on the date of its signature, but in any case no earlier than all the following conditions are met:
- 41.1. the Agreement is approved by the general meeting of shareholders of the Company;
 - 41.2. the Company obtains an activity license for a closed-end type investment company;
 - 41.3. the Company receives a permission of the Supervisory Authority to select a management company.
42. The Agreement shall continue in full force and effect until full discharge of the Parties' obligations or until the termination or other expiry of the Agreement on the grounds set in the Agreement, the Articles of Association or legal acts.
43. The Agreement can be terminated on the initiative of the Company if the general meeting of shareholders of the Company takes a decision under the procedure set in the Articles of Association to change the management company of the Company and to transfer the management of the Company to another management company when:
- 43.1.1. the Management Company is in liquidation;
 - 43.1.2. the Management Company is under restructuring;
 - 43.1.3. bankruptcy proceedings are instituted against the Management Company;
 - 43.1.4. the Supervisory Authority takes a decision to restrict or cancel rights provided for in the activity license of the Management Company in connection with management of investment companies;
 - 43.1.5. the Management Company commits a material violation of the Agreement, the Articles of Association or legal acts, which is not corrected within a reasonable time limit (if it is possible to correct it).
44. The Agreement can be terminated on the initiative of the Management Company only in case of important reasons. In such a case the Management Company must convene the general meeting of shareholders of the Company, which would solve issues regarding the termination of the Agreement, replacing the Management Company of the Company, transfer of the management of the Company to another company and the approval of the Supervisory Authority for performance of such actions. In any case, the Management Company must notify the Company and the Shareholders about the intention to terminate the Agreement no later than 6 months in advance, informing the Supervisory Authority about such a notification, as well.
45. If the Agreement is terminated for reasons, for which the Management Company is not responsible (no matter which Party initiates termination of the Agreement), the Management Company shall be paid a compensation, the amount of which shall be equal to the amount of the management fee for the past 4 (four) full quarters. Besides, the Management Company shall be paid the whole success fee owing to it until the termination date of the Agreement (accrued but not disbursed).
46. The Agreement can be amended and supplemented by a separate written agreement of both the Parties. Any amendments and additions to the Agreement must be approved by the general meeting of shareholders of the Company.
47. If any provision of this Agreement is admitted to be invalid or unenforceable, it shall not have an effect on validity of the remaining provisions. The Parties agree to replace the invalid or unenforceable provision by an additional agreement to this Agreement with another legally effective provision, which as much as possible will have the same legal and economic result, which was sought by including the provision, which was admitted to be invalid or unenforceable, into the Agreement.

VIII. FINAL PROVISIONS

48. The Parties shall regard the terms and conditions of this Agreement, all information about negotiations, as well as all other information received in connection with this Agreement from the other Party in writing, orally or in any other form, to be confidential and shall not disclose such information to any other persons unless: (a) other persons, who are not bound by the undertaking of confidentiality, already know such information, or (b) the said information becomes public not by the reason of its disclosure by that Party, or (c) disclosure of such information is required by legal acts, the Supervisory Authority acting according to its rules, strictly interpreted, or (d) that is necessary for enforcement of this Agreement.
49. The Agreement is made in 4 (four) equally binding counterparts in the Lithuanian language, a counterpart to be delivered to each of the Parties, to the depository and the Supervisory Authority.

IX. PARTICULARS AND SIGNATURES OF THE PARTIES

Company:

AB INVL Baltic Real Estate
Legal entity code 152105644
Gynėjų St. 14, Vilnius
breinfo@invl.com

Authorised person
Egidijus Damulis

Management Company:

UAB INVL Asset Management
Legal entity code 126263073
Gynėjų St. 14, Vilnius
info@invl.com

General Manager
Darius Šulnis

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COMPOSITION AND VALUE OF THE INVESTMENT PORTFOLIO

1. The total value of the investment portfolio of AB INVL Baltic Real Estate transferred by AB INVL Baltic Real Estate for management: [...].
2. Composition of the investment portfolio:

2.1. Shares:

Name	Legal entity code	Nominal value	Market value, EUR 000's
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2.2. Cash:

Currency	Balance
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2.3 Other:

Assets	Balance, EUR
Amounts receivable within one year	
Other current assets	
Deferred tax assets	
Other tangible assets	

Company:

AB INVL Baltic Real Estate
Legal entity code 152105644
Gynėjų St. 14, Vilnius
breinfo@invl.com

Authorised person
Egidijus Damulis

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L.S.

Management Company:

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info@invl.com

General Manager
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L.S.