

APPROVED BY:

UAB „Parex investicijų valdymas”

June 15, 2004

Executive Board’s Resolution No. V-6

EFFECTIVE AS OF:

Approval of the Fund rules with

the Securities Commission

on July 8, 2004

**PAREX BALTIC SEA EQUITY FUND
FUND RULES**

I. NAMES AND REGISTERED OFFICES

1. Investment fund:

1.1. Name – Parex Baltic Sea Equity Fund

2. Management Company:

2.1. name – UAB „Parex investicijų valdymas”;

2.2. registered office – K.Kalinausko street 13, LT-03107, Vilnius

3. Custodian:

3.1. name – AB “Parex Bankas”;

3.2. registered office – K.Kalinausko street 13, LT-03107, Vilnius

II. GENERAL PROVISIONS

4. The following definitions are used for the purposes of these Fund rules:

4.1. **Baltic Sea Countries** – Lithuania, Latvia, Estonia, Denmark, Finland, Norway, Sweden, Germany, Poland, Russia;

4.2. **Net assets** – the difference between the value of investment fund's assets and the value of investment fund's long-term and short-term liabilities;

4.3. **Investment instruments** – securities and investment instruments referred to in Paragraphs 2-6 of Section 2 of Article 3 of the Republic of Lithuania Law on Securities Market.

4.4. **Investment fund** – Parex Baltic Sea Equity Fund of UAB „Parex investicijų valdymas“. The investment fund is a common property of legal and/or natural persons, where such persons are entitled to their share. The investment fund is managed by the Management Company;

4.5. **Investment certificate** – a security that proves the rights of an investor to a share of the investment fund's property;

4.6. **Derivatives** – investment instruments whose value depends on one or several underlying investment instruments;

4.7. **Periodic financial report** – a document intended for the investment fund's investors and general public which provides information about the main events in the reporting period;

4.8. **Money market instruments** – marketable debt investment instruments which are regularly traded in the money market and whose value can be precisely determined at any moment;

4.9. **Distributor** – a person who performs the distribution and/or redemption of the investment fund's investment certificates;

4.10. **Initial value of an investment certificate** – a value effective until the first revaluation (calculation) of the net asset value.

4.11. **Professional investor** – pension fund, investment company, management company of a pension fund or an investment company, credit institution, financial intermediary, insurance company or other person approved by a resolution of the Securities Commission as professional investor after assessment of its capability to qualitatively assess the investment risk;

4.12. **Prospectus** – a document intended for investors and other persons to provide the basic information about the securities offered;

4.13. **Collective investment subjects with restricted distribution** – collective investment subjects whose investment units or shares are publicly distributed in the Republic of Lithuania, but which, pursuant to the Republic of Lithuania law on collective investment subjects, can not be publicly distributed in the European Union countries;

4.14. **Registration documents** – for the purposes of this document, the Fund rules of the Parex Baltic Sea Equity Fund of UAB „Parex investicijų valdymas“.

4.15. **Intermediary** – a legal person with the right to provide investment services;

4.16. **Management Company** – UAB „Parex investicijų valdymas“;

4.17. **Securities:**

4.17.1. shares of joint stock companies, units and/or shares of collective investment subjects, share certificates;

4.17.2. debt securities;

4.17.3. other transferable securities which give the right to acquire, by means of subscription or exchange, securities referred to in Subparagraphs 4.17.1 and 4.17.2.

All other terms used in the Fund rules shall have the same meaning as in the Republic of Lithuania law on collective investment subjects.

5. The following abbreviations are used for the purposes of these Fund rules:

5.1. Investment fund – Fund

5.2. Investment fund’s participant – Participant

5.3. Investment fund’s Management Company – Management Company

5.4. Net assets – NA

5.5. Securities – SC

5.6. Collective investment subject – CIS

5.7. Stock exchange - SE

5.8. Securities Commission of the Republic of Lithuania – SCC

5.9. European Union - EU

III. INVESTMENT STRATEGY OF THE FUND

INVESTMENT RULES

6. The Fund’s investment strategy is based on active management of the investment portfolio. The main investment object is SC (stocks). The Management Company may, with the purpose to ensure higher stability in return on the Fund’s assets, invest up to 40 percent of the Fund’s NA value in debt securities (bonds).

7. The Fund’s property may comprise only:

7.1. SC and money market instruments traded in markets which, pursuant to the Republic of Lithuania Securities Market Law, are regulated and operate in the Republic of Lithuania or in a Baltic Sea country that is an EU member.

7.2. SC and money market instruments that are not traded in the Republic of Lithuania, but are traded in another Baltic Sea country’s regulated market, which operates in accordance with approved regulations, in an open and publicly accessible market (where such market is a Baltic Sea country that is not an EU member, it is provided for in Paragraph 9 of the Fund rules;

7.3. New SC to be issued, if the terms of issue provide an obligation to include these SC in the official list of the SE or in the trading list of a regulated market and if securities to be issued shall be included in such list not later than within a year after registration of the issue (where such stock exchange or market is registered in a Baltic Sea country that is not an EU member, it is provided for in Paragraph 9 of the Fund rules;

7.4. investment units or shares of other CIS referred to in Paragraph 17 of the Fund rules;

7.5. term deposits with maturity less than 12 months and on-demand deposits with credit institution registered in the Republic of Lithuania, a Baltic Sea country (if a Baltic Sea Country is not an EU member – under provision that prudential supervision of such subjects shall be at least as strict as in the European Union);

7.6. derivatives referred to in Paragraph 20 of the Fund rules;

7.7. money market instruments referred to in Paragraph 8 of the Fund rules;

8. investments in money market instruments not traded in the regulated market are permissible only if the issue or issuer of such instruments are regulated with the purpose to protect investors and their investments and, additionally, if these instruments:

- 8.1. are issued or guaranteed by the government of a Baltic sea country, local authority, municipality or central bank;
- 8.2. are issued by a subject whose SC are traded in the regulated markets referred to in Subparagraphs 7.1 -7.2 of Paragraph 7 of the Fund rules;
- 8.3. are issued or guaranteed by a subject whose operational risk is monitored in accordance with the EU requirements or requirements at least as stringent as those set by the EU.
- 8.4. are issued by a company which complies with the regulations approved by the SCC, whose capital and reserves amount to at least EUR 10,000,000 (ten million euro), which prepares the consolidated financial statement and performs the functions of group financing when at least one of the group's companies is included in the stock exchange's trading list or which is used for the issue of SC financed by bank loans, but investments in such instruments are protected at least as stringently as in Subparagraphs 8.1 – 8.3 of Paragraph 8 of the Fund rules;
9. The following additional list of stock exchanges and markets are permitted:
 - 9.1. Oslo stock exchange, Norway;
 - 9.2. Moscow Inter-bank Currency Exchange and RTS Stock Exchange, Russia.
10. Not more than 10% of the Fund's NA may be invested in SC and/or money market instruments other than those referred to in Paragraph 7 of the Fund rules.
11. Restrictions on Management Company activities:
 - 11.1. The Fund's assets may not be invested in precious metals or SC giving rights to precious metals, but investments in cash are permissible;
 - 11.2. The Fund's assets may not be transferred to its Management Company, president of such company, members of executive board, members of council, employees (and their spouses) of the company. The Fund is also prohibited to purchase assets from the above persons;
 - 11.3. The Fund's assets shall not be lent, pledged, or used for guaranteeing liabilities of a third person. That does not mean that it is prohibited to acquire fully un-paid SC, money market instruments or assets referred to in Subparagraphs 7.4, 7.6, 7.7 and Paragraph 8;
 - 11.4. it is prohibited to enter, on behalf of the Fund, into sales transactions with SC, money market instruments or other assets not belonging to the Fund;
 - 11.5. The Management Company responsible for management of the Fund's assets may not borrow on behalf of the Fund, except where such loans are necessary for liquidity purposes, provided the loan taken does not exceed 10 percent of the NA value and maturity does not exceed three months. That does not mean that it is prohibited to borrow foreign currency for purchasing SC and/or money market instruments, provided that the lender receives at least an equivalent amount in other currency.
12. Diversification of investment portfolio:
 - 12.1. investments in SC or money market instruments of a single issuer shall not exceed 5 percent of the Fund's NA, except in the cases referred to in Subparagraphs 12.2, 12.5 and 12.6 of Paragraph 12 of the Fund rules;
 - 12.2. investments in SC or money market instruments of a single issuer may exceed 5 percent, but shall not exceed 10 percent of the Fund's NA, if the total of such investments does not exceed 40 percent of NA (this restriction shall not apply to deposits and derivatives traded in the over-the-counter market if their issuer is subject to supervision of the supervisory authority);
 - 12.3. investments in term deposits with one credit institution shall not exceed 20 percent of the Fund's NA.
 - 12.4. the total of investments in single issuer's SC, money market instruments and/or term deposits and of liabilities arising from derivatives with such issuer shall not exceed 20 percent of the Fund's NA;
 - 12.5. investments in SC and/or money market instruments issued or guaranteed by a single issuer of the Republic of Lithuania or a Baltic Sea Country shall not exceed 35% of the Fund's NA;
 - 12.6. not more than 25 percent of the NA shall be invested in bonds issued by a credit institution registered in the EU member country and, in the interests of bond holders, subject to special state supervision in accordance with normative acts, moreover, money obtained from the issue of bonds for the entire issue period shall be invested in assets which are sufficient to satisfy the claims of bond holders and from which - in case of the issuer's insolvency – priority would be given to the claims of bond holders to pay the principle and interest from deposits. When investments in bonds of such single issuer exceed 5 percent of the NA but amount to less than 25 percent of the NA, the total amount of such investments shall not exceed 80 percent of the NA;
 - 12.7. restrictions set out in Subparagraphs 12.1 to 12.6 of Paragraph 12 shall not be aggregated, therefore, investments in single issuer's SC, money market instruments, term deposits and liabilities arising from derivatives transactions with such issuer shall not exceed 35% of the Fund's NA;
 - 12.8. investments in SC and money market instruments of a company that belongs to the group which is required to draw up consolidated financial statements shall not exceed 20% of the NA.

PROHIBITION TO ACQUIRE A QUALIFYING HOLDING

13. Single issuer's shares owned by the Management Company together with the managed shares of such issuer owned by the Fund in the general meeting of shareholders shall not exceed 1/10 of voting rights.

14. The Fund shall not acquire more than:

14.1. 10 percent of issuer's all non-voting shares;

14.2. 10 percent of all debt SC of a single issuer;

14.3. 25 percent of the units or shares of some other CIS;

14.4. 10 percent of a single issuer's money market instruments.

15. Restrictions referred to in Subparagraphs 14.2, 14.3 and 14.4 of Paragraph 14 of the Fund rules may be exceeded at the moment of acquisition if the total value of such SC and/or money market instruments can not be calculated.

16. Restrictions referred to in Subparagraphs 14.2 and 14.4 of Paragraph 14 of the Fund rules do not apply to SC and/or money market instruments issued or guaranteed by the state or by local governments.

INVESTMENTS IN OTHER CIS

17. Investments can be made only in such units or shares of CIS that comply with the following requirements:

17.1. they are licensed in the Republic of Lithuania or in the country where the supervision is at least as strict as in the European Union and whose SCC co-operates with the foreign supervisory institution;

17.2. legal protection of rights of the subject's participants, including regulation of property separation, borrowing and unrequited transfer, is at least as strict as in the Republic of Lithuania law on collective investment subjects;

17.3. the subjects prepare semi-annual and annual reports which make it possible to assess their assets and liabilities, profit, and operations in the reporting period;

17.4. not more than 10 percent of their assets can be invested in units or shares of other CIS.

18. Not more than 10 percent of the Fund's NA may be invested in each of the subjects referred to in Paragraph 17 of the Fund rules; Total investments in CIS with restricted distribution and CIS not regulated by the Republic of Lithuania law on collective investment subjects shall not exceed 30 percent of the NA.

19. For the purposes of these Fund rules, related CIS are those CIS that are managed by the same Management Company or management companies where more than half of the members of management institutions are the same persons, or management companies controlled by the same person, or management companies that own more than 10% of the votes in the general meeting of shareholders of other management company. Investment units or shares of related CIS may be acquired only at NA value.

20. Any investments in derivatives (including those that give the right only to receive money) are subject to the following requirements:

20.1. they are traded in regulated markets or over-the-counter markets referred to in Subparagraphs 7.1-7.2 of Paragraph 7 of the Fund rules;

20.2. they relate to financial instruments and/or financial indexes, deposit rates, currencies or exchange rates referred to in Paragraph 7 of the Fund rules;

20.3. the counterparty in over-the-counter transactions complies with criteria set by the SCC and is subject to supervisory institution;

20.4. financial instruments traded in the over-the-counter markets can every day be verified, valued and at any moment sold or otherwise realised at their fair value.

21. The duty of the Management Company is:

21.1. to manage risks so that it would be possible at any moment to control and to calculate the exposure and its impact on the total investment portfolio risk;

21.2. to assess, precisely and regularly, risk arising from non-standard derivatives;

21.3. to provide, subject to procedures prescribed by the SCC, information to the SCC about the types of derivatives, risks arising thereof, quantitative restrictions and methods used to evaluate the risk for the Fund arising from derivatives transactions.

22. Liabilities arising out of derivatives transactions shall not exceed the Fund's NA value. Upon assessing the value of liabilities, the following factors shall be taken into account: value of the derivative at the moment of revaluation, counterparty risk, expected changes in the market and time necessary to offset liabilities, as well as the fact that derivative is related to a SC and/or money market instrument. Up to 35% of the Fund's net asset value may be invested in derivatives, provided that

restrictions set out in Paragraph 12 of the Fund rules are not exceeded. Upon determining whether restrictions set out in Paragraph 12 of the Fund rules are complied with, investments in index-linked financial instruments are revaluated separately.

23. Risk of potential liabilities arising from derivatives shall not exceed 5 percent of the NA, but – if the counterparty is a credit institution referred to in Subparagraph 12.6 of Paragraph 12 of the Fund rules – not more than 10 percent.

EXCEEDING THE INVESTMENT RESTRICTIONS

24. The Fund may exceed the above investment restrictions if it uses the priority rights granted by SC and/or money market instruments. In that case as well as when investment rules are breached by due to reasons beyond the Management Company's control, non-compliance shall be corrected as soon as possible but not later than within 6 months.

25. For 6 months from the date of approval of the Prospectus with the SCC the Fund's investment portfolio may fail to comply with requirements set out in Paragraphs 12 and 17 of the Fund rules.

PROCEDURE FOR INVESTMENT DECISIONS

26. Strategic decisions about the structure of the Fund's investment portfolio are passed by the Executive Board.

27. Tactical decisions about the purchase-sales of SC are passed by the responsible employee of the Management Company in view of the resolutions passed by the Executive Board.

28. The Fund's investment portfolio risk is assessed in view of the following characteristics of SC comprised in the portfolio:

28.1. issuer's credit rating;

28.2. price sensitivity towards deposit rates and systemic market changes;

28.3. historical and expected price fluctuations;

28.4. risk of nominal currency;

28.5. maturity;

28.6. return;

28.7. proportion of SC in the investment portfolio.

29. Portfolio risk is assessed periodically and submitted for review of the Executive Board.

30. The Executive Board, when resolving on the structure of the Fund's investment portfolio, shall take into account the existing portfolio's risk level as well as the impact of the investment decisions on the total portfolio's risk level.

31. Portfolio risk is reduced by diversifying the investment portfolio in accordance with diversification principles prescribed in the Fund rules.

32. Issuer's default risk can also be reduced by the use of derivatives.

33. Currency risk, deposit rates change risk, and market risk can be reduced by the use of derivatives – futures, options, swaps, repurchase agreements, reverse repurchase agreements.

SPECIALISATION BY GEOGRAPHIC AREA OR INDUSTRY

34. The Fund will limit its operations with a geographical area investing only in the Baltic sea countries.

III. RIGHTS AND OBLIGATIONS OF THE PARTICIPANTS

35. The Fund's Participants have the rights:

35.1. to demand, at any time, that the Management Company redeems the Fund's investment certificates held by them;

35.2. to receive the remaining share of the dividable Fund;

35.3. to receive such information about the Fund as prescribed in the normative acts of the Republic of Lithuania;

35.4. to exercise other rights defined in the Fund Rules.

36. The Fund's Participants shall fulfil the obligations they have committed to.

IV. RIGHTS AND OBLIGATIONS OF THE MANAGEMENT COMPANY

RIGHTS AND OBLIGATIONS

37. The duty of the Management Company is:

- 37.1. to work in good faith in the interests of the Fund's Participants and market safety;
- 37.2. to work prudently with due diligence and professionalism;
- 37.3. it may have and it should use the necessary resources and procedures;
- 37.4. to strive to receive from the Fund's participant information about his financial condition, investment experience and objectives he is trying to achieve using the services of the Management Company, as well as take into consideration whether the Participant is a professional investor;
- 37.5. to disclose sufficiently to the Participant information related to him and necessary for him;
- 37.6. to avoid conflicts of interest, but, when it is impossible to avoid them, to ensure honest treatment of the Fund's Participants;
- 37.7. to ensure that the Management Company's management procedures and recording and accounting systems are reliable and it is possible to know from them all parties to a transaction, contents, time and place, it would be possible to find out whether the Fund's assets are invested in accordance with the Fund rules and the Republic of Lithuania normative acts;
- 37.8. to carry out internal control, to control SC transactions concluded by its executives and employees;
- 37.9. to keep the documents on concluded operations for at least 5 years from the date of performing such operations provided that other normative acts of the Republic of Lithuania do not provide a longer term for keeping them;
- 37.10. to create organisational structure to avoid the conflict of interests between the Management Company or the Fund and the Participants, internal conflict of interests between the Participants;
- 37.11. to ensure that persons who make decisions about the management of the Fund's assets have the qualification and experience required by the SCC and solid reputation.
- 38. The Management Company has the rights:
 - 38.1. to make deductions from the Fund's assets;
 - 38.2. to delegate part of its functions to another company;
 - 38.3. to exercise other rights defined in the Fund Rules.

DELEGATION OF FUNCTIONS

- 39. In order to ensure more efficient Fund management, the Management Company has the right to delegate part of its management functions to a company which has rights to provide the relevant services and immediately inform about it the SCC.
- 40. It is permitted to delegate part of its functions only if:
 - 40.1. it does not interfere with supervision of the Management Company and it does not harm interests of investors;
 - 40.2. SCC has an agreement on the exchange of information with the supervisory institution in the EU country where a licensed management company is delegated part of the functions;
 - 40.3. The Managers of the Management Company can at any time monitor the activities of the authorised person;
 - 40.4. The Management Company can at any time, when it is in the interests of the Fund's Participants, give to the authorised person additional instructions or revoke the granted powers;
 - 40.5. the authorised person has the qualification required by the SCC and can perform the delegated functions;
 - 40.6. it is stated in the Fund's prospectus what functions may be delegated.
- 41. The Management Company does not have the right to delegate to other persons its management functions to the extent that they do not practically exist.
It is prohibited to delegate part of its functions to the Custodian or other persons whose interests might conflict with the interests of the Management Company or the Fund's investors.
- 42. The fact that part of the functions is delegated to other persons does not release the Management Company from responsibility.
- 42. The Management Company may delegate part of its management functions to another company in the following spheres:
 - 42.1. distribution and redemption of the Fund's investment certificates;
 - 42.2. administration of personal SC accounts of the Participants.

TRANSACTIONS WHICH THE MANAGEMENT COMPANY MAY CONCLUDE AND EXECUTE ON BEHALF OF AND IN THE INTERESTS OF THE FUND

- 43. The Management Company may conclude the following transactions on behalf of and in the interests of the Fund:
 - 43.1. transactions related to the management of the Fund's assets;
 - 43.2. transactions related to the distribution and redemption of the Fund's investment certificates.

V. AMOUNT, METHODOLOGY AND PROCEDURE FOR PAYMENT OF FEES TO THE MANAGEMENT COMPANY, THE CUSTODIAN AND THE DISTRIBUTOR

FEE TO THE MANAGEMENT COMPANY

44. The fee to the Management Company for the management of the Fund is paid from the Fund's resources.

45. The fee to the Management Company shall amount to 2 percent of the Fund's average NA value per year.

It does not comprise the fee payable to the Management Company for the distribution of the Fund's investment certificates.

46. The Management Company shall keep the documents proving that the fee to the Management Company is calculated correctly.

47. The fee to the Management Company is determined on each business day, calculating it from the Fund's NA value on the current day. The calculation of the fee to the Management Company is based on the principle of simultaneity. Part of the Management Company's annual fee corresponding to the current day shall be calculated using the current day's NA value of the Fund. For the purposes of fee calculation it is assumed that the year consists of 365 days, but a month has the calendar number of days. If the fee to the Management Company paid in one calendar year exceeds 2 percent of the Fund's average NA value per year, the Management Company shall transfer the excess amount to the Fund's account until January 15 of the next calendar year.

48. The fee to the Management Company for the Fund management shall be paid once a month by remitting it to the Management Company's account.

FEE TO THE CUSTODIAN

49. The fee to the Custodian for the custody services is paid from the Fund's resources.

50. The amount of the fee to the Custodian for the custody services is determined in the Custody Agreement between the Management Company and the Custody, however, it shall not exceed 0.5 percent of the Fund's average NA value per year.

51. The fee to the Custodian shall be determined on each business day using the current day's NA value of the Fund.

Part of the annual fee corresponding to the current day shall be calculated using the current day's NA value of the Fund. For the purposes of fee calculation it is assumed that the year consists of 365 days, but a month has the calendar number of days.

52. The fee to the Custodian shall be paid once a month, on the fifth day of each calendar month, paying the part of the fee corresponding to the previous calendar month.

53. The Custodian shall submit to the Management Company reports and documents that prove that fee to the Custodian is calculated correctly. In accordance with the above documents the Custodian shall specify, until January 5 of the next calendar year, the exact amount of the fee payable to the Custodian for the previous calendar year. The Custodian shall return the excess amount of the Custodian's fee received to the Management Company within 3 calendar days by remitting it to the Fund's account specified by the Management Company, but the debt to the Management Company shall be paid within 3 calendar days to the Custodian's account.

FEE TO THE DISTRIBUTOR

54. The fee to the Distributor for the distribution and redemption of the Fund's investment certificates is paid from the Fund's resources.

55. The fee to the Distributor shall be paid from the remuneration for distribution expenses referred to in Paragraph 103 of the Fund rules, which shall not exceed 5 percent of the investor's amount invested.

56. The exact calculated amount of the fee paid to the Distributor is specified in the investment certificate purchase – sales agreement, and it is disclosed in the same manner as the distribution and redemption prices of the Fund's investment certificates. It is paid to the Distributor from the Fund's net asset value for the previous calendar month until the 15th day of the current month.

VI. SUMMARY OF AND CALCULATION METHODOLOGY FOR OTHER EXPENSES COVERED FROM THE FUND'S RESOURCES

57. The following expenses are covered from the Fund's resources:

- 57.1. Broker's fees related to intermediation in the purchase and sales of SC;
- 57.2. audit services;
- 57.3. expenses related to banking services.
58. The fee to the Broker for brokerage in operations with securities shall not exceed 1 (one) percent of the value of concluded transactions.
59. The fee to the Brokers shall be calculated on each business day when at least one transaction was concluded. The fee to the Brokers shall be paid once a month, on the fifth calendar day, paying the fee calculated for the previous calendar month.
60. The fee to the Auditor who performs the Fund's auditing, in accordance with normative acts, shall not exceed 0.75% of the Fund's average NA value per year. The exact amount of the fee to the Auditor as well as the payment procedure is determined in the contract concluded between the Management Company and the Auditor.
61. Expenses on banking services shall be covered from the Fund's property in accordance with price list approved by the respective bank.
62. All other expenses not provided for in the Fund rules or exceeding the set restrictions shall be covered by the Management Company on its own account.

CUSTODIAN

63. Custodian's data:

63.1. name – AB “Parex Bankas”;

63.2. registered office – K.Kalinausko street 13, LT-03107, Vilnius

64. The Custodian shall act in the interests of the Fund's participants and shall:

64.1. ensure that sales, issue, redemption and liquidation of the Fund's investment certificates proceeds in accordance with requirements of the Republic of Lithuania normative acts and registration documents;

64.2. ensure that calculation of the value of the Fund's investment certificates proceeds in accordance with requirements of the Republic of Lithuania normative acts and registration documents;

64.3. comply with requirements of the Management Company, provided they are not contrary to the requirements of the Republic of Lithuania normative acts and registration documents;

64.4. ensure that remuneration for the assets in custody shall be transferred to the Fund's account in due time;

64.5. ensure that the Fund's income is used in accordance with the requirements of the Republic of Lithuania normative acts and registration documents.

65. The Custodian shall inform SCC and the Council of the Management Company about all discovered breaches of the normative acts of the Republic of Lithuania and/or the Fund rules.

66. The Custodian shall be responsible for the losses incurred by the Fund's Participants or Management Company due to non-performance or improper performance of the duties of the Custodian.

67. The Custodian shall have the right to delegate its rights or part of its rights to other custodians, but that does not release it from responsibility.

68. If the Management Company's rights to manage the Fund expire, but the Fund's management is not transferred to another management company, it is temporarily taken over by the Custodian. The Management Company shall inform the Custodian about the expiry of the rights to manage the Fund's assets. In such case the Custodian shall take over all rights and liabilities of the Management Company.

69. The Custodian shall transfer the Fund's management to another management company within 3 months from taking over the management functions. If the Fund is not transferred to another Management Company within 3 months, it shall be liquidated (divided).

70. The Custodian may not simultaneously perform activities of the Management Company except in the circumstances referred to in Paragraph 70 of the Fund rules.

71. Chairman of the Executive Board, member of the Executive Board, or employee of the Management Company may not be chairman of the Executive Board, member of the Executive Board, or employee of the Custodian of the Fund's assets with functions directly related to the activities of the Custodian.

72. Chairman of the Executive Board, members of the Executive Board, or employees of the Custodian of the Fund's assets with functions directly related to the Custodian's activities may not form more than ¼ of the total number of members of the Management Company's council.

VII. RULES AND PROCEDURE FOR CHANGING THE MANAGEMENT COMPANY AND THE CUSTODIAN

RULES AND PROCEDURE FOR CHANGING THE MANAGEMENT COMPANY

73. The Management Company may be changed in the following circumstances:

73.1. The Management Company is under voluntary liquidation procedure;

73.2. Bankruptcy procedure has been initiated against the Management Company.

74. The Fund's management and liabilities are transferred to other management company in accordance with procedure prescribed in the Republic of Lithuania normative acts.

RULES AND PROCEDURE FOR CHANGING THE CUSTODIAN

75. If the Custodian fails to comply with requirements of the Republic of Lithuania normative acts, fails to perform its duties or performs them inadequately, the SCC, with the purpose to protect the interests of the Fund's participants, may instruct the Management Company to cancel the Custody Agreement and change the Custodian. The Management Company may change the Custodian only subject to approval of the SCC.

76. The Custodian may be changed if both parties (the Management Company and the Custodian) agree on it in writing and receive approval for changing the Custodian from the SCC.

VIII. RULES AND PROCEDURE FOR SALE AND REDEMPTION OF INVESTMENT CERTIFICATES

77. The Fund's investment certificates can be purchased during business days from 9.00 to 16.00, on Fridays and days before holidays from 9.00 to 15.00. An Investor purchases the Fund's investment certificates by signing a written agreement with the Management Company. The Fund's investment certificates are sold for the distribution price of the Fund's investment certificates determined for the day when the investment certificate purchase-sales agreement is signed. The investment certificate purchase-sales agreement shall contain the contract's date and precise time (hour, minute).

78. Payment for the purchased Fund's investment certificates shall be made not later than within 3 business days from the date of signing the investment certificate purchase-sales agreement. The title to the Fund's investment certificates passes after the payment and records in the personal SC accounts of the investors are made.

79. If the Investor fails to make payment for the acquired Fund's investment certificates, the Management Company, or the Distributor on behalf of the Management Company, upon its discretion has the right to cancel the investment certificate purchase-sales agreement and to demand from the investor compensation for losses, as well as a penalty specified in the investment certificate purchase-sales agreement.

80. The minimum number of investment certificates to be purchased by an investor or the minimum amount to be invested is determined by the resolution of the Executive Board of the Management Company.

81. For pension funds managed by the Management Company and for investment funds the investment certificates are sold for the Fund's NA value.

82. The Fund's investment securities are redeemed each business day from 9.00 to 16.00, on Fridays and days before holidays – from 9.00 to 15.00. The Fund's investment securities are redeemed after the Participant has filled-out and submitted an application, whose form has been prescribed by the Management Company. Applications for redemption of the Fund's investment units a Participant may submit to the Management Company or the Distributor.

83. The Management Company shall redeem Participant's investment certificates at the price determined for the day when the redemption request was submitted.

84. Settlement for the redeemed investment certificates of the Fund shall be made not later than within 7 days from the day when the redemption request was submitted, if provisions of Section IX of the Fund rules are not applied.

85. If the Management Company does not effect settlement with the participant within the specified period, the Management Company shall pay to the Participant penalties prescribed in the investment certificate purchase-sales agreement. Where the Management Company does not effect settlement on time due to the fault of the Custodian or a third party, the party responsible shall reimburse to the Management Company losses arising due to untimely settlement with the Participant.

86. The money for the redeemed investment certificates of the Fund is transferred to the account specified in the redemption request by the Participant.

87. At the moment when the Participant's request to redeem the Fund's investment certificates is accepted, the Participant shall lose all rights granted by the Fund's investment certificates, except for the rights to receive money for the redeemable investment certificates. As of the day when the request to redeem the Fund's investment certificates is accepted, the Fund is under obligation to settle with the Participant for the redeemable investment certificates.

IX. PROVISIONS AND PROCEDURE FOR SUSPENSION AND RESUMPTION OF REDEMPTION OF INVESTMENT CERTIFICATES

88. The rights to suspend the redemption of the Fund's investment certificates shall be conferred to:

88.1. the Management Company;
the SCC.

89. Redemption may be suspended for a period not exceeding 3 months per year.

90. The redemption may be suspended if:

90.1. it is necessary in order to protect the interests of the Participants from the possible insolvency of the Fund or from the fall of redemption price in unfavourable SC market situation and upon a decrease in the value of the Fund's investment portfolio.

90.2. The Fund does not have enough money to effect settlement for the redeemable investment certificates of the Fund, but the sale of existing SC owned by the Fund would be unprofitable.

90.3. such measures are applied by the SCC.

91. As of the moment the resolution to suspend the redemption of the Fund's investment certificates is passed, it is prohibited to:

91.1. accept applications for redemption;

91.2. to settle for the Fund's investment certificates whose redemption was requested until passing of the decision to suspend redemption.

92. Suspension of redemption shall immediately be reported to the persons acting as intermediaries in the redemption, the SCC, as well as announcement in the mass media shall be made.

93. Where the resolution to suspend the redemption of the Fund's investment certificates is passed by the SCC, the rights to resume the redemption are granted only to the SCC or the court which cancels the above resolution. In other cases such rights are conferred to the Management Company.

94. The same procedure as for suspension of redemption shall be followed also in publishing information about the decision to resume redemption.

PROCEDURE FOR VALUATION OF THE FUND'S ASSETS AND FOR CALCULATION AND DISCLOSURE OF THE FUND'S PER SHARE VALUE

95. The Fund's net asset value is determined on each business day until 16.30. The determination of the Fund's net asset value is based on the following principles:

95.1. The fair value of the Fund's investments is determined in accordance with the methodology for determination of the NA value approved by the SCC and effective as of the moment of valuation of the Fund's assets.

95.2. assets denominated in foreign currency are revaluated in the Lithuanian litas at the Bank of Lithuania official exchange rate for that day;

95.3. Liabilities are valued in accordance with the Business accounting standards.

96. The Fund's NA value is determined by subtracting from the market value of the Fund's assets the short-term and long-term financial liabilities.

97. The Fund's per share value is calculated by dividing the Fund's NA value, calculated in accordance with the methodology for determination of the NA value, with the number of the Fund's investment certificates. The Fund's per-share value is calculated with precision up to four decimals and is rounded in accordance with mathematical rounding principles.

On each business day the Fund's per share value for the previous business day is disclosed on the website: www.parex.lt.

98. The Fund's initial per-share value is LTL 100 (one hundred litas).

99. In accordance with the methodology for determination of the NA value:

99.1. The Fund's assets shall be valued as follows:

99.1.1. The fair value of securities and other financial instruments that are traded in the regulated markets is determined on the basis of publicly announced *mid market price* on the valuation date, except when:

(1) the mid market price in the regulated market is not determined (or not disclosed); in that case the closing price announced at the end of the trading session is used;

(2) securities and other financial instruments are quoted in several regulated markets; in that case their fair value is based on the price in that regulated market in which these financial instruments have higher liquidity, regularity and frequency of transactions (which is best characterised by the turnover for the last 12 months in the market of these instruments);

(3) on the basis of criterion given in section 2 of Subparagraph 99.1.1 it is impossible to rationally choose the market whose data shall be used for determining the fair value of a security or other financial instrument; in that case the data of the market where the registered office of the issuer of a security or other financial instrument is located shall be used;

(4) during the last trading session a security or other financial instrument has not been quoted; in that case the fair value shall be based on the last available (but not older than 30 days) published mid market price, provided that since the last trading day there have been no events why the current market price is notably lower or higher than the last available price;

(5) security or other financial instrument was not quoted for longer than 30 days until the valuation day or was quoted less often than required in the valuation procedures; in that case its value is determined

following the same procedure as for securities or other financial instruments which are not quoted in regulated markets.

If such situation occurs repeatedly, the Executive Board of the Management Company shall check whether inclusion of such securities or other financial instruments in securities or other financial instruments traded in regulated markets is reasonable and whether their value should rather be regularly assessed as the value of securities or other financial instruments not traded in regulated markets.

99.1.2. Securities and financial instruments not traded in regulated markets shall be valued as follows:

(1) Equities (stocks):

a) on the basis of valuation of an independent evaluator with a license for that kind of activities provided that not more than 1 year has elapsed since the last valuation and that there have been no events which would make the current market price notably lower or higher than the evaluator's estimate;

b) if the valuation described under a) has not been made or if requirements described under a) are not met, the valuation shall be made by comparing similar company's market price to earnings (before tax) per share (using the weighted average number of ordinary shares in circulation for a certain period), multiplied by the earnings per share of the valued company:

$$\text{fair value} = \text{P/E} \times \text{EPS},$$

where:

P/E – the market price of one share for similar company divided by earnings per share;

EPS – the earnings per share over the last twelve months for the valued company;

c) if for some reason methods described under a) and b) can not be used, the valuation shall be based on the likely sales price determined by a chosen valuation model (as defined in the valuation procedures) which is generally applied and recognized in financial markets.

(2) Debt securities and money market instruments:

a) assets whose term of maturity exceeds one year shall be valued by the following formula:

$$K = \sum_{i=1}^n \frac{S_i}{\left[1 + \frac{Y}{100}\right]^{\frac{P_i}{H}}}$$

where:

K – total value of a security (nominal values of hundred litas are calculated);

S_i – i^{th} cash flow for the asset's nominal value of hundred litas (interval payment or amount payable during the maturity period);

Y – asset's yield (as percentage), based on the market data;

H – number of interval payments per year (if the security does not have intervals, it can be assumed that this number coincides with the usual number of interval payments for other securities);

n – number of interval payments remaining until the redemption of a security (if the asset does not have coupons, - notional number of coupon payments);

P_i – number of interval periods from the day of determination of the NA value until the day of payment of the i^{th} cash flow (can be fractional number). If a security has non-standard interval periods, it is estimated how many interval periods there would be if all periods were standard.

a) securities with maturity up to one year shall be valued with the following formula:

$$K = \frac{S_i}{1 + \frac{Y}{100} \times \frac{d}{360}}$$

where:

K – total value of a security (nominal values of hundred litas are calculated);

S_i – i^{th} cash flow for the securities' nominal value of hundred litas (interval payment or amount payable during the maturity period);

Y – asset's yield (as percentage), based on the market data;

d – number of days from the day of determination of the NA value until the day of cancellation (interval payment day);

c) in other cases, if more precise valuation of these securities is obtained than under a) and b), the valuation shall be based on the likely sales price determined by a chosen valuation model (as defined in the valuation procedures) which is generally applied and recognized in financial markets;

(3) the fair value of a derivative shall be based on the market value of the last analogous previously concluded transaction, provided there have not been significant changes in economic conditions during the period from closing of the transaction until the valuation day. If the above condition can not be met, the valuation shall be based on the likely sales price determined by a chosen valuation model (as defined in the valuation procedures) which is generally applied and recognized in financial markets;

(4) units (shares) of collective investment subjects are valued on the basis of their last publicly disclosed redemption price;

(5) term deposits with banks are valued on the basis of amortised cost;

(6) cash and deposits with credit institutions are valued at their nominal value.

99.1.3. Valuation errors

The difference between previously calculated NA value and NA value obtained on the basis of fair value which has arisen due to errors in estimation of NA value (incorrect calculation of NA value, imprecise estimation of number of units in circulation, delays in receiving information or unsecure source of information) shall be compensated.

Not later than within 7 business days from discovering the errors in calculation the Management Company shall calculate for all current Participants and for those Participants who have demanded redemption of the Fund's investment certificates the total loss that has arisen due to the calculation error.

The losses incurred shall be compensated from the Management Company's resources.

Within 30 days from calculation of the total value the Management Company shall inform each relevant person about the possibility of recovery of the calculated part of compensation intended for Participants who have requested the redemption of the Fund's investment certificates.

99.1.4. Frequency of valuation and disclosure of the Fund's value

The Fund's NA value and the Fund's share value shall be calculated each business day.

At least once a month, using the formula under methodology for the NA value determination, the average last month's unit value as well as change in this value since the beginning of the financial year shall be calculated.

At the end of the financial year the Management Company shall calculate the share of the average NA value attributable to each separate Participant.

XI. PROCEDURE FOR DETERMINATION OF REDEMPTION AND SALES PRICE

100. Redemption price for the Fund's investment certificates is equal to the Fund's share value.

101. If a purchase-sales agreement in respect of investment certificates is signed or an application for redemption of investment certificates is submitted until 13.00, investment certificates are sold or redeemed for sales or redemption prices determined for the day when the purchase-sales agreement in respect of investment certificates is signed or an application for redemption of investment certificates is submitted.

102. If a purchase-sales agreement in respect of investment certificates is signed or an application for redemption of investment certificates is submitted after 13.00, investment certificates are sold or redeemed for sales or redemption prices determined for the next business day after the purchase-sales agreement in respect of investment certificates is signed or an application for redemption of investment certificates is submitted.

103. The sales price for investment certificates is equal to the sum of the Fund's share value and the distribution commission, which shall not exceed 5 percent of the amount invested in the Fund by the investor.

XII. PROCEDURE FOR DISCLOSING INFORMATION ABOUT THE FUND

104. All information referred to in the Fund Rules that must be disclosed shall be made available on the website: www.parexinvest.lv.

105. In the above website the Management Company shall disclose the Fund's:
- 105.1. full prospectus;
 - 105.2. simplified prospectus;
 - 105.3. financial statement for each financial year;
 - 105.4. financial statement for the first six months of each financial year (hereinafter – semi-annual report).
106. If there are changes in information disclosed in the full prospectus or simplified prospectus, amendments to the prospectus shall be made, and they shall be notified to the SCC within the period prescribed in the normative acts of the Republic of Lithuania. Within one day after approval of the amendments by the SCC, the text of the updated documents shall be made available on the website referred to in Paragraph 104.
107. Annual and semi-annual financial reports are disclosed and submitted to the SCC as follows:
- 107.1. annual financial report – within 4 months after the end of financial year;
 - 107.2. semi-annual financial report – within 2 months after the end of financial semester;
108. The annual reports of the Management Company and the Fund are also disclosed in the newspaper „Lietuvos rytas“.
109. A buyer of investment certificates shall receive for free a copy of the simplified prospectus before signing the investment certificate purchase-sales agreement. A copy of the full prospectus, previous annual report and latest semi-annual report shall be provided to the buyers of investment certificates for free upon their demand.
110. The annual and semi-annual reports are available in places specified in the Fund's full and simplified prospectus and are provided to the Fund's participants for free upon their request.
111. The Management Company shall disclose, on the website referred to in Paragraph 104, the prices of investment certificates every time when they are sold or redeemed, and, in any case, at least twice a month. If the SCC agrees and if less frequent disclosure does not result in losses to investors, the prices of investment certificates may be disclosed only once a month.
112. The Management Company shall disclose also other information in accordance with procedures and within deadlines specified in the normative acts.

XIII. EXPIRY OF THE RIGHTS TO MANAGE THE FUND, PRINCIPLES AND PROCEDURE FOR THE FUND'S DIVISION

113. The Management Company's rights to manage the investment fund expire:
- 113.1. upon transfer of the management functions to another management company;
 - 113.2. upon revocation of the Management Company's licence;
 - 113.3. upon initiation of the forced liquidation procedure against the Management Company;
 - 113.4. upon initiation of the bankruptcy procedure against the Management Company;
 - 113.5. in other cases defined in the Republic of Lithuania normative acts.
114. The Fund shall be divided in the following situations:
- 114.1. The Management Company resolves to liquidate it;
 - 114.2. in other cases defined in the Republic of Lithuania normative acts.
115. When the decision to divide the Fund has been passed, redemption and distribution of the Fund's investment certificates is discontinued.
116. If during the Fund's division it is discovered that the Fund's resources are not sufficient to cover the Fund's liabilities, uncovered liabilities shall be covered by the Management Company.
117. When satisfying the creditors' claims, revenues from the sale of the Fund's property are divided to the Fund's investors (co-owners) proportionally to their shares.
118. If the court considers claims in relation to liabilities that should be covered on the Fund's account, the Fund shall be divided only after the court's ruling is in force.

XIV. PROCEDURE FOR AMENDING AND/OR SUPPLEMENTING THE FUND RULES

119. The Fund rules shall be adopted, amended and supplemented by the resolution of the Executive Board of the Management Company. In order to amend and/or supplement the Fund rules, at least 2/3 of the members of the Management Company's Executive Board have to vote in favour of it.

Amendments and/or additions to the Fund rules shall be considered approved after their registration with the SCC.

120. The provisions of the Fund rules can be changed:

120.1. upon initiative of the Management Company;

120.2. in other cases defined in the Republic of Lithuania normative acts.

Relationships not defined in the Fund rules shall be regulated by the procedures described in the Republic of Lithuania normative acts.