

**B Y – LAWS**  
**of**  
**“FairPlay Properties” Special investment purpose joint-stock company**

**SECTION I**

*Status*

**Art. 1.** (1) **“FairPlay Properties” REIT** is a legal entity, incorporated as a special investment purpose joint-stock company (hereinafter referred to as **“The Company”**) which shall invest cash, raised through the issuance of securities, in real property.

(2) The Company shall perform its activity under the regulation of Bulgarian law and these By-Laws.

(3) The Company is incorporated under the rule of Art. 163 of the Commerce act.

(4) The dealings between shareholders, corporate structure, corporate governance and the terms and conditions of the distribution of profits and losses shall be regulated by means of these By-laws.

**Art. 2.** (1) The Company shall be liable for all its debts with all its assets, in accordance with Bulgarian law.

(2) Shareholder’s liability for Company debts shall be limited upto the nominal value of his shares.

(3) The Company shall not be liable for any debts of the Bulgarian state or a shareholder.

*Company Name and Corporate Seal*

**Art. 3.** (1) The name of the Company shall be “ФеърПлей Пропъртис” АДСИЦ.

(2) The Company name shall be written in English, as follows: “FairPlay Properties” REIT /Real Estate Investment Trust/.

**Art. 4.** The Company shall have a round corporate seal with the Company name and domicile inscribed, which shall be printed on documents along with the Company’s legal representatives’ signatures.

*Domicile and Address*

**Art. 5.** (Amended pursuant to a resolution of the GMA held on 12/16/2005) (1) The Company’s domicile shall be Republic of Bulgaria, Sofia city region, City of Sofia.

(2) (Amended pursuant to a resolution of the GMA held on 06/06/2006) The Company’s address shall be City of Sofia, “Stolichna” municipality, “Lozenets” district, 51B “Cherni vrah” Blvd.

*Obligation of Data Designation*

**Art. 6.** (1) In its commercial correspondence the Company shall designate the following information: Company name, domicile and address, court of registration, court registration number, banking accounts, tax number, corporate identification number and correspondence address.

*Subject of Activity*

**Art. 7.** (1) The Company is incorporated with the objective of securitization of real property and with the following subject of activity: investing cash, raised through the issuance of

securities in real property (securitization of real property) through purchase of real property and property rights over real estates, carrying out of construction works and improvements, for the purpose of making them available for management, letting, leasing or tenancy and selling them.

(2) The Company shall not perform any other commercial transactions besides those specified in paragraph 1 and those directly related thereto unless such transactions are permitted by the law.

(3) The Company may not acquire real property which is the subject-matter of litigation.

(4) The real property acquired by the Company must be located on the territory of the Republic of Bulgaria.

### ***Term***

**Art. 8.** The Company shall be incorporated for an unlimited term.

### ***Investment Objectives***

**Art. 9.** (1) The main investment objective of the Company shall be the maintaining and the increasing of the shareholders investments' value and gaining profit on the basis of risk distribution and diversification of Company's real property portfolio.

(2) The Company shall invest in real property (buildings and land), located on the territory of the Republic of Bulgaria and with the assistance of a servicing company shall perform the exploitation of the acquired real property by letting, leasing or tenancy or selling them, or carrying out of construction works and improvements.

(3) The Company's investment objectives shall be, as follows:

1. to maintain and to increase the market price of the Company's shares throughout active management of its real property, securities and other financial assets and cash money portfolio, as acting in accordance with investment restrictions, put forward by the law and the Company's By-laws;

2. to grant income to the shareholders in the form of cash dividend;

3. to gain profit based on the difference between acquiring value and selling value of the real property;

4. to secure liquidity of the shares, issued by the Company, throughout their registration for trade on a regulated securities market.

### ***Requirements and Restrictions for the Securitized Assets***

**Art. 10.** The Company may in compliance with the requirements of the law and these By-laws acquire all kind of real property and all kind of property rights over real estates, including land, agricultural land, other kind of land, forest, residential, commercial or other kind of buildings or part of such buildings erected or in process of erection.

**Art. 11.** (1) The Company shall not:

1. be reformed into another kind of commercial company;

2. change its subject of activity;

3. secure any third party's obligations or extend any loans;

(2) The special investment purpose company may not borrow loans, except for:

1. issue debt securities, listed for trade on a regulated market;

2. borrow bank loans for the acquisition and putting into operation of the assets earmarked for securitization;

3. borrow bank loans amounting up to 20 per cent of the balance sheet value of the assets which are used for the payment of interest provided the loan is maturing not later than 12 months.

**Art. 12.** The Company may invest up to 10 per cent of its capital in the servicing company.

**Art. 13.** The Company may invest its free funds in

1. securities issued or guaranteed by the Bulgarian state;
2. bank deposits;
3. mortgage bonds - up to 10 per cent of The Company's assets;
4. other assets if allowed by the law.

**Art. 14.** The Company may not acquire any securities traded on a regulated market or equity stakes in any other companies except in the cases under art. 12 and art. 13.

## **SECTION II**

### **Unit One**

### **REGISTERED CAPITAL**

#### *Amount of the Registered Capital. Number and types of securities*

**Art. 15.** (1) The registered capital of the Company shall be BGN 500 000 (five hundred thousand), divided into 500 000 (five hundred thousand) common, registered, immaterialized, voting shares with nominal value BGN 1 (one) each.

(2) The registered capital of the Company is fully contributed.

#### Contributions

**Art. 16.** (1) The acquisition of Company's shares shall be performed after the complete payment of their issuing value. Shareholders may not make partial contributions.

(2) The contributions to the capital may only be monetary.

#### *Shares*

**Art. 17.** (1) The Company shall issue immaterialized registered free-transferable shares only. art. 185, para. 2, second sentence of the Commerce act shall not be applicable.

(2) The Company shall issue common shares. After the initial obligatory increase of the capital the Company may issue preferable shares according to art. 22 of these By-Laws.

(3) Shares giving equal rights shall form one class of shares. Restrictions to the rights of any particular shareholders of the same class shall not be admissible.

#### *Common shares rights*

**Art. 18.** (1) Each common share shall entitle its holder to one vote at the General Meeting, right to dividend and right to liquidation quota according to its nominal value.

(2) The right to vote shall be exercised by persons who were entered as shareholders in the Central Depository's registers 14 days prior to the date of the General Meeting. The Central Depository shall provide the Company with shareholders list for that particular date.

(3) The Company shall distribute dividend upon resolution of the General Meeting and under the terms and conditions regulated by the Bulgarian law and these by-laws. Distribution of dividend in advance shall be prohibited. The right to receive dividend shall be granted to persons who were entered as shareholders in the Central Depository's registers at the 14th day after the date at which the General Meeting that approved the annual report and decided on distribution of profit was held.

#### *Indivisibility*

**Art. 19.** (1) The Company's shares shall be indivisible.

(2) In case the share is owned by multiple persons, the rights of that share shall be exercised jointly by its owners through a representative. In order to exercise the share rights the representative's proxy shall be authenticated by a notary.

## ***Register of Shareholders***

**Art. 20.** The register of shareholders of the Company shall be kept by the Central Depository.

## ***Transfer of Shares***

**Art. 21.** The shares of the Company shall be free transferable, unlimited to any conditions and observing the regulations of the law regarding transactions of immaterialized securities.

## ***Preferable Shares***

**Art. 22.** (1) (Amended pursuant to a resolution of the GMA held on 12/16/2005) The Company may issue preferable shares giving the right to guaranteed or additional dividend. The Company may issue preferable shares with no right to vote under the condition of art. 182, para. 1, second sentence of the Commerce act.

(2) The Company is disallowed to issue preferable shares that give its owner more than 1 vote at the General Meeting.

(3) (Amended pursuant to a resolution of the GMA held on 12/16/2005) The rights that a certain emission of preferable shares shall entitle to, including the of the guaranteed and the additional dividend, as well as the terms and conditions of exercising the rights of the preferable share shall be determined by the resolution of the General Meeting for the increase of the capital trough emission of preferable shares and observing the regulations of the law and these by-laws.

(4) The preferable shares shall be included in the determination of the nominal value of the capital. The preferable shares with no right to vote shall not exceed 50% of the whole number of the Company's shares.

(5) In order to adopt a resolution to withdraw or restrict the privileges of the shares specified in para. 1 the consent of the preferable shareholders of the same class of shares shall be given at a separate held meeting. The meeting shall be legitimate in case that 50% of that class of preferable shares is present. The resolution shall be taken by the majority of  $\frac{3}{4}$  of the shares present. In regard of the convocation and conduction of the preferable shareholders meeting art. 38-41, 43 and 44 of these by-laws shall be accordingly applicable.

**Art. 23.** (1) The guaranteed and the additional dividend for any given year shall be paid in case a profit has been attained for that particular year.

(2) (Amended pursuant to a resolution of the GMA held on 12/16/2005) In case the dividend of a preferable share with no right to vote has not been paid for a certain year and the delayed payment has not been made the following year along with the dividend for that following year, the preferable share shall gain the right to be voted with until the delayed payments of the dividends are made. In that case the preferable shares shall be calculated when defining the necessary quorum and majority.

**Art. 24.** (Abolished pursuant to a resolution of the GMA held on 12/16/2005)

## **Unit Two**

### **INCREASE OF THE REGISTERED CAPITAL**

#### ***Methods for Increase of the Registered Capital***

**Art. 25.** (1) The registered capital of the Company shall be increased through:

1. emission of new shares;
2. conversion of bonds, emitted as convertible, into shares.

(2) The registered capital of the Company may not be increased through increase of the nominal value of already emitted shares or conversion of bonds, not emitted as convertible, into shares.

(3) The registered capital of the Company may not be increased through capitalization of the

profit or in-kind contributions or under condition. The rules of art. 193, 195 and 197 of the Commerce act shall not be applicable.

**Art. 26.** The increase of the registered capital of the Company shall be made pursuant to a resolution of the General Meeting.

**Art. 27.** (1) Except for the case of the obligatory initial increase of the registered capital according to art. 5, para. 3 of the Act on Special Investment Purpose Companies (ASIPC), within 5 years term from the registration of the Company, the Board of directors may adopt a resolution to increase the registered capital of the Company upto BGN 200 000 000 (two hundred millions) through emission of new shares.

(2) In the resolution for the increase of the registered capital the Board of directors shall specify the amount and the objective of the particular increase; the number and description of the new shares and the rights that the new shares confer; the terms and conditions for transferring the rights; the terms and conditions for subscribing new shares; emission value, terms and conditions of payment; the investment intermediary for the particular subscription; other necessary conditions.

**Art. 28.** The increase of the registered capital shall be performed in accordance with Section Six of the Law on Public Offering of Securities (LPOS) – through a prospectus for the public offering of securities confirmed by the Financial Supervision Commission (FSC). Except for the case of the obligatory initial increase of the registered capital, in accordance with art. 5, para. 3 of the ASIPC, the Company may increase its registered capital without issuing a prospectus – in compliance with the terms and conditions of art. 79, para. 1, pt. 4 in rel. with art. 112a of LPOS.

### *Preference of the Shareholders*

**Art. 29.** (1) In the event of the increase of the registered capital, except for the case of the obligatory initial increase of the registered capital in accordance with art. 5, para. 3 of the ASIPC, each shareholder shall be entitled to the right to acquire shares corresponding to their participating interest in the capital prior to the increase. That particular right may not be abolished or restricted in accordance with art. 194, para. 4 and art. 196, para. 3 of the Commerce act.

(2) (Amended pursuant to a resolution of the GMA held on 12/16/2005) Right to participate in the increase of the capital shall have the person who have acquired shares not later than 14 days after the General meeting's decision to increase the capital, or when the decision is made by the Board of directors in accordance with art. 27 of these by-laws – the persons who have acquired shares not later than the date of the announcement under art. 93, para. 1 of LPOS.

(3) In the event of the increase of the registered capital rights under § 1, pt. 3 of the Additional provisions of LPOS shall be issued. One right shall be issued for each existing share. The ratio between the rights issued and a share of the new emission shall be determined by the resolution to increase the capital.

(4) (New - pursuant to a resolution of the GMA held on 12/16/2005) In case the Company has shares of different classes the resolution shall be adopted under the provision of art. 192, para. 3 of the Commerce act, in that case the shareholders with shares of the class of the increase shall exercise their right for preference under para.1 prior to the shareholders of the other classes.

### *Obligatory Initial Increase of the Registered Capital*

**Art. 30.** Under the provision of art. 5, para. 3 of the ASIPC the constituent meeting shall obligatorily adopt a resolution to initially increase the capital from BGN 500 000 (five hundred thousand) to BGN 650 000 (six hundred and fifty thousand) by issuing new 150 000 common, immaterialized, registered, voting shares with BGN 1 (one) each and issue value BGN 1 (one) each.

**Art. 31.** (1) The initial increase of the registered capital shall be performed only subject to confirmation of a prospectus by the FSC. Art. 79, para. 1, pt. 4 in rel. to art. 112a of LPOS as well as art. 29 of these by-laws shall not be applicable.

(2) Not later than 6 months from the date of entry of the Company in the Commercial Register the prospectus along with an application for the issuance of a license as a special investment purpose company shall be filed with the FSC.

**Art. 32.** In the event of the initial increase of the registered capital the shareholders shall not have the right for preference to acquire the new shares. Art. 112, para. 1 of the LPOS and art. 194 of the Commerce law shall not be applicable.

### **Unit Three REDUCTION OF THE REGISTERED CAPITAL**

**Art. 33.** (1) (Amended and supplemented pursuant to a resolution of the GMA held on 12/16/2005) The reduction of the registered capital shall not be performed through compulsory cancellation of shares and redemption defined in art. 111, para. 5 LPOS.

(2) The reduction of the registered capital may be performed through:

1. reduction of the nominal value of the shares;
2. cancellation of shares under para. 1.

### **Unit Four**

#### ***Bonds***

**Art. 34.** (1) The Company may issue bonds in accordance with the provisions of Unit VII of Section Fourteen of the Commerce act or by public offering in accordance with the provisions of Section Six of the ASIPC. According to § 2 of the transitional and conclusive provisions of the ASIPC the Company may issue bonds, including through public offering, from the moment of receiving the license as a special investment purpose company.

(2) The Company may issue only immaterialized bonds, without any conditions or restriction to transfer such. The bond issue may be concluded and the bonds may be issued only after the payment of the issue value was made. After the bond issue was concluded, the bonds shall be registered for trade at a regulated securities market.

(3) The provisions for the immaterialized securities of the legislation in power shall be applicable to the transfer of the bonds.

(4) (Amended pursuant to a resolution of the GMA held on 12/16/2005) The bonds shall be issued pursuant to a resolution of the General Meeting or a resolution of the Board of Directors within the range of the empowerment under art. 49 of these by-laws.

(5) (Amended pursuant to a resolution of the GMA held on 12/16/2005) Upon the resolution under para. 4, the Board of Directors shall prepare an offer for subscription of bonds under art. 205, para. 2 of the Commerce act if the bonds were not publicly offered or a prospectus for public offering of bonds under Section Six of the LPOS, these must contain the conditions of the bond issue, including: the amount of the issue; number, kind, value and conditions for subscription of the bonds; profitability; method and term of paying up the debts upon the bond issue; condition under which the bond issue shall be considered concluded.

(6) The Company may not:

1. change the conditions under which the bonds were subscribed;
2. launch new emission of bonds with preferable regime of payment without the consent of the general meetings of the previous emissions bondholders;
3. launch new emission of convertible bonds without the consent of the holders of convertible bonds from previous emissions;
4. adopt resolutions for liquidation of bonds, that were not issued as convertible, by converting them into shares.

(7) Resolution adopted in failure to observe the restrictions of para. 6 shall be insignificant.

(8) (Amended pursuant to a resolution of the GMA held on 12/16/2005) The Company may issue convertible bonds, the provision of the shareholders preference under art. 29, para. 1 of these by-laws shall be accordingly applicable.

(9) The Company may issue bonds denominated in EUR or other convertible currency under the provisions of the legislation in power.

## **SECTION III BODIES OF THE COMPANY**

## *Bodies of the Company*

**Art. 35.** The company shall have one-tier management system. The Company's bodies shall be the General Meeting of the shareholders and the Board of Directors.

### **Unit One**

#### *General Meeting of the shareholders*

**Art. 36.** (1) The General Meeting shall consist of all shareholders with the right to vote. The shareholders shall participate in the General Meeting personally or through an attorney with a written proxy given for that particular meeting and authenticated by a notary under art. 116, para. 1 of the LPOS.

(2) The members of the Board of Directors may not represent a shareholder at the meeting.

(3) The members of the Board of Directors as well as the holders of preferable shares with no right to vote shall participate at the General Meeting without the right to vote, except in the case that they were shareholders under para. 1 as well.

#### *Powers of the General Meeting*

**Art. 37.** (1) The General Meeting shall have the power to:

1. amend and supplement the by-laws of the Company;
2. reorganize and dissolve the Company;
3. increase and reduce the registered Capital of the Company;
4. elect and dismiss the members of the Board of Directors and determines their remuneration and financial guarantees to be presented by the Board members under the provisions of the law in power;
5. appoint and dismiss the registered auditors (certified public accountant) of the Company;
6. (Amended pursuant to a resolution of the GMA held on 12/16/2005) approve the annual report subsequent to the audit of the appointed registered auditor, decide on the distribution of the profit, supply to the "Reserve fund" and paying up dividend;
7. appoint liquidator/s in case of dissolution of the Company, except for the case of bankruptcy;
8. discharge the members of the Board of Directors.

(2) The General Meeting of the shareholders shall resolve on all other matters within the scope of its powers under the legislation in power.

(3) Amendments and supplements to the by-laws of the Company, transformation and dissolution of the Company as well as the appointment of liquidators of the Company shall be made only with the approval by the FSC.

#### *Sessions of the General Meeting*

**Art. 38.** (1) The General Meeting shall be held at the domicile of the Company. The Annual General Meeting shall be held until the end of the first half of the year after the end of the reporting year.

(2) The General Meeting shall appoint chairman, secretary and scrutineer for every particular event.

#### *Convocation of the General Meeting*

**Art. 39.** (1) The General Meeting shall be convoked by the Board of Directors. The General Meeting may be convoked by demand of the holders of 5% of the shares of the Company as well.

(2) (Abolished pursuant to a resolution of the GMA held on 12/16/2005)

(3) (Amended pursuant to a resolution of the GMA held on 12/16/2005) The General Meeting shall be convoked through an invitation, promulgated in the State Gazette, there shall be

at least 30 days between the promulgation and the date on which the meeting is held. In the term under the previous sentence the invitation shall be publicized in a central daily newspaper and forwarded at least 45 days before the date of the meeting together with the materials for the meeting to the FSC, Central Depository and the regulated market at which the securities of the Company are accepted for trade.

(4) The agenda of the invitation shall be determined under the provisions of the legislation in power. Shareholders who have had more than 5% of the shares of the Company for at least 3 months may demand the inclusion of other questions in the agenda for the meeting according to the provisions of art. 223a of the Commerce act.

### ***Right to Information***

**Art. 40.** (1) The written materials related to the agenda of the General Meeting shall be made available to the shareholders no later than the date of the promulgation of the invitation.

(2) In case the agenda includes election of members to the Board of Directors, the written materials shall contain information about the names, domicile and professional qualification of the persons proposed to be elected to the Board.

(3) The written materials must be presented for no cost to each shareholder upon request.

(4) At the General Meeting, shareholders may ask questions regarding the economic and financial position of the Company and the commercial activity even if the questions are not related to the agenda.

### ***List of the Shareholders Present***

**Art. 41.** (1) A list of the shareholders and/or the proxies of such and the number of shares they owe or represent present at the General meeting shall be prepared. The shareholders and the proxies of such shall verify their presence with their signature. The list shall be countersigned by the chairman and the secretary of the General meeting.

(2) The presence at the General meeting of the proxies of shareholders shall be valid and these shall be entered the list of the shareholders present as far as the provisions of art. 116 of the ASIPC are observed.

### ***Quorum***

**Art. 42.** (1) The resolutions under art. 37, para. 1, pt.1-3 of these by-laws shall be adopted if at least half of the registered capital is present at the General meeting.

(2) In case the quorum under para. 1 is not present a new General meeting may be appointed and shall be legally held regardless of the number of shares present not earlier than 14 days later. The date of the new General meeting may be indicated in the invitation for the first meeting.

### ***Vote and Majority***

**Art. 43.** (1) The vote at the General meeting shall be personal. Vote through proxy shall be allowed in case the provisions of art. 116 of the LPOS, its implementing ordinances and the other provisions of the law are observed.

(2) The resolutions of the General meeting shall be adopted with plain majority of the shares present at the meeting, except in the cases when higher majority for certain resolutions to be adopted is provided by the legislation in power or these by-laws.

(3) The resolutions under art. 37, para. 1, pt. 1-4 of these by-laws shall be adopted with the majority of  $\frac{3}{4}$  of the voting shares present at the meeting.

### ***Minutes of Proceedings***

**Art. 44.** (1) Minutes of proceedings shall be taken for each session of the General meeting containing the data under art. 232, para. 1 of the Commerce act.

(2) The minutes of proceedings shall be countersigned by the chairman, the secretary and the scrutineer of the meeting.

(3) The list of the shareholders present at the meeting and the documents for the convocation of the meeting shall be applied to the minutes of proceedings.

(4) The minutes of proceedings together with the applications shall be kept for at least 5 years after their preparation. These shall be delivered to the shareholders upon request.

(5) The book of minutes shall be kept by a person appointed by the Board of Directors.

### ***Board of Directors***

**Art. 45.** (1) The Board of Directors shall be elected by the General meeting for a 4 year term.

(2) The members of the first Board of Directors shall be elected for a three year term.

(3) The members of the Board of Directors may be reelected to office without restriction.

(4) The members of the Board of Directors shall continue to perform duty after the expiration of their term until a new Board of Directors is elected by the General meeting.

### ***Composition of the Board of Directors***

**Art. 46.** (1) The Board of Directors shall consist of three persons and/or legal entities. The composition of The Board of Directors may be modified by the General meeting at any moment.

(2) Legal entity – member of the Board of Directors shall appoint a person to be represented by and perform its duties as a member of the Board of Directors. The legal entities shall be jointly and severally liable with the persons – members of the Board of Directors for any engagements caused by the actions of their representatives.

(3) The members of the Board of Directors shall possess an university degree and shall not be:

1. convicted for a prepenal criminal offence of general nature;

2. have been declared bankrupt in the capacity of a sole proprietor or unlimited liability partner in a commercial company and they must not be involved in any bankruptcy proceedings;

3. have been members of a managing or supervisory body of a company or a co-operative society terminated due to bankruptcy during the last two years preceding the date of the decision for the declaration of the bankruptcy where there are unsatisfied creditors;

4. deprived of the right to occupy positions involving financial responsibilities;

5. be spouses or relatives with one another in a direct or collateral line up to the third degree inclusive or with a member of a managing or supervisory body of the servicing company.

(4) The requirements under paragraph 2 shall also apply to any natural persons who represent the legal persons which are members of the Board of Directors.

(5) An affidavit, a diploma for higher education and a conviction status certificate shall be presented for the purpose of establishing the circumstances under para. 3.

(6) At least 1/3 of the members of the Board of Directors must be independent persons. The independent member of the Board of Directors shall not be:

1. an employee of the Company;

2. a shareholder who owns directly or through related persons at least 25 % of the votes at the General meeting;

3. a person related to the Company;

4. a person who has lasting trade relations with the Company;

5. a member of an executive or of a monitoring body, procurator or an employee of a company or other legal entity under pt. 2,3 and 4;

6. a person related to another member of the Board of Directors.

### ***Management and Representation***

**Art. 47.** (1) The Company shall be managed and represented by the Board of Directors.

(2) The Board of Directors delegates the execution of its resolutions and operative management of the Company to one of its members (executive director). The executive director may be replaced at any moment.

(3) The Board of Directors shall empower the executive director to represent the Company. The empowerment may be withdrawn at any time.

(4) The name of the person, empowered to represent the Company shall be entered into the Commerce Register and promulgated.

(5) (Amended pursuant to a resolution of the GMA held on 03/06/2006) A member of the Board of Directors may represent the Company upon notary authenticated proxy given by the executive director who is temporary absent.

### ***Powers of the Board of Directors***

**Art. 48.** (1) The Board of Directors shall have the power to:

1. prepare all kinds of documents and materials to be considered by the General meeting;
2. organize and ensure the execution of the resolutions of the Board of Directors;
3. supervise the book-keeping of the servicing company and prepare and file the annual financial report to the General meeting;
4. report to the General meeting on the activity of the Company during the past year;
5. propose to the General meeting on the distribution of dividend;
6. constitute auxiliary bodies to the Board of Directors and define their powers, composition, number and management;
7. define and secure the execution of the economic course of the Company;
8. adopt resolutions to constitute and to dissolve company funds, define the form and the amount of the funds, the way of raising and the way of using funds, in accordance with the provisions of the legislation in power;
9. (Supplemented pursuant to a resolution of the GMA held on 12/16/2006) adopt resolutions to borrow bank loans under art. 11, para. 2, pt. 2 and 3 of these by-laws and observing the special provisions for empowerment by the General meeting if the creditor is a person related to the Company;
10. adopt resolutions to purchase and sell real property and property rights over real estates;
11. (Amended pursuant to a resolution of the GMA held on 12/16/2005) conclude, amend and supplement, terminate and break contracts with servicing companies, depository bank, investment intermediaries, insurance companies as well as all kinds of contracts necessary for the Company to conduct its activity;
12. supervise the execution of the contracts under pt. 11 and represent the Company in exercising its rights under these contracts;
13. insure the real property after its acquisition;
14. appoint the persons applicable under art. 19 of the ASIPC and who have the necessary qualification and experience to appraise the real property in the provisions made by the law for such cases.
15. adopt resolutions regarding the investment of the free cash of the Company observing the restrictions of art. 13 of these by-laws;
16. appoint upon labor contract a director of investor relations under art. 116d of the LPOS;
17. adopt regulations for its activity;
18. (Supplemented pursuant to a resolution of the GMA held on 12/16/2006) adopt unanimously the resolutions to conclude any of the contracts under art. 236, para. 2 of the Commerce act as far as the provisions of art. 114 etc. of the LPOS or other law are observed;
19. adopt other resolutions with respect to which, pursuant to the law or these by-laws, the General meeting does not have exclusive power to adopt.

(2) The Board of Directors shall consider the reports of the servicing company at regular meetings in the order of their entry.

Art. 49. In a 5 year term from the receiving of the license as a special investment purpose company, the Board of Directors may adopt a resolution the Company to issue bonds with total

amount of the bond issue BGN 200 000 000 (two hundred million). The provisions of the bond issue shall be determined by the Board of Directors under the observation of the law in power.

### ***Quorum and Majority***

**Art. 50** (1) (Supplemented pursuant to a resolution of the GMA held on 12/16/2006) The Board of Directors may adopt resolutions in case at least half of its members are personally present or represented by another board member at the board meeting. A member who is present shall not represent more than one of the non-present board members. Members of the board who are present at the meeting may not take part in the adoption of a resolution under art. 114, para. 2 of the LPOS if he is an interested person. In that case the resolution may be adopted only by the members of the board who have the right to vote according to the provisions of the law.

(2) The representation under para. 1 shall be performed under a written proxy given for that particular meeting.

(3) The resolutions of the Board of Directors shall be adopted with plain majority of the voting members under art. 51, para. 1, pt. 3 of these by-laws, except for the case when the law or the by-laws of the Company require a larger majority, in order particular resolution to be adopted.

(4) The Board of Directors may adopt resolutions non-presently if all the members have declared in written form their consent.

### ***Due Diligence and Loyalty. Non-admission of Conflict of Interests***

**Art. 51.** (1) The members of the Board of Directors shall perform their duties with due diligence, they shall be loyal to the Company and perform in the best interest of the shareholders, the members of the Board of Directors shall:

1. perform their duties with professional skill, diligence and responsibility in a manner they reasonably believe to be in interest of all shareholders of the Company and use information they reasonably believe to be authentic, complete and on time;

2. prefer the interests of the Company and its investors better than their personal interest and do not use any facts and circumstances, they became aware of in the course of performing their duties, in order to benefit themselves or any other person;

3. avoid any direct or indirect conflict between their personal interest and the interest of the Company and the shareholders, in case such conflict occurs – to disclose complete and on time information about the particular conflict of interests and do not influence on the other members of the Board of Directors or personally take part in the adoption of resolutions in such cases;

4. do not distribute any information on the discussions that took place and the resolutions that were adopted at the meeting of the Board, or any non-public information concerning the Company, this provision shall be observed even after the member is released from office for until the information is publicly announced.

(2) The provision under para. 1 shall be applicable to persons who represent legal entities – members of the Board of Directors, as well.

### ***Proceedings***

**Art. 52.** (1) The Board of Directors of the Company shall adopt regulations on its proceedings and appoint one of its members to be chairman.

(2) The Board of Directors shall gather at regular monthly meetings or at extraordinary meetings, summoned by the chairman.

(3) Each member of the Board of Directors shall have the right to apply to the chairman to summon a meeting on a particular matter. In that case the chairman shall be obliged to summon the meeting by sending notifications to the members of the Board of Directors in three-day term prior to the meeting, except for the case when the urgency of the particular matter demands immediate convocation of the meeting.

(4) The notification shall obligatory determine place, date, time and agenda for the meeting.

(5) Notification shall not be necessary for members of the Board of directors who were notified at the previous meeting for the exact place, date, time and agenda for the next meeting. The non-present members shall be notified according to para. 3 and para. 4.

(6) Each member of the Board of Directors shall have the right to demand from the chairman or from any other member of the Board of Directors the necessary materials, regarding the matter to be discussed at the forthcoming meeting.

### *Minutes of proceedings*

**Art. 53.** (1) Minutes of proceedings shall be taken for each session of the Board of Directors and shall be countersigned by all members of the Board of Directors present the meeting.

(2) Minutes of proceedings shall be taken and kept by the director of investor relations.

**Art. 54.** (1) Within seven days of their election, the members of the Board of Directors must present a monetary guarantee for their management in an amount to be determined by the General Meeting, but not less than the three months gross remuneration. On the matters of presentation, redemption and consequences of non-presentation of the guarantee, the provisions of art. 116c, para. 2-6 of the LPOS shall be applicable.

(2) The members of the Board of Directors shall be jointly and severally liable for damages caused to the Company through their fault.

(3) Any one of the members of the Board of Directors may be relieved from liability by the General Meeting, in case it is established that he has no fault for the caused damages. The General Meeting may relieve a member from liability at the Annual General meeting, if audited annual and/or transitional report for the period for which the member is being relieved from liability is presented.

### *Regulations on the Determination of the Remunerations of the Management*

**Art. 55.** (1) The monthly remuneration of each member of the Board of Directors, except for the executive director of the Company, may not exceed more than the six times the minimal monthly remuneration for the country. The remuneration shall be paid monthly in cash or via banking account at the first day of the month, following the month for which it is due.

(2) The monthly remuneration of the executive director of the Company may not exceed more than the ten times the minimal monthly remuneration for the country.

(3) Along with the monthly remuneration under para. 1 The Chairman of the Company and the executive director shall receive additional remuneration with the total amount of not more than 0.5% of the average annual value of the balance sheet assets of the Company.

(4) The General Meeting, observing the provision of art. 60 hereof, shall determine the exact amount of the remunerations under para. 1 and para. 2.

## **SECTION IV SERVICING COMPANIES AND DEPOSITARY BANK**

### *Activity of the Servicing Companies*

**Art. 56.** (1) The Company may not directly carry out the operation and maintenance of the acquired real property. It shall assign to one or more commercial companies (servicing companies) the activities under the previous sentence.

(2) The Company shall assign to the servicing company other activities, under the provisions of the law.

(3) The rights and the duties of the servicing companies shall be specified in a particular contract, according to the activities they are assigned to and under the provisions of the law and these by-laws.

(4) (New - pursuant to a resolution of the GMA held on 12/16/2005) The servicing company/companies shall take care of all or a part of the following, related to real property – owned by the Company, or that the Company intends to invest in, activities:

- a) creation of financial models and projects for investment in real property;
- b) preparation of prospectus for public offering of securities;

- c) preparation of applications for investment credits;
- d) examination of the status of particular real property, presence or absence of real burdens, legal provisions to which the particular real property is subject, owners, collecting of the necessary documents in order to obtain as complete as possible information on the real property and if possible prepare a transaction, offering the Company to conclude a contract in the form provided by the law for real estate transactions;
- e) supply, issue and obtaining of all the documents necessary in order to demolishing (old buildings on land – property of the Company), starting, performing and finishing the construction of new buildings, obtaining of operation certificates and performing all kinds of construction activities;
- f) entering into operation of the real property owned by the Company, performing of all kind of finishing works on the buildings and preparing to make them available for letting, leasing, tenancy and/or selling them.
- g) conclusion of contracts for letting, leasing, tenancy and/or selling of real property – owned by the Company, supervision over the execution of the contracts, collection of the contracted dues, maintenance of the real property – subject to a contract, termination of contracts and demand of liability in case of negligence, including the compulsory collection of dues;
- h) management and reparation of real property – owned by the Company;
- j) accountancy and safe-keeping of the books and the correspondence of the Company;
- k) all kinds of activities that the servicing company is assigned to by the Company and is in the subject of activity of the Company.

(5) (New - pursuant to a resolution of the GMA held on 12/16/2005) The servicing company must report to the Board of Directors of the Company on its activities at least once at every three months.

(6) (Amended - pursuant to a resolution of the GMA held on 03/06/2006) The servicing company may be empowered by the Company to represent it in the conclusion of particular contracts or to perform other legal actions. The resolution for the empowerment shall be adopted by the Board of Directors of the Company in accordance with art. 50 hereof and the proxy shall be signed by the person who represents the Company.

(7) (Amended - pursuant to a resolution of the GMA held on 03/06/2006) In the course of performing its duties the servicing company may assign some but not all of the activities determined in the contract with the Company to a third party. The third party must not be among the persons specified in art. 8, para. 2, pt. 5 of the ASIPC.

(8) (New - pursuant to a resolution of the GMA held on 12/16/2005) The servicing company may not offset its fee against funds of the special investment purpose company.

***Requirements to the Servicing Companies. Substitution of a servicing company (this title amended)***

**Art. 57.** (Amended - pursuant to a resolution of the GMA held on 12/16/2005) (1) The servicing companies shall satisfy the following conditions:

1. to be commercial company of good reputation;
2. not to be involved in any bankruptcy or liquidation proceedings;
3. to have in place the necessary organization and resources, software, as well as enough personnel with the necessary qualification and experience to perform the activities under art. 56 hereof.

(2) The replacement of the servicing company shall be allowed subject to the approval thereof by the FSC in accordance with art. 15 of the ASIPC.

***Regulations for determination of the Remunerations of the Servicing Companies***

**Art. 58.** The amount of the remuneration of the servicing company shall be reasonable in terms of the character and the amount of the activities it is assigned to and the circumstances of the market in the country. The amount of the remuneration shall be determined and amended according to the provisions of art. 55 hereof.

***Depositary Bank***

**Art. 59.** (1) The depository bank shall keep the cash and the securities of the Company. The immaterialized securities, owned by the Company, shall be entered the Central Depository register or another depository institution in a sub-account of the depository bank.

(2) The depository bank shall make all payments for the account of the Company and observe their compliance with the law, these by-laws and the prospectus of the Company.

(3) The depository bank shall comply with the provisions of art. 173 of the LPOS.

(4) The relations between the Company and the depository bank shall be regulated with a contract for depository services, concluded with a depository bank, appointed by the Board of Directors of the Company. The Depository bank shall act with due diligence in the best interest of the Company.

## **SECTION V MAXIMUM AMOUNT OF EXPENCES FOR THE MANAGEMENT OF THE COMPANY**

**Art. 60.** The maximum amount of all the expenses for the management and servicing of the Company, including the expenses for the remuneration of the members of the Board of Directors, expenses for the servicing companies, expenses for the registered auditor, expenses for appraisal experts and expenses for the depository bank shall not exceed 15 % of the average value of the balance sheet assets of the Company.

## **SECTION VI CLOSING OF THE FINANCIAL YEAR. DISCLOSURE OF INFORMATION**

### **Documents for the Closing of the Financial Year**

**Art. 61.** (1) Until the end of the month of February every year, the Board of Directors shall compose the annual financial statement and management report and present it to the registered auditor, appointed by the General meeting.

(2) In case the General meeting has not appointed a register auditor until the end of the previous year, one shall be appointed by the court upon request from the Board of Directors and/or a shareholder.

### ***Management Report***

**Art. 62.** (1) After the complete report of the auditor/auditors is received, the Board of Directors shall present to the General Meeting the annual financial report and management report and the complete report of the auditor.

(2) The course of activity and the status of the Company shall be stated in the management report and the annual financial report shall be clarified.

### ***Regular and Ad Hoc Disclosure of information***

**Art. 63.** (1) The annual financial report of the Company audited by the registered auditor and approved by the General Meeting shall be entered the Commerce Register and notification on that to be promulgated in the State Gazette. The report shall be publicized and presented to the authorities specified by the law.

(2) The Company shall present to the FSC and the regulated market, on which the securities of the Company are accepted to trade, annual and three-month report with the contents under the ASIPC, the LPOS and the implementing ordinances. The Company shall publicize notification about the presentation of the reports to the FSC, the location of the reports, the order and time for apprehension with the reports shall be publicized in a central daily newspaper at least 7 days prior to the presentation.

(3) The Company shall disclose information that might effect the price of the securities of the Company in a direct or an indirect manner on a regular basis in the terms and under the conditions of the LPOS and the implementing ordinances.

## SECTION VII

### Distribution of Profit

**Art. 64.** (1) The Company shall distribute dividends if according to the audited and approved financial report for the particular year the net value of the assets, decreased with the dividends, that are due to be paid, is not less than the total sum of the registered capital of the Company, the "Reserve fund" and the other funds, that the Company is due to form according to the law of hereof.

(2) Under the provision of para. 1 the net value of the assets shall mean the difference between the value of the rights and the value of the dues according to the balance sheet of the Company.

(3) Payments under para. 1 shall be made up to the amount of the profit for the particular year, undistributed profit from previous years, the part of the "Reserve fund" and the other funds of the Company, that exceed the minimal amount under the law and the by-laws of the Company, decreased with the uncovered losses from previous years and the instalments the Company must make to the "Reserve fund" and the other funds.

(4) The Company shall distribute as dividends no less than 90 per cent of the profit for the financial year.

(5) The profit subject to distribution shall be the financial result (accounting profit/loss), adjusted as follows:

1.increased/decreased with the expenses/revenues from subsequent assessments of real estates;

2.increased/decreased with the losses/profits from transactions involving the conveyance of title to real property;

3.increased/decreased in the year of conveyance of title to real property with the positive/negative difference between:

a) the sales price of the real estate, and

b) the amount of the historic price of the real estate and the subsequent expenses which have led to an increase of its balance sheet amount;

4.increased/decreased with the losses/profits from sales accounted for in the year of concluding of financial leasing contracts;

5.increased/decreased in the year of expiration of the term of the financial leasing contract with the positive/negative difference between:

a) the revenue from the sale of the real estate, registered in the beginning of the term of the financial leasing contract, and

b)the amount of the historic price of the real estate and subsequent expenses which have led to an increase of its balance sheet amount.

(6) (Amended - pursuant to a resolution of the GMA held on 06/06/2006) The dividends shall be paid to the shareholders not later than nine months from the end of the particular financial year.

## SECTION VIII (New - pursuant to a resolution of the GMA held on 12/16/2005)

### Transformation, Termination and Liquidation

#### *Transformation*

**Art. 65.** (1) The Company may not be transformed into another kind of commerce company and may not change its subject of activity.

(2) Transformation through acquisition or merger shall be performed upon approval of the FSC and only with the participation of another special investment purpose company for securitization of real property.

(3) Transformation through split or separation shall be performed upon approval of the FSC and the newly formed company or companies shall be special investment purpose companies as well.

## *Termination*

**Art. 66.** (1) The Company shall be terminated in the following occasions:

1. upon resolution of the General Meeting and under provision determined hereof or in the prospectus for public offering of the securities of the Company;
  2. in case the Company is declared bankrupt;
  3. suspension of the license to operate as a special investment purpose company by the FSC;
  4. in any other case provided by the law.
- (2) The termination of the Company shall be performed subject to the permission from the FSC.
- (3) The persons appointed as liquidators or assignees in bankruptcy of the Company shall be approved by the FSC.

## **CONCLUSIVE PROVISIONS**

§ 1. For issues left unregulated hereof the provisions of the Act on Special Investment Purpose Companies, the Law on the Public Offering of Securities and the Commerce Act (with the exclusion of the provisions excluded by the ASIPC) and the implement ordinances shall apply.

§ 2. In case the FSC has refused to issue a license to operate as a special investment purpose company to the Company and after the refusal has become effective the General Meeting shall adopt the necessary amendments to its acts of constitution and, if the General Meeting has not decided otherwise, the Company shall continue to exist and perform activity as a common commerce company under the Commerce Act.

§ 3. In case of incompliance of provisions of these by-laws and provisions of a law, the law shall be applicable; in that case it shall not be necessary amendments to be made to the by-laws, except for the case when specific provisions of a law state otherwise.

§ 4. These by-laws were adopted by the Constituent meeting of "FairPlay Properties" REIT held at 07/15/2005 in the city of Sofia and was amended and supplemented pursuant resolution of the GMA held on 12/16/2005, resolution of the GMA held on 03/06/2006 and resolution of the GMA held on 06/06/2006.