

To: **Bucharest Stock Exchange
Financial Supervisory Authority**

Current report according to Article 113 point A, paragraph (1) of the Romanian National Securities Commission Regulation no. 1/2006 regarding the issuers and the operations with securities, as subsequently amended and completed, as well as the provisions of Article 99 of the Code of the Bucharest Stock Exchange, Title II, Issuers and Financial Instruments.

Important events to be reported:

Financial Supervisory Authority has partially endorsed the Addendum no. 2 to the Investment Management Agreement

Franklin Templeton Investment Management Ltd. United Kingdom Bucharest Branch ("**the Fund Manager**"), in its capacity as Sole Administrator and Fund Manager of Fondul Proprietatea SA ("**the Fund**"), would like to inform shareholders and investors that the Financial Supervisory Authority ("**FSA**") has issued Endorsement no. 88 / 20 March 2014 whereby it has partially endorsed the Addendum no. 2/24 September 2014 ("**Addendum no. 2**") to the Investment Management Agreement concluded between the Fund and the Fund Manager in April 2014 ("**IMA**").

The Fund Manager notes that two aspects of the Addendum no. 2 were not endorsed in the form approved by the Shareholders through Resolution no. 10 of the Fund's Ordinary General Shareholders Meeting held on 23 September 2014, namely

- definition of the Force Majeure Event where FSA deleted "*devaluations and fluctuations*" as cases of force majeure;
- the effective date of the Distribution Fee: in the form approved by the Fund's shareholders, the payment of the Distribution Fee was to be effective starting with 30 September 2014, while FSA's amendment stipulates that it is effective starting with the date when Addendum no. 2 was endorsed (i.e. 20 March 2015).

According to the FSA Endorsement (enclosed in Annex 1 herein), the Fund has the obligation to seek shareholders' approval for the two changes mentioned above.

For ease of reference, please find enclosed a comparative table describing the amendments to the IMA that were endorsed with comments by FSA (Annex 2 herein).

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

Oana Valentina TRUTA
Legal Representative

Report date:

23 March 2015

Name of the issuing entity:

Fondul Proprietatea S.A.

Registered office:

78-80 Buzesti St.,
7th floor, district 1,
Bucharest, postal code
011017

Phone/fax number:

Tel.: + 40 21 200 9600
Fax: + 40 21 200 9631

Sole Registration Code with the Trade Register Office:

18253260

Order number in the Trade Register:

J40/21901/2005

Subscribed share capital:

RON 11,575,064,733.65

Paid-up share capital:

RON 11,229,443,001.15

Number of shares in issue:

12,184,278,667

Number of paid shares:

11,820,466,317

Regulated market on which the issued securities are traded:

Bucharest Stock
Exchange

Translation from Romanian



Stamp applied: Financial Supervisory Authority. Illegible. March 20, 2015

To:

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED

United Kingdom, Bucharest Branch

78-80 Buzesti street, floors 7-8, Premium Point

1st district, 011017, Bucharest, Romania

Fax: 021.200.96.31/32

Stamp applied: S.C. Fondul Proprietatea S.A. IN: no. 415, March 20, 2015

Mrs. Oana Valentina Truta – Manager

Dear Madam

Referring to your address registered with the F.S.A. under the number 4476/19.01.2015 supplemented by address registered under the number 11530/09.02.2015 through which you have submitted for endorsement addendum no. 2 to the Investment Management Agreement no. 45/29.04.2014 concluded with SC Fondul Proprietatea SA as approved by Decision of the General Ordinary Meeting of Shareholders of SC Fondul Proprietatea SA no. 10 of 23.09.2014, we hereby submit as attachment the original copy of FSA Endorsement no. 88/20.03.2015.

Moreover, according to FSA Council's Decision of 18.03.2015, we hereby communicate that, for a proper notification of the shareholders as concerns the effects of the operations for granting additional allotments over Fondul Proprietatea's portfolio, especially the liquid assets portfolio, Franklin Templeton Investment Management Ltd. United Kingdom, Bucharest Branch has to perform an analysis which is to be presented to the shareholders during the first General Meeting of Shareholders of SC Fondul Proprietatea SA.

We also inform you on the fact that this policy of the director must be correlated with the basic objective of collective portfolio management activity, respectively reinvestment of funds obtained from the sale of assets based on a well defined strategy, considering the objectives and risk limits of the managed fund, based on forecasts and analysis on the contribution of the concerned investment to the structure, liquidation and risk and output profile of the portfolio.

Sincerely yours,
Florentina Boboc
Manager

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Stamp of FSA Regulation Authorization Division

Regulation and Authorization Division

Financial Supervisory Authority – Financial Instruments and Investments Sector

15 Splaiul Independentei, 5th district, Bucharest, code 050092

Tel: 0216596205; Fax: 0216596051

www.asfromania.ro, office@asfromania.ro

FSA is personal data operator no. 33477

FINANCIAL SUPERVISORY AUTHORITY

ENDORSEMENT NO. 88/20.03.2015

According to the provisions of art. 1 line (2), art. 2 line (1) let. a) and d), art. 3 let. a) and d), art. 6 lines (1) and (3), art. 14 and 27 of the Government Emergency Ordinance no. 93/2012 on the establishment, organization and functioning of Financial Supervisory Authority (named hereinafter FSA), approved with the amendments and supplementing by Law no. 113/2013, with the further amendments and supplementing,

According to the provisions of art. 14 of CNVM Regulation no. 4/2010 on the registration with the National Securities Commission and operation of the Trade Company "Fondul Proprietatea" S.A. and the trade of shares issued by it, with the further amendments and supplementing,

Considering the request of Franklin Templeton Investment Management Ltd. United Kingdom – Bucharest Branch registered with FSA under the no. 4476/19.01.2015 supplemented by the address registered under the number 11530/09.02.2015,

Due to the fact that events such as "depreciations and fluctuations" can not be considered force majeure events, not meeting the essential conditions defined at art. 1351 line (2) of the Law 287/2009 on the Civil Code, with the further amendments and supplementing, according to which "Force majeure is an external, unpredictable, absolutely invincible and unavoidable event",

Considering that the reasoning on which the non-approval of the distribution fee was based consisted in the provisions of the GD no. 1514/2008, effectual provisions applicable to Fondul Proprietatea SA between the first distributions and the enforcement of Law no. 10/2015, respectively 15.01.2015 that did not allow the payment of the concerned fee by Fondul Proprietatea SA to its director, Franklin Templeton Investment Management LTD United Kingdom – Bucharest Branch,

Considering that:

- on 23.09.2014 the shareholders of Fondul Proprietatea SA, during the General Ordinary Meeting of the Shareholders have adopted Decision no. 10 on the approval of addendum no. 2 to the Investment Management Agreement no. 45/29.04.2014 concluded between Franklin Templeton Investment Management LTD United Kingdom – Bucharest Branch (FTIML) and Fondul Proprietatea SA,
- according to the provisions of art. 12 line (2) of Title VII of the Law no. 247/2005, the selection of Fondul Proprietatea SA management company may be exclusively done through international bids; the method of establishing the management fee is provided in bid's tender book and its amount provided in the final tender submitted by the winning company must be compulsory maintained during the entire period of the management agreement according to GD no. 1514/2008,
- on 15.01.2015 the Law no. 10/2015 was enacted, for the approval of Government Emergency Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management firms, as well as for the amendment and supplementing of Law no. 297/2004 on capital market as well as for the amendment of certain norms, annulling art. 12 line (2) of Title VII of the Law no. 247/2005 and, implicitly, the GD no. 1514/2008,
- at the date of approval by the General Ordinary Meeting of the Shareholders of SC Fondul Proprietatea SA of the amendments included in the above mentioned addendum, object of this endorsement, art. 12 line (2) of Title VII of the Law no. 247/2005 was effectual,
- Franklin Templeton Investment Management LTD United Kingdom – Bucharest Branch has requested the endorsement by FSA of the changes adopted by Fondul

Proprietatea SA shareholders prior to the annulment of art. 12 line (2) of Title VII of the Law no. 247/2005,

based on the analysis of the specialty division and on the decision made during the meeting of 18.03.2015, the Council of the Financial Supervisory Authority made the decision to issue the following deed,

ENDORSEMENT

Art. 1. The amendments made to the management agreement no. 45/29.04.2014 concluded between Fondul Proprietatea SA and Franklin Templeton Investment Management LTD United Kingdom – Bucharest Branch are endorsed as approved by Decision of the General Ordinary Meeting of the Shareholders no. 10 of 23.09.2014 and included in the addendum no. 2 to the agreement, with the amendments pointed out in the appendix which is part herein.

Art. 2. Franklin Templeton Investment Management LTD United Kingdom – Bucharest Branch has the obligation to submit to Fondul Proprietatea SA shareholders during the first following General Ordinary Meeting of the Shareholders the re-approval and, as the case may be, ratification of Decision no. 10 of 23.09.2014 on the approval of addendum no. 2 to the investment management agreement following the enactment of Law no. 10/2015, considering the amendments brought to the management agreement as provided in the appendix herein.

Art. 3. This endorsement shall become effectual at the date it is communicated to Franklin Templeton Investment Management LTD United Kingdom – Bucharest Branch and published in the Bulletin of the Financial Supervisory Authority in electronic form.

CHAIRMAN

Misu NEGRITOIU
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Appendix to FSA Endorsement no. 88/20.03.2015

- **point 2. Definitions: “force majeure event” of the management agreement shall have the following content:**

“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, 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.”

- **the provisions referring to retroactive payment of allotment fee provided in the Appendix to the management agreement shall have the following content:**

“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 the date on which this Addendum was endorsed by the FSA up to the end of the relevant period.”

<p>Form stipulated in Amendment 2 to the IMA as approved by OGM Resolution no. 10.23 September 2014</p>	<p>Form modified by FSA through Endorsement no. 88/20 March 2015</p>	<p>Comments</p>
<p>“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</p>	<p>“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, 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-</p>	<p>FSA refused the endorsement of this paragraph through Endorsement no. 88/20 March 2015; this amendment was approved through Resolution no. 10 of the Fund's Ordinary General Shareholders Meeting held on 23 September 2014.</p>

<p>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.”</p>	<p>out or other industrial trade dispute (not involving solely the employees of that party), structural shift or subsidence.”</p>	
<p>“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).”</p>	<p>“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 the date on which this Addendum was endorsed by the FSA up to the end of the relevant period.”</p>	<p>FSA refused the endorsement of this paragraph through Endorsement no. 88/20 March 2015; this amendment was approved through Resolution no. 10 of the Fund’s Ordinary General Shareholders Meeting held on 23 September 2014.</p>