

# Record of Decision of Sole Member of Administrative Board, Manager

of **NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.** (hereinafter the “**Company**”),

which creates the subfund **NOVA Real Estate – subfund 1** (hereinafter the “**Subfund**”)

**Date: 18 January 2024**

**Time: 15:00**

The sole administrative board member, REDSIDE investiční společnost, a.s. (hereinafter the “**Administrative Board Member**” or “**REDSIDE**”), which is represented during the performance of its office by Rudolf Vřešťál, as the authorised representative of the sole Administrative Board Member acting independently, has taken the following decision:

## **Decision on Suspension of Issue and Redemption of Investment Shares Issued by the Company for the Subfund**

REDSIDE, as the sole Administrative Board Member and as the manager of the Company and the Subfund, hereby **decides**, in accordance with Section 134 et seq. of Act No. 240/2013 Coll., on management companies and investment funds, as amended, (hereinafter the “AoMCIF”) and in accordance with the statutes of the Company and the Subfund, **to repeatedly suspend the issue and redemption of investment shares issued by the Company for the Subfund (hereinafter the “Investment Shares”), due to the protection of rights and legally protected interests of the Company’s shareholders.**

### **1. Reasons for suspension of issue and redemption of Investment Shares**

With regard to the principle of always acting in investors’ best interests, the Board Member decided to extend the suspension of the issuance and redemption of Investment Shares, as the Board Member decided, before the end of the previous suspension of the issuance and redemption of Investment Shares, to arrange a public tender for the sale of all real estate companies owned by the Sub-Fund, i.e. all the Sub-Fund’s assets, in order to ensure sufficient liquidity for the Sub-Fund to redeem all Investment Shares.

Given the interest of a large part of the shareholders in the redemption of their Investment Shares, the Board Member considers this decision to be the only fair one for all holders of Investment Shares. The Board Member is therefore taking this decision in accordance with Section 22(1)(b) and (c) of the AoMCIF, which imposes a duty on the Board Member, as a manager, to, inter alia, act competently, honestly and fairly in the best interests of all holders of Investment Shares.

If the Board Member did not decide to suspend the issuance and redemption of Investment Shares again, it is reasonable to expect a large number of redemption requests from existing shareholders with different redemption periods defined by the Sub-Fund’s statutes and therefore the need to liquidate different parts of the portfolio in different, sometimes unrealistic, time periods.

In addition to the unfeasibility of selling any of the Sub-Fund’s assets within the period necessary to meet the shortest redemption requests, this would lead to a loss of value in the form of the integrated nature of the Sub-Fund’s portfolio, which comprises 17 properties in the Prague office building segment and the regional shopping centre segment. Based on a careful analysis of the sale strategy for the Sub-Fund’s assets, discussed in detail with a leading global commercial real estate agent specialising in transaction advice, the Board Member came to the clear conclusion that the most appropriate way to sell all the Sub-Fund’s assets is to sell either the whole portfolio or to sell assets in the two property classes held (office buildings and shopping centres). Such sale strategy should, in view of the shareholders’ interest in liquidating their positions in the Sub-Fund, ensure (i) the shortest possible timeframe for the whole transaction conducted as a public tender and (ii) maximisation of the sale price, i.e. the yield on the Sub-Fund.

As soon as the Sub-Fund’s asset have been monetised in the manner described above, the Sub-Fund will be reopened and monies will be paid out to all holders of Investment Shares in one lump sum.

With regard to the above, the Board Member decided to extend the suspension of the issuance and redemption of Investment Shares for the period until 29 December 2024, where the public tender for sale is designed so that by the end of May 2024 the Sub-Fund will have offers from interested parties and in the second half of 2024 it will execute the transaction with the selected interested party(ies). Preparations for the public tender, including the preparation of the necessary documents for marketing the portfolio, have already started.

The as-yet unclear direction of the insolvency proceedings for the Sub-Fund’s largest shareholder, Arca Investments, a.s., brings a significant element of uncertainty for potential strategic investors in the Sub-Fund, and therefore it was not possible to procure the entry of a strategic investor by the end of 2023; such investor would have stabilised the Sub-Fund’s situation without the aforementioned element of uncertainty significantly affecting the valuation of the Investment Shares in the Sub-Fund. For this reason, and in accordance with the strategy advised at the time of the decision on the first suspension, the Board Member is now proceeding to the *de facto* termination of

the Sub-Fund's activities.

During the suspension of the issuance and redemption of Investment Shares and the public tender, the Board Member will, in accordance with the AoMCIF and the European Commission's AIMFR Directive, continue to comply with all asset management, risk management and regulatory requirements with the aim of maximising the value of the Sub-Fund's assets for its shareholders, including the regular announcement of the current value of the Investment Shares.

During the current suspension of the issuance and redemption of Investment Shares, the Board Member has taken the following actions, in particular:

- he continued negotiations with three institutional strategic investors regarding their purchasing an interest in the Sub-Fund for the purpose of making a payout to the Sub-Fund's largest investor, Arca Investments, a.s., and ensuring the necessary cash flow for a payout to investment shareholders who decided to redeem their Investment Shares in the Sub-Fund;
- he completed the sale assets worth approximately EUR 100 million (1/3 of the portfolio) to repay the complete mezzanine loan at the Sub-Fund level and reduce the LTV to 50%, primarily in the context of rising EURIBOR and PRIBOR rates;
- he had the portfolio revalued by an independent international expert in accordance with internationally recognised RICS (Royal Institution of Chartered Surveyors) standards so that the portfolio reflected the growth in yields on the property market in 2023; and
- he negotiated and entered into a cooperation agreement with a leading global real estate agent regarding the strategy for selling the portfolio and timing the whole transaction, including a detailed assessment of the Sub-Fund's assets.

## **2. Moment from which the issue and redemption of Investment Shares is suspended**

The Administrative Board Member decides that the moment from which the issue and redemption of Investment Shares is suspended is **29 January 2024, 00:00**.

## **3. Period for which the issue and redemption of Investment Shares is suspended**

The Administrative Board Member decides that the issue and redemption of Investment Shares is suspended **until 29 December 2024 (i.e. for a period of 11 months)**.

## **4. Decision whether the suspension also applies to Investment Shares whose issue or redemption was requested before 29 January 2024, but where consideration has not yet been paid out for redemption or issue of Investment Shares has not yet occurred**

The Administrative Board Member decides that the suspension **also applies to Investment Shares** the issue or redemption of which was requested **before 29 January 2024**, but where consideration for redemption has not yet been paid out or the Investment Shares have not been issued.

The Administrative Board Member chose this option, as in accordance with due diligence it best corresponds to a fair solution of the specific situation, i.e. in particular it is the option that is closest to a standard situation, is not discriminatory and does not support the speculative abuse of this extraordinary situation (for more details see above in the Decision).

## **5. Decision whether, after the renewal of issuing and redemption of Investment Shares, the procedure in accordance with Section 139(1)(a)(1) or (2) or in accordance with Section 139(1)(b) of the AoMCIF will be used**

The Administrative Board Member, based on the aforementioned reasons, decides that after the renewal of issue and redemption of Investment Shares, the procedure in accordance with **Section 139(1)(b) of the AoMCIF** will be used, i.e. that **regard will not be had** to requests for the issue or redemption of Investment Shares where consideration for redemption was not paid out or the

Investment Shares were not issued, and persons that filed such requests will be called on, without undue delay after 30 December 2024, **to submit their request again.**

Prague, on 18 January 2024



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Rudolf Vřešťál

Authorised representative of sole member of company's administrative board  
NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.