

MEMO

Re: *The change of the new Investment Management Agreement signed between Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch and Fondul Proprietatea SA in April 2014 as proposed by the Fund Manager*

FSA issued the Decision no. 111/5 August 2014 proposing several changes for the Investment Management Agreement signed between Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch and Fondul Proprietatea SA in April 2014.

The Fund Manager proposes the shareholders the approval of the Addendum no. 2 to the Investment Management Agreement, as mentioned below and the empowerment of the Chairman of the Board of Nominees to sign the said Addendum no. 2 with the Sole Administrator on behalf of Fondul Proprietatea SA. The Addendum no. 2 shall be effective from the latest of the following dates: (i) the date of the endorsement by the FSA of such; and (ii) 15 October 2014.

The Fund Manager notes that these amendments would reinstate the same terms as were in the Investment Management Agreement approved by shareholders and signed by the Chairman of the Board of Nominees and the Fund Manager on 29 April 2014, but not approved by the FSA. The one exception to this principle is the addition of a clarification in the wording of the Annex to the Investment Management Agreement, regarding the Distribution Fee, which has been specified in order to reflect the original agreement that these fees should apply from 30 September 2014 (even if these amendments are approved by FSA and take effect at a later date).

**Addendum no. 1 as proposed by FSA
through Endorsement no. 111/05 August
2014**

2. DEFINITIONS

Force Majeure Event means, in relation to any party, any act, event or circumstance, the cause of which is not of such party's making nor within that party's reasonable control, including without limitation (to the extent not of that party's making nor within that party's reasonable control) act of God, war, hostilities (whether or not war has been declared), terrorist acts, acts of any civil or military authority, governmental or regulatory direction or restriction, suspension or withdrawal of licences or consents, currency restrictions, **devaluations and fluctuations**, market conditions affecting the execution or settlement of transactions or the value of assets, failure or breakdown in communications, the failure of any relevant exchange or clearing house, riot, insurrection, civil commotion, public demonstration, sabotage, acts of vandalism, fire, flood, earthquake, extreme weather conditions, epidemic or pandemic, explosion,

**Addendum no. 2 as proposed by the Fund
Manager**

2. DEFINITIONS

Force Majeure Event means, in relation to any party, any act, event or circumstance, the cause of which is not of such party's making nor within that party's reasonable control, including without limitation (to the extent not of that party's making nor within that party's reasonable control) act of God, war, hostilities (whether or not war has been declared), terrorist acts, acts of any civil or military authority, governmental or regulatory direction or restriction, suspension or withdrawal of licences or consents, currency restrictions, **devaluations and fluctuations**, market conditions affecting the execution or settlement of transactions or the value of assets, failure or breakdown in communications, the failure of any relevant exchange or clearing house, riot, insurrection, civil commotion, public demonstration, sabotage, acts of vandalism, fire, flood, earthquake, extreme weather conditions, epidemic or pandemic, explosion,

aircraft crashes or things falling from aircraft, release of ionising radiation or contamination by radioactivity, chemical or biological contamination, the order of any court or governmental or regulatory authority, delay in transportation or communications, breakage of or accidental damage to equipment, any strike, lock-out or other industrial trade dispute (not involving solely the employees of that party), structural shift or subsidence;

2. DEFINITIONS

New Appointment Date means, in relation to the appointment of a new fund manager and sole director, or, in the event the Customer becomes a self-managed fund, new directors of the Customer following termination of this Management Agreement, the later of: (i) the date when the new ~~or, if decided by the Customer, interim,~~ fund manager and sole director, or, as the case may be, new directors, are registered with the Trade Registry or any other competent authority as per the applicable legal provisions; and (ii) the date when the FSA issues its approval in relation to the appointment of the new, ~~or, if decided by the Customer, interim,~~ sole director and fund manager or as the case may be, new directors, and, (iii) the date when all other mandatory legal requirements for the replacement of the Fund Manager have been satisfied, and, in each of the cases under paragraphs (i), (ii) and (iii), being effective on the date that the Fund Manager received notice (or ought reasonably to have received notice) of the event;

aircraft crashes or things falling from aircraft, release of ionising radiation or contamination by radioactivity, chemical or biological contamination, the order of any court or governmental or regulatory authority, delay in transportation or communications, breakage of or accidental damage to equipment, any strike, lock-out or other industrial trade dispute (not involving solely the employees of that party), structural shift or subsidence;

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**9. FUND MANAGER
PERFORMANCE OBJECTIVES.
ANNUAL REPORTING**

9.6. The Performance Report, together with the BoN Review Report will be reviewed by the shareholders in the October GSM. The agenda of each October GSM will allow the shareholders the opportunity to vote on (i) the continuation or termination of this Management Agreement and the Fund Manager's mandate, any proposed termination ensuring the simultaneous termination of the Fund Manager's mandate and the Management Agreement and (ii) ~~the procedure for the selection of a new Sole Director and Fund Manager, in case the shareholders vote for the termination of the Management Agreement and of the Fund Manager's mandate. Such procedure will be prepared by the Fund Manager and agreed with the BoN before its inclusion in the language of the draft resolution of the October GSM the start of the procedures set out by the legislation in force for the selection of a new fund management and sole director or the transformation of the company into a self-managed closed-end fund.~~

13. TERMINATION

13.3 The Fund Manager may terminate this Management Agreement and resign its mandate as Sole Director with six months' prior written notice. Not later than five business days following the Termination Notice Date, but subject to timely approval of the GSM agenda by the BoN, the Fund Manager will call the OGM having on the agenda ~~the approval of the procedure for the selection of a new Sole Director and Fund Manager. Such procedure will be prepared by the Fund Manager and agreed with the BoN before its inclusion in the language of the draft resolution of the OGM the notification of the shareholders regarding the unilaterally termination of the agreement and the initiation of the procedures set out by the legislation in force for the selection of a new fund manager and sole director or the transformation of the company into a self-managed closed-end fund.~~

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13. TERMINATION

13.3 The Fund Manager may terminate this Management Agreement and resign its mandate as Sole Director with six months' prior written notice. Not later than five business days following the Termination Notice Date, but subject to timely approval of the GSM agenda by the BoN, the Fund Manager will call the OGM having on the agenda the approval of the procedure for the selection of a new Sole Director and Fund Manager. Such procedure will be prepared by the Fund Manager and agreed with the BoN before its inclusion in the language of the draft resolution of the OGM.

13. TERMINATION

13.4 The Fund Manager may terminate this Management Agreement and resign its mandate as Sole Director by as much prior written notice to the Customer as is reasonably practicable, if:

13.4. (b) if material obligations under this Management Agreement can no longer be fulfilled due to changes in the applicable law compared to the date of signing this Agreement, provided that the Fund Manager has used reasonable endeavours to comply with or (if it is not possible for the Fund Manager to do so) to propose a reasonable alternative arrangement involving an Affiliate which would comply with the relevant law, in accordance with clause 14.3 below, but despite those efforts compliance would not be possible; or

14. AMENDMENT OF THE MANAGEMENT AGREEMENT AND ASSIGNMENT OF RIGHTS

14.3 To the extent that changes in the applicable law or regulation following the signing of this Management Agreement (including, without limitation, the future provisions implementing the Directive 2011/61/EU on Alternative Investment Fund Managers under Romanian legislation) impose requirements on the Fund Manager in the performance of this Management Agreement with which the Fund Manager cannot comply, the Fund Manager undertakes to use reasonable endeavours to continue performance of the services to the extent legally possible and, to the extent not legally possible, to procure that a reputable Affiliate shall agree to provide the same services on substantially the same terms to the Customer. For the avoidance of any doubt, the appointment of such Affiliate, as well as the implementation of any amendments to this Management Agreement or any other alternative arrangement proposed by the Fund Manager are subject to consent by the Customer, at its full discretion and nothing in this Management Agreement shall be construed as an expressed prior consent in this respect.

18. FORCE MAJEURE

18.4 If any Force Majeure Event shall

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18. FORCE MAJEURE

18.4 If any Force Majeure Event shall

substantially impair the ability of the Fund Manager to carry out its duties under this Management Agreement, the Customer shall be entitled to appoint a replacement manager until such event is rectified. If the Fund Manager remains unable to deliver (whether through Delegates or outsourcees or otherwise) substantially all its services under this Management Agreement after three months from the appointment of the relevant replacement manager have elapsed, the Customer shall be entitled to terminate the appointment of the Fund Manager on immediate notice shall urgently convene the GSM for the initiation of the legal procedures for the selection of a new fund manager and sole director or the adoption of a resolution regarding the transformation of the company into a self-managed closed-end fund.

19. APPLICABLE LAW AND JURISDICTION

19.1. This Management Agreement is governed by and shall be construed in accordance with the **Romanian** laws.

19. APPLICABLE LAW AND JURISDICTION

19.2. Dispute Resolution

a) Any dispute or difference arising out of or in connection with the Management Agreement, including without limitation any disputes regarding its valid conclusion, existence, interpretation, nullity, breach, amendment, termination in any way of this Management Agreement (each a “Dispute”), that cannot be resolved by amicable negotiations within a reasonable period of time from the notice served by any of the Parties relating to the potential Dispute shall be finally resolved by the **Paris** Court of Arbitration under **its** Rules of arbitration. The Party requesting the initiation of the arbitration proceedings shall serve the other Party with a written notice that such proceedings will be initiated.

b) The place of the arbitration shall be **Paris**, the language of the arbitration shall be English, and the tribunal shall consist of three (3) arbitrators appointed in accordance with the

substantially impair the ability of the Fund Manager to carry out its duties under this Management Agreement, the Customer shall be entitled to appoint a replacement manager until such event is rectified. If the Fund Manager remains unable to deliver (whether through Delegates or outsourcees or otherwise) substantially all its services under this Management Agreement after three months from the appointment of the relevant replacement manager have elapsed, the Customer shall be entitled to terminate the appointment of the Fund Manager on immediate notice.

19. APPLICABLE LAW AND JURISDICTION

19.1. This Management Agreement is governed by and shall be construed in accordance with the laws of **England & Wales**.

19. APPLICABLE LAW AND JURISDICTION

19.2. Dispute Resolution

a) Any dispute or difference arising out of or in connection with the Management Agreement, including without limitation any disputes regarding its valid conclusion, existence, interpretation, nullity, breach, amendment, termination in any way of this Management Agreement (each a “Dispute”), that cannot be resolved by amicable negotiations within a reasonable period of time from the notice served by any of the Parties relating to the potential Dispute shall be finally resolved by the **LCIA (London Court of International Arbitration)** under the **LCIA** Rules of Arbitration. The Party requesting the initiation of the arbitration proceedings shall serve the other Party with a written notice that such proceedings will be initiated.

b) The place of the arbitration shall be **London**, the language of the arbitration shall be English, and the tribunal shall consist of three (3) arbitrators appointed in accordance with the

Rules of arbitration of ICC Paris.

e) — Any award of the arbitral tribunal rendered in accordance with this clause shall be final and binding on the Parties.

d) — The award shall be voluntarily executed by the parties in any jurisdiction, or else award enforcement proceedings may be instituted in any court in the country where the recognition of such arbitration award is requested.

e) — In the event of a Dispute, the Party prevailing in such Disputes shall be entitled to recover all expenses, including without limitation reasonable legal fees and expenses and arbitral and court related costs, incurred in ascertaining such Party's rights under this Management Agreement and preparation of application and enforcement of such Party's rights, as determined by the arbitration tribunal, whether or not it was necessary for such Party to institute any enforcement proceedings to achieving the enforcement of its rights.

21. TRANSITORY AND FINAL PROVISIONS

21.2. For the duration of this Management Agreement and irrespective of any replacement of the Fund Manager to which the Customer may consent, the Fund Manager undertakes (and must ensure that any entity in its group with which the Fund Manager may be replaced undertakes) that (i) it will not, without the prior express written approval of the BoN, change, replace or dismiss, save as a result of misconduct by the employee, Mr. Grzegorz Maciej Konieczny from acting in his capacity as the Fund Manager's and the Sole Director's representative with respect to the Customer, nor do any similar acts or things or do anything which may have a similar effect, and (ii) it will use all reasonable efforts to procure that Mr. Grzegorz Maciej Konieczny must, for the duration of his employment by the Fund Manager (or any replacement to whom investment discretion is allocated) in the course of this Management Agreement, devote the necessary time for the management of the Portfolio.

22. SIGNATORIES

This Management Agreement will be signed in Romanian and English language and executed

LCIA Rules.

c) Any award of the arbitral tribunal rendered in accordance with this clause shall be final and binding on the Parties.

d) The award shall be voluntarily executed by the parties in any jurisdiction, or else award enforcement proceedings may be instituted in any court in the country where the recognition of such arbitration award is requested.

e) In the event of a Dispute, the Party prevailing in such Disputes shall be entitled to recover all expenses, including without limitation reasonable legal fees and expenses and arbitral and court-related costs, incurred in ascertaining such Party's rights under this Management Agreement and preparation of application and enforcement of such Party's rights, as determined by the arbitration tribunal, whether or not it was necessary for such Party to institute any enforcement proceedings to achieving the enforcement of its rights.

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22. SIGNATORIES

This Management Agreement will be signed in the English language and executed in 3

in 3 originals, one for the Fund Manager and two for the Customer. **The Fund Manager will prepare Romanian language translations to be submitted with the GSM and the necessary authorities.**

Annex

The fees due to the Fund Manager in accordance with clause 10 of this Management Agreement shall be calculated and paid in RON by the Customer in compliance with the following provisions.

The fee shall be calculated based on a (i) Base Fee, **and (ii) a Distribution Fee.**

The Base Fee is applied to the notional amount according to the following formula:

the Base Fee Rate multiplied by the notional amount, multiplied by the number of calendar days of payment, divided by 365,

where

the Base Fee Rate = 60 basis points per year;

1 basis point = 0.0001; and

the notional amount is the market capitalization of the Customer which is defined as the number of the Customer's paid shares, minus the weighted average number of the Customer's settled own shares held in treasury over the calculation period, then multiplied by the weighted average market price of the Customer's shares calculated for the corresponding quarter. The weighted average market price is computed based on the daily average market prices of the Customer's shares and corresponding daily volumes, as published by Bucharest Stock Exchange REGS section. If the number of shares relevant for the computation of the Base Fee (described above) changes over the calculation period, the Base Fee will be an aggregation of the computation for each sub-period.

2. **It is recognized that distributions beneficial**

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Annex

The fees due to the Fund Manager in accordance with clause 10 of this Management Agreement shall be calculated and paid in RON by the Customer in compliance with the following provisions.

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the Base Fee Rate multiplied by the notional amount, multiplied by the number of calendar days of payment, divided by 365,

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the Base Fee Rate = 60 basis points per year;

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the notional amount is the market capitalization of the Customer which is defined as the number of the Customer's paid shares, minus the weighted average number of the Customer's settled own shares held in treasury over the calculation period, then multiplied by the weighted average market price of the Customer's shares calculated for the corresponding quarter. The weighted average market price is computed based on the daily average market prices of the Customer's shares and corresponding daily volumes, as published by Bucharest Stock Exchange REGS section. If the number of shares relevant for the computation of the Base Fee (described above) changes over the calculation period, the Base Fee will be an aggregation of the computation for each sub-period.

2. **It is recognized that distributions beneficial**

to shareholders would reduce the notional amount upon which the Base Fee is calculated; to reward the Fund Manager for arranging such distributions, a Distribution Fee shall be payable as follows:

—200 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares and returns of share capital) made available up to and including 31 October 2015; and

—100 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares and returns of share capital) made available from and including 1 November 2015.

Reference is made to distributions being “made available” to clarify that any failure on the part of any shareholder to collect, or to take the necessary steps to facilitate the receipt of, these distributions will not result in any adjustment of the calculation of the Distribution Fee due to the Fund Manager. The calculation of the Distribution Fee shall be made when such distributions become available to shareholders (e.g. payment start date). In case of repurchase of own shares, the calculation of the Distribution Fee shall be made at the date when the own shares repurchase transactions are settled.

3. The Base Fee shall be paid to the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which payment is made.

The Distribution Fee shall be paid by the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter in which the relevant date for calculating the distribution amount occurred.

The invoices for the Base Fee and the

to shareholders would reduce the notional amount upon which the Base Fee is calculated; to reward the Fund Manager for arranging such distributions, a Distribution Fee shall be payable as follows:

- 200 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares and returns of share capital) made available up to and including 31 October 2015; and

- 100 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares and returns of share capital) made available from and including 1 November 2015.

Reference is made to distributions being “made available” to clarify that any failure on the part of any shareholder to collect, or to take the necessary steps to facilitate the receipt of, these distributions will not result in any adjustment of the calculation of the Distribution Fee due to the Fund Manager. The calculation of the Distribution Fee shall be made when such distributions become available to shareholders (e.g. payment start date). In case of repurchase of own shares, the calculation of the Distribution Fee shall be made at the date when the own shares repurchase transactions are settled.

3. The Base Fee shall be paid to the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which payment is made.

The Distribution Fee shall be paid by the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter in which the relevant date for calculating the distribution amount occurred. The calculation of the first payment period shall cover all non-dividend distributions made available from (and including) 30 September 2014 up to the end of the relevant period (regardless of the date on which this clause becomes effective).

The invoices for the Base Fee and the

Distribution Fee shall be submitted to the Depository of the Customer`s assets.

4. The payment of fees (Base Fee **and** **Distribution Fee**) shall be arranged by the Fund Manager only after the verification and certification by the Depository of the correctness of the calculation: notional amount, **value of distributions**, all the other items used in calculation of the fees, as well as the modalities for determining the fees.

The payment shall be done within 30 business days since receipt of the invoice.

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The payment shall be done within 30 business days since receipt of the invoice.

Sincerely,

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch, acting as Sole Administrator on behalf of FONDUL PROPRIETATEA S.A.

Oana Valentina Truța
Legal Representative