

**Program for application of the  
internationally recognized standards of  
good corporate management of**

**“City Properties” REIT**

“City Properties” REIT is a joint-stock company with special investment aim, established and registered in the trade registry in April 2007 with capital of 500 000 BGN, distributed in 500 000 ordinary, unavailable, free transferred shares.

The Company received its license from the Financial Supervision Commission, about accomplishing activity as a company with special investment aim. According to the Statute of “City Properties” REIT, the subject of activity of the company is investment of monetary means raised by issue of securities into real estates (securitization of real estates) by the purchase of ownership right and other real rights on real estates as well as execution of constructions and their improvements aimed to be submitted for management, renting, leasing, granting on rent and/or their sale.

According to the regulations of the Act for public offering of securities, the Company has a contract with depositary bank – Raiffeisen Bank (Bulgaria), and contracts with two servicing companies – “Top Pro” EOOD and “TMF Services” OOD.

The Company has been registered by a resolution of Sofia District Court from 02.04.2007. On 05.12.2007, by resolution No:1582 – REIT, the Financial Supervision Company has confirmed the prospectus about the initial public offering of shares from “City Properties” REIT, and has registered the Company as an issuer in its register.

“City Properties” REIT is a company of a single-tier form of management. The Board of Director has the following members:

- Stoyan Todorov Toshev – Chairman of the Board of Directors;
- “Transstroy – Bourgas” AD, registered under company case 3249/1994 of Bourgas District Court, represented in the Board of Directors by Velimir Iliev Tonkov – Executive director.
- Yanko Petrov Pashov – independent member of the Board of Directors according to art.116a, paragraph 2 of the Act for public offering of securities, and vice-chairman of the Board of Director

“City Properties” REIT is represent by the Executive director “Transstroy – Bourgas” AD, with representative Velimir Iliev Tonkov.

The Board of Directors has not authorized procurator or other trade representative.

The capital of “City Properties” REIT is totally installed in monetary means. After the constituent assembly and its first compulsory initial rising by public offering of shares according to Art. 13 of the Act for companies with special investment aim, the capital is 650 000 BGN. According to the Company’s Statute, the Board of Directors is authorized to rise the capital up to five years from the date of the court registration of the Company in size up to 100 000 000 BGN.

Name of the issuer	“City Properties” REIT
Depository Bank	“Raiffeisen Bank (Bulgaria ) EAD
Servicing companies	“TMF Services” OOD “Top Pro” EOOD
Size of the constituent capital	500 000 (five hundred thousands) BGN
Number of the shares	500 000 (five hundred thousands) shares
Capital size in March 2008	500 000 BGN
Nominal value of a share	1 (one) BGN
Establishing date	02.04.2007
Time limit	The Company has been set up for an indefinite time limit.
Number and date of the permission of Financial Supervision Commission	No: 1582 – REIT/05.12.2007
Number and lot of the entering in the Trade register	“City Properties” REIT has been entered in to the register of Sofia District Court under company case No: 4973/2007
Code by BULSTAT	175264350
Phone	02/870-82-69

### **I. General provisions**

1. The present program has been developed in compliance with art. 100n, paragraph 4, item 3 of the Act for public offering of securities.
2. The program has been accepted on a sitting of the Board of Directors in March 2008. It will be corrected if there is change in the members of the Board of Directors, or in the circumstances related with the functioning of the Company.
3. The directly executing of the program is an obligation of the Company’s Board of Directors.

## **II. Main aims and principles, evolving from the accepted program**

1. To ensure saving and increasing the value of the shareholders' investments by realization of a stable income with balanced risk distribution, and to provide an ability for investing in varied portfolio of real estates, acting in the principle of distribution of the shareholders' risk

2. To ensure the rights of its shareholders and to provide equal treating as for majority as well for minority shareholders. By the moment of developing of the present program, the capital of "City Properties" REIT is distributed between 3 juridical persons. The expectations are that the number of the shareholders will grow up with increasing the value of the company's capital. That's why protecting the rights of the future shareholders is very important;

3. To provide on time and correct revealing of information requested by the law, related with the Company's activity;

4. To secure the acknowledging the rights of the persons, interested in Company's management, and to act for improving their faith in the management.

## **III. Realization of the main aims**

1. The investment strategy of "City Properties" REIT is based on the ambition for increasing the investments' value, and receiving of current income by managing the risk, including diversification the portfolio of real estates. The investment aims of the Company are:

- saving and increasing the market price of the shares issued by the Company;
- ensuring a current income for the shareholders as monetary dividend;
- making profit from the bigger value of the real estates by selling them;
- providing liquidity of the shareholders' investment by registering the Company's shares on a regulated shares market.

According to its statute and its registration document the investment policy of "City Properties" REIT foresees securitization of the following estates:

### Investment restrictions of "City Properties" REIT

Housing estates	Up to 50% of the assets
Agricultural estates	Up to 60% of the assets
Parcels	Up to 50% of the assets
Offices	Up to 80% of the assets
Commercial estates	Up to 30% of the assets
Industrial estates	Up to 10% of the assets

The investment policy of the Company foresees investment of the temporary spare funds in all allowed by the law ways, which by the present moment includes:

- securities, issued or guaranteed by the Bulgarian country, and bank deposits – without restrictions;
- mortgage bonds, issued by the order and conditions of the Act for the mortgage bonds – up to 10% of the assets of the Company.

According to its statute, the Company may invest up to 10% of its capital in one or more servicing companies. This could be done if and when the Board of Directors of the Company assessed that, that kind of investment is in best interest for its shareholders.

2. The protection of the shareholders of “City Properties” REIT, is provided by the rights of their ordinary shares by the force of the Company’s Statute, Act for public offering of securities, and Trade Act:

- Right for one vote in the General Meeting of the shareholders – the right can be executed personally or by authorized third person;
- Right for dividend in the distribution of the profit, in proportion with the owned share;
- Right of a liquidation stake in proportion with the liquidation stake of the shares in case of termination of the Company;
- When there is capital rising, every shareholder has right to acquire shares which corresponds with his stake of the capital before the rising.
- Right to participate in the management, to vote and to be elected in the managing bodies;
- Right for information;
- Right to appeal in front of the court the decisions of the General Meeting of the shareholders which contradicts the law or the Statute of the Company;
- Right to bring suits – when there is inactivity of the managing bodies which jeopardizes the interests of the Company, persons who owns together or separately at least 5% of the capital of “City Properties” REIT may bring suits in front of the court.

All these rights, ensures equally treatment of all shareholders of the Company – minority and majority.

In executing of Art.116 of the Act for public offering of securities, the Board of Directors, appointed on a labor contract Investor Relations Director. His duties are to watch for keeping the rights of all shareholders, to explain their rights and to inform them about all matters related with the activity of “City Properties” REIT which are not confidential information. The Director for relations with the investors shall prepare report about his activity in clear and accessible language, which he presents to the shareholders on the annual general meeting of the company.

3. In relation with the requirements for revealing information from company with special investment aim, “City Properties” REIT has the following basic obligations:

3.1. Obligation to reveal information directly to the shareholders and the investors of the company – the shareholders of “City Properties” REIT has right to receive the following information:

- To be familiar in advance with the written materials about the agenda of the General meeting of the shareholders, and to receive them every time they request that;
- To get familiar with the content of the protocol from the taken General meeting and to receive a copy from the protocol of the General meeting, from the vice chairman who manages government “Supervision of the investment activity” in Financial Supervision Commission, and to get familiar with the content of the web site of the company;
- To ask questions about the economic and financial condition and the commercial activity of the Company, except circumstances, which are internal information irrespective if this questions are related with the agenda of the General meeting.
- The information for the investors, including the Prospectus about public offering of securities, the financial reports, and the Statute of the Company will be placed on the web site of “City Properties” REIT. The same documents will be available for the investors in the office of the Company.

3.2. Obligation for revealing information in the Financial Supervision Commission and Bulgarian Stock Exchange – Sofia:

- The Company presents in the Financial Supervision Commission and in Bulgarian Stock Exchange – Sofia, quarterly and annual reports with normatively settled content;
- “City Properties” REIT has the obligation to reveal information and in many other circumstances defined by the law and under law acts, as changes in the members of the Board of Directors, changes in the registered auditor, information about new investments and others.
- The Director for relations with the investors who is obliged to ensure the on time revealing of the information about the Company’s activity, shall keep actual information about all notifications from the Company, and the time limits for submitting them to the competent bodies;
- A contract will be concluded (in execution with the requirements of Art. 100t, paragraph 3 of the Act for public offering of securities) with an information agency or media, which has to provide revealing of the regulated information to the public.

4. The transparence in the management of “City Properties” REIT, and the control above the management regarding the Board of Directors of the Company is granted by the following circumstances, defined in the company’s Statute and in the low:

- The annual financial report of “City Properties” REIT is due to be liable to independent financial audit. The Company prepares its financial reports in compliance with the regulations of the International financial standards, issued by the Committee of International Accounting Standards;

- The Director for relations with the investors keeps correct and complete reports from the sittings of the General meeting, with arguments about the accepted resolutions by the points of the agenda;
- The Board of Directors prepares report about the Company's activity. The General meeting of the shareholders accepts it and accepts the management report too, which is part of the Annual financial report liable to submitting in the Financial Supervision Commission;
- The members of the Board of Directors corresponds with the requirements of Art.116a, paragraph 2 of the Act for public offering of securities – at least one third of them should be independent persons;
- The members of the General meeting should have the necessary qualification and experience for executing the Company's activity;
- The General meeting of the shareholders elect and relieve members of the Board of Directors, determines the rewards and their limits for their management, approves the Annual financial report after legalization by the registered auditor of the Company;

The members of the Board of Directors guarantees that their activities related with the corporative and operative management of "City Properties" REIT will be absolutely grounded, conscientious and for the interest of the Company and its shareholders, during execution of this program.