



## AGRO FINANCE REIT

### PROSPECTUS FOR INITIAL PUBLIC OFFERING OF SHARES

#### SUMMARY

Part III of the Prospectus for public offering of shares

**35 750 000 shares, type: dematerialized, ordinary, registered, freely transferable**  
**Identification number: BG1100039061**

This summary presents in brief the main characteristics and risks, associated with the Company's operation and the offered shares, and is to be read as an introduction to the Prospectus. The summary places an accent on certain information, which is contained in the other parts of the Prospectus: The Registration Documents and the Document for the Offered Securities. The Summary may not contain the whole information that is needed to take an investment decision. Before making a decision to invest in the Company's shares, it will be in your interest carefully to read the whole Prospectus, namely the Registration Document and the Documents for the Offered Securities, along with the appendixes thereto, as well as the documents to which they refer, where there are such. For any investor that has brought an action with regard to the prospectus's content, the liability may arise for payment of the costs for translation of the prospectus upon the initiation of the legal proceedings.

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The investment in the offered shares is associated with certain risks. See Risk Factors on page 5 et seq. of this document, Risk Factors on page 7 et seq. of the Document for the Offered Securities, as well as Risk Factors on page 7 et seq. of the Registration Document.

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**The Financial Supervision Commission approved the Prospectus, including this Summary, the Registration Document and the Document for the Offered Securities by decision №406-E from March 7, 2007, which is not a recommendation for investment in the offered securities. The Financial Supervision Commission does not bear responsibility for the correctness and completeness of the contained in the Prospectus data.**

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*The members of the Board of Directors of Agro Finance REIT, shall jointly and severally be liable for any damages caused by false, misleading or incorrect data in the Summary. The persons under Art.34, para 1 and 2 of the Accountancy Act shall be jointly and severally liable with the persons of the preceding sentence for any damages caused by false, misleading or incorrect data in the Company's financial statements, and the registered auditor – for the damages caused by the audited by him financial statements. The persons who have prepared the Summary, including also its translation, shall bear liability for damages only if the contained therein information is misleading, incorrect or contradicts the other parts of the Prospectus.*

**13 February, 2007**

# 1. AGRO FINANCE REIT – MAIN INFORMATION

## 1.1. GENERAL INFORMATION

Agro Finance REIT (“the Company”) is a joint-stock company with a special investment purpose for securitization of real estate, within the meaning of the Law on Special Purpose Vehicles (LSPV). The Company functions as a kind of collective investment scheme for investment in real estate. “Securitization of real estate” means that the Company purchases real estates with cash, which it has raised from investors by the issue of securities /shares, bonds/.

The registered office of Agro Finance REIT is at №5, Dunav Str., Oborishte Region, city of Sofia, entered in the commercial register in the month of February, 2006. The Company has an address for correspondence: №7, Sveta Sofia Str., 6<sup>th</sup> floor, 1301 Sofia.

According to the Law on Special Purpose Vehicles, Agro Finance REIT (Real Estate Investment Trust) is with one-tier form of management. The Company is managed by a Board of the Directors in membership:

- PERSIMON EOOD, represented by Stoyan Todorov Toshev – Chairman of the Board of Directors;
- CSIF, represented by Danail Mihailov Kamenov – Deputy Chairman of the Board of Directors;
- ZPAD BULSTRAD represented by Rumen Ivanov Yanchev – Member of the Board of Directors;
- ZAD BULSTRAD LIFE, represented by Svetla Ivanova Nestorova – Member of the Board of Directors;
- Ognian Iordanov Kalev – Member of the Board of Directors and Executive Director;

The Company has not appointed procurators.

The **Depository Bank** of the Company is:

- United Bulgarian Bank AD, with headquarters and registered office at №5, Sveta Sofia Str., city of Sofia.

**Investment intermediaries**, authorized to service the public increase in the capital of the Company are:

- T B I Invest EAD, having its seat and registered office at № 5, Dunav Str., Oborishte Municipality, city of Sofia and address for correspondence: № 7, Sv. Sofia Str., 6<sup>th</sup> floor, 1301 Sofia.
- H B V Bank Biochim AD, №1 Ivan Vazov Str., city of Sofia

T B I Invest EAD has concluded a contract with the issuer for the drawing up of the Prospectus for the initial Public Offering of Shares.

**Legal advisor** on the incorporation of the Company, its licensing and increase of capital, is Marussia Russeva – lawyer in T B I Invest EAD. The Company uses the services of attorney Rositsa Mitreva – lawyer of the servicing company of the Issuer – T B I Consulting EOOD.

In the realization of its activities the Company will use the services of the following **Servicing company**:

- T B I Consulting EOOD, having its seat and registered office at №5, Dunav Str., Oborishte Municipality, city of Sofia, which will carry out the administration of the properties and the accounting of the Company.

The Company has appointed the following **Appraisers** of the acquired real estate.

- Bright Consult OOD, with a seat and registered office at D. Nestorov Boul., bl.119, Entrance B, city of Sofia.

By ruling from 22 Jan., 2007 the Sofia City Court appointed on the grounds of Art. 249 para 1 from the Commercial Law (CL), in relation to Art.121 from the Law on Public Offering of Securities (LPOS), Agein Takt OOD with a seat and registered office at № 52, Dondukov Boul., 1000 Sofia as a **registered auditor** for audit of the 2006 annual financial statement of the Company. By this tome the auditor has not been replaced.

This Summary has been prepared by Investment Intermediary(II) T B I Invest EAD pursuant to a Contract, entered into by Agro Finance REIT and II T B I Invest EAD on 8 February, 2007.

**Responsible for the drawing up of the Registration Document** shall be:

1. Ralitsa Peeva – Director of Corporate Finances in T B I Invest EAD.

The above listed persons, by affixing their signatures to the last page of this document, represent that:

- (1) in the preparation of the Registration Document they have taken due care for its compliance with the requirements of the law;
- (2) insofar as they know, the information in the Registration Document is not false, misleading or incomplete and correctly presents the substantial for the investors circumstances about the Company.

## 1.2. SYSTEMATIZED FINANCIAL INFORMATION

The presented below selected financial data about the Company are based on its audited financial statements at 31 Dec., 2006 prepared according the International Accounting Standards. The complete audited financial statements of the Company as of 31 Dec., 2006 have been enclosed to the Registration Document and represent its integral part.

BGN	31 Dec., 2006
Income from main activity	262 529
Profit/loss from main activity	136 298
Net operating profit/loss	128 780
Net profit/loss for the period per share	0,20
Amount of assets	2 245 858
incl. cash on BGN bank accounts	32 450
Net assets	778 780
Joint-stock capital	650 000
Number of shares	650 000
Dividend per share	-
Earnings per share with reduced value	-

## 1.3. CAPITALIZATION AND INDEBTEDNESS

The table below presents the capitalization and the indebtedness of the Company on 31 Dec., 2006 according the audited financial statements of the Company prepared in consistence with the International Financial Reporting Standards (IFRS) at 31 Dec., 2006 that have been enclosed to the Registration Document and represent and integral part thereof.

Equity (in BGN), incl.	31 Dec., 2006
Capital stock	650 000
Reserves	-
Financial result	128 780
Liabilities, incl.	1 467 078
Short-term liabilities	1 467 078
incl. secured debt	1 200 000
Long-term liabilities	-
incl. secured debt	-

## 1.4. REASONS FOR MAKING THE PUBLIC OFFERING OF SHARES AND THE PLANNED USE OF THE RAISED CAPITAL

This second increase in the capital of the Company through public offering of shares is carried out in fulfilment of the decision of the Board of Directors from 8 February, 2007. By this second increase of the capital the Company aims to raise financial resources for the realization of its subject of activity concerning securitization of real estates.

The expected net sum of the revenues from the public offering, provided that the whole amount of the offered issue of shares is subscribed, (after deduction of the costs of its carrying out) is at the amount of BGN 38 591 601,50. These incomes will be used for the fulfillment of the Company's investment strategy (purchase of real estates (land) with the purpose of their administration and gaining income). See Registration Document, "Investment Objectives and Restrictions". Agro Finance REIT may not execute any other trade deals outside of purchase and sale of real estate,

raising of funds through the issue of securities and the transactions, directly related to the realization of these activities, unless allowed so by the Law on Special Purpose Vehicles. In this sense, the incomes from the public offering of securities will be used only for carrying out the normal business activity of the issuer.

The revenues from the raised capital will not be used for financing acquisitions of other companies.

Part of the funds will be used for payment of the two bank credits of the Company. The following table provides information for those credits as of 31 Dec., 2006.

Date of the credit conclusion	Creditor	Type of the loan	Amount (BGN)	Interest %	Due date	Collateral	Collected amount on 31 Dec., 2006
22 August, 2006	EIBANK	credit facility	1 000 000	8	22 Feb., 2007	Pledge on shares, ownership of a third person	1 000 000
28 Dec., 2006	Corporate and Trade Bank	credit facility	2 000 000	9,50	25 June, 2007	Pledge on shares, ownership of a third person	200 000

The collected amounts from the bank credits were used for providing funding for the Company's major activity – securitization of real estate (agricultural lands).

The following table presents the Company's plans for the way of use of the funds from the second increase in the capital (provided that the full volume of the offered shares is subscribed).

Month	Aim	Average price	Acquired decares per month	Total used funds
May	payment of bank loans	-	-	3 000 000
May	purchase of agricultural land	200	19 500	3 900 000
June	purchase of agricultural land	200	20 000	4 000 000
July	purchase of agricultural land	200	20 000	4 000 000
August	purchase of agricultural land	215	20 000	4 300 000
September	purchase of agricultural land	215	20 000	4 300 000
October	purchase of agricultural land	230	20 000	4 600 000
November	purchase of agricultural land	230	20 000	4 600 000
December	purchase of agricultural land	240	20 000	4 800 000
<b>total</b>			<b>159 500</b>	<b>37 500 000</b>

The indicated prices do not cover the transaction costs for the land acquisition.

## 1.5. RISK FACTORS

*Investment in securities is associated with various risks. Potential investors must carefully read and understand the below presented information, along with the information about the risk factors, contained in the Registration Document and the Document for the Offered Securities, as well as the whole information in the Prospectus, prior to taking a decision to acquire shares issued by the Company.*

The used in the Prospectus words “expects”, “believes”, “intends” and other similar are indicative for statements, which are forecasting in their nature and/or relate to future uncertain events and conditions, which may influence the future business and financial plans of the Company, the results of its operation and its financial position. We warn the potential investors that the above mentioned statements are not a guarantee for the future results of the Company’s operation and they themselves are subject to risks and uncertainty. The actual future results of the Company’s operation may substantially differ from the forecast results and expectations as a result of multitude of factors, including the indicated below risk factors. (The sequence of the presentation of the risk factors reflects the understanding of the Board of Directors of their specific significance at the present time for the Company’s operation)

The activity of Agro Finance REIT is limited to securitization of real estate, within the Law on the Special Purpose Vehicles and is controlled by the Financial Supervision Commission.

### **1.5.1.Risks of investment in farm lands (sectoral risks)**

The investments of the Company in real estate (agricultural lands) will be subject to various risks, including risks typical for investment in real estate (agricultural lands), as well as risks, specific for the Company. If the investments of the Company do not generate sufficient incomes to cover its expenditures, including such for servicing eventually taken loans, it will become necessary the Company to increase its indebtedness. This would have a serious negative impact on the size of the Company’s profit and hence – on the amount of the distributed dividends among its shareholders, as well on the market prices of the Company’s shares.

The Company plans to invest its funds predominantly in agricultural land. The Company may also invest in other types of real estates, meeting the requirements of the Company’s Articles of Association.

The incomes, profit and value of the owned by the Company estates may be affected by multitude of factors: conjuncture on the real estate market and in particular on the market of agricultural land; the ability of the Company to ensure efficient management; maintenance of the estates; the economic climate in the country, etc.

- **Liquidity Risk**

Investments in real estates have low liquidity. This means that a plot owned by the Company, could not be sold quickly and with low costs at a fair price. It is possible, if the Company is forced to sell promptly an owned by it plot, this to be done at lower than the market or fair price, which is going to decrease the planned return from the Company’s operation.

The market of agricultural lands is being formed now and it becomes more and more liquid. Due to it the Company’s management thinks that the influence of this risk will be weak and in case of need the Company will be able to obtain a fair price for offered for sale plots.

- *Unfavorable changes in the market prices*

According the provisions of the LSPV, the real estates, ownership of the Company will be reappraised once yearly by a licensed appraiser. Reduction in the prices of agricultural lands would affect negatively the Company’s net asset value. It is possible in case that the shares of the Company are traded near to the net value per share, the price of the shares to drop and investors to suffer capital loss.

The Company considers that the value of the agricultural lands is strongly underestimated in comparison with the other EU member-states and at this stage of the market development, the land’s value will increase.

- ***Long terms for the assets acquisition***

In the process of the Company's assets acquisition there is a risk of delay of the deal's conclusion in comparison with the initially planned terms or costs. The Company's activities are also associated with risks, caused by the impossibility the relevant sellers (heirs) of farm estates to reach one opinion, which is to result in delay of the process of the land acquisition. That, in its turn, may result in increase of the acquisition price, as well as the termination of preliminarily concluded agreements with potential tenants. Thus the Company's preliminary forecasts, underlying assets with underestimated value and overestimated possibilities for income generation would worsen.

To limit this risk, the Company plans to exercise an ongoing control over the process of agricultural lands acquisition, with a view to compliance with the preliminarily underlain budgets and time-limits.

The process of acquisition of real properties, which satisfy the Company's investment objectives, may be connected with the period of delay between the time of the capital raising and the investment itself, due to the action of various factors – technological period of acquisition, lack of suitable properties, other unforeseeable circumstances. This reflects directly on the profitability of the Company and its shareholders.

The long terms for asset acquisition would result in accumulation of free resources in the Company. It is planned they to be invested in short-term or demand bank deposits, as well as in government securities with a short term until maturity, with the purpose of deriving additional profitability. On the other side, Agro Finance REIT plans to invest in assets, which meet to the largest possible extent the investment aims of the Company. Investment in properties, in case of availability of free cashes, is not envisaged when the preliminary analyses and forecasts show lack of good prospects or low profitability.

- ***Decrease in the level of rents***

A major part of the Company's operating incomes will come from the rent, which will be agreed upon the providing of the land for cultivation by tenants. Decrease in the market levels of rents would affect negatively the Company's incomes, respectively its profit and the rate of return of the shareholders' investment. The Company will endeavor to lessen the risk of potential decrease in the rent levels by entering into long-term contracts for granting on rent and diversification of the investments in different regional areas of the country.

- ***Dependence of the Company on the tenants of the agricultural lands***

A part of the Company's incomes are formed and will continue to be formed from the received lease/rents from granting the assets included in its investment portfolio on rent. This determines its dependence on the financial situation of the tenants/leaseholders and their ability to pay regularly their monthly liabilities. To avoid excessive dependence on the financial situation of its tenants/leaseholders, the Company makes and intends to make selection of same, and the companies that have proven their professional skills in their field of operation will be preferred.

The falling into insolvency of some of the tenants/leaseholders would have a double negative effect on the Company's results – decrease of the operating incomes and at the same time a decline in the overall occupancy of the investment estates and lower rate of return. The declaring of some of the tenants or the leaseholders in bankruptcy, as well as other measures for protection of investments would result in the making of additional expenditures for the Company.

- ***Low occupancy of the investment estates and delay in granting on rent***

The Company does not guarantee full occupancy of the granted by it lands on rent. It is possible periods to occur, during which because of technical reasons or market conditions, no tenants to be attracted. The lack of tenants for a long period of time would bear direct influence towards reduction of the planned incomes from the rent of a given property.

With a view to limiting this risk, the Company plans to make investments in agricultural lands after preliminary study and compliance with the tendencies for the region's development, as well as with the expectations of the future tenants. The Company shall market aggressively its free areas and will endeavor to grant the owned areas for long term.

- ***Competition for the limited sites of investment***

With the development of the Bulgarian agricultural land market, the competition among the potential buyers of estates enhances. This could result in temporary imbalance between demand and supply and in rise of the existing properties' prices. The imbalance will be temporary, as it is in the conditions of market economy, in medium-term plan the supply will grow (with the specific limitation of the farm land market), to meet the increased demand. The effect for the Company will be double-sided – on the one side, the expected profitability from newly bought estates will decline, but on the other – the price of the owned by the Company properties will rise and this will result in growth of the value of its investment portfolio and of its profit.

### **1.5.2. Risks, specific for the Company**

- ***Operational risk***

The operational risk relates to the risk of losses or unexpected expenditures, connected with the Company operation, problems in the current control. Insofar as Agro Finance REIT by law may not pursue activities other than those set forth in the Law on Special Purpose Vehicles, the main operational risks are associated with losses, caused by the actions of the servicing companies, the depository bank and the management body of the Company.

With the purpose to limit the possible losses, Agro Finance REIT enters into written contracts with the servicing company and the depository bank, which clearly regulate the rights, obligations and responsibilities of the parties upon any breach of the contracts.

Agro Finance REIT has chosen T B I Consulting as a servicing company. The servicing company is subject to inspections by the Financial Supervision Commission under Art. 18 and Art. 19 of the Financial Supervision Commission Act.

Agro Finance REIT has assigned to United Bulgarian Bank AD to perform the function of a depository bank and to carry out the depository services provided for in the Company's Articles of Association and the law. The rights and obligations of United Bulgarian Bank AD as a depository bank have been regulated in the concluded between it and Agro Finance REIT contract for depository services. The material conditions of the contract are described in detail in section 6 of the Registration Document. United Bulgarian Bank AD meets the requirements of Art. 173 of the Law on Public Offering of Securities (LPOS) and with the purpose of investor interest protection, the replacement of the depository bank is possible only after an approval by the Financial Supervision Commission.

Again, with the purpose of investor protection, the members of the Board of Directors of the Company satisfy the provisions of Art. 8 of the LSPV.

- ***Risks, associated with the short history of the Company.***

The Company is with a comparatively short history. To limit the risk the results of the Company operation to be below the expected, of material importance are two pre-conditions: the attraction of

professionals and the availability of strict rules and procedures. A major task of the Board of Directors is the drawing up and adoption of efficient internal rules and transparent procedures for work, which are to assist for the successful realization of the Company's main business, for achievement of the planned financial results and to assure the investors that their interests will be protected to the utmost.

- ***Unethical and illegal behavior.***

This is the risk the Company to incur damages by reason of unethical conduct of persons, with which it is in contractual relations. The risk of unethical and illegal conduct of outside contractors of the Company is minimized by means of the careful preliminary analysis of those partners and their reputation.

- ***Leaving of service by key officials.***

This is the risk the Company's operation to be jeopardized upon leaving office by an official of key importance and with a special qualification, for whom it is difficult or impossible to find a replacement within a reasonable period and with reasonable financial conditions. Due to the specifics of its business, the Company has a very limited number of personnel, and the main part of the operational activities is carried out by external contractors, whereby this risk is to a large extent isolated. In addition, every physical person who has a managerial or operative function in the Company's operation has stated his/her intention for a long-term engagement with the Company's operation.

### **1.5.3. Common (systematic) risks**

The common (systematic) risks are the risks which are related to all economic operators in the country and are result of external for the Company factors, over which the issuer cannot exert influence. The main methods for limitation of the influence of those risks are gathering and analyzing of current information and forecasting of the future development by individual and common indicators.

- ***Regulation risk***

This is the risk the Company to realize losses due to amendment to the legislative framework concerning the special purpose vehicles or some other, related to its activity for real estate acquisition, laws and sub-statutory acts.

The likeliness for unfavorable amendment to the legislative framework is comparatively small, insofar as such companies are an integral part of the developed financial markets. I.e. it could be expected that legislative amendments will be sought, which are rather to assist the development of the special purpose vehicles, than the opposite.

- ***Unfavorable amendments to the tax and other laws.***

Of crucial importance for the financial result of the Company is the rate of the profit tax, as well as eventual changes in the tax regime, to which it is subject. Since 1 Jan., 2004 with the amendments to the Corporate Income Tax Act, a relief has become effective for the special purpose vehicles not to be levied with corporate tax. This had a favorable effect on their activities, freeing resources for investment purposes. Any change of the relieved tax regime for the special purpose vehicles would have adverse repercussions.

- ***Risk of slowed down economic growth.***

The delay in the growth of the economy may lead to low purchasing power of the economic operators, lower levels of consumption and investments, which will inevitably affect the operation of Agro Finance REIT, and hence its profits. We consider that the efforts made by the executive power for restructuring of the economy of the country, enhancement of its competitiveness, as well as drawing in new investments set up the premises for accelerated economic growth in mid-term plan. The accession of the country in the European Union promotes new investments, including by use of the structural funds resources.

- ***Credit risk.***

As a result of the stable fiscal policy of Bulgaria, the progress in privatization and the stable economic growth, the state credit capacity was considerably improved in year 2004.

In 2005 and 2006 the positive tendency in the country's development continued and as a result of it on 10 February, 2005 Standard & Poors confirmed the investment credit rating of Bulgaria BBB-, changing the outlook from stable to positive. On 27 Oct., 2005 for second time during the current year Standard & Poors reviewed the credit rating of the country, upgrading it from BBB- (positive outlook) to BBB (positive outlook). On 17 August Fitchratings 2007 upgraded the long-term rating of Bulgaria in foreign currency from BBB- with stable outlook to BBB with stable outlook, and in local currency – from BBB to BBB+. On 1 March, 2006 Moody's upgraded the rating of bonds and long-term securities in foreign currency, long-term bank deposits in foreign currency and long-term securities in local currency to Baa3 with stable perspective. Standard & Poors also upgraded its credit rating on 26 Oct., 2006 from BBB- to BBB- in foreign currency.

The most important effect from the improvement of the credit rating consists in decrease of the risk premiums on loans, which with equal other conditions, results in more favorable interest rate levels. By reason of it, the potential upgrade of the country's credit rating would have a favorable impact on the Company's operation, in particular, on its financing. On the other side, the downgrading of the credit rating of Bulgaria would have an adverse influence over the price of the Company's financing, unless its loan agreements are with fixed interest rates. It is expected the accession of Bulgaria to the EU to lead to additional upgrading of the country's credit rating and because of it we believe that there is no considerable macroeconomic credit risk for the Company.

- ***Foreign exchange risk.***

The foreign exchange risk represents the possibility for negative change in the ratio between the BGN exchange rate to the foreign currencies and the influence of this change in respect to the return on investments in the country.

In 1997 a currency board was introduced in Bulgaria, and the Bulgarian lev was fixed to the euro. The system of currency board led to stabilization of the Bulgarian economy, reduction of inflation, sustainable growth and a positive assessment by the international rating agencies. The foreign exchange risk on one side is near to the foreign exchange risk with the movement of the price of euro/USD, and on the other, it is equivalent to the political risk of the country.

As regards the currency operation of the Company, the management of the Company intends to carry out operations predominantly in BGN, with a small part in euro in exceptional cases. Thus the operations of the Company will not be exposed to considerable foreign exchange risk.

The Company would be exposed to foreign exchange risk also in case of depreciation of the leva towards the euro, which at this stage we consider most unlikely.

- ***Inflation risk.***

The risk of the inflation is associated with decrease of the real purchasing power of the economic operators and the eventual depreciation of the assets, denominated in local currency. The currency board system controls the money supply, but external factors (for instance, rise of the petrol price) may exert pressure in the direction of rise of the price levels. It is expected the accession of our country to the EU and the steady performance of our economy to bring pressure towards approximation of the price levels to those of the other EU member-states, i.e. the inflation in the country to be higher than the average rate of inflation in the EU member-states. At this time, and as a whole the currency board mechanism ensures a guarantee that the inflation in the country will remain under control and will not adversely affect the economy of the country, and in particular the operation of the Company.

- ***Political risk.***

The political risks are associated with the possibility for arising of internal political cataclysms and unfavorable amendment to the legislation. This risk is related to the possibility the government of a country suddenly to change its policy and as a result of it, the environment in which the companies operate to be altered unfavorably, and investors to incur losses. At this time all political forces in the country have reached consensus on the major political priorities of the Republic of Bulgaria – active work after accession to the European Union for harmonization of the legislation and observance of the commitments undertaken by the country.

- ***Other systematic risks.***

Other risks, arisen by the world political and economic conjuncture, are the possible instability or military operations in the region. The disasters and accidents are factors, complicating any risk management system. The consequences are difficult to foresee, but the access to information and the applying of the system for forecasting and actions in extreme situation are possible ways to minimize the negative effect.

#### **1.5.4.Risks, associated with investments in shares of this issue**

The investment in securities is associated with various risks. Potential investors must carefully study and understand the below presented information about the risk factors, characteristic for the offered shares, together with information on the risk factors, contained in the Registration Document, as well as the whole information in the Prospectus, prior to taking a decision to acquire the shares issued by the Company.

- ***Reduction of the market (exchange) price of the Company's shares***

The market value of each security is altered in direction of increase or decrease, sometimes very promptly and unpredictably. These variations, called “price fluctuations”, may lead to that, a security to cost at a given moment less, than in a preceding moment. Such dynamics of prices is especially characteristic for the market of ordinary shares, whose exchange prices may be a subject of big and sharp fluctuations in response to the publicly disclosed information about the financial results of the Company, amendments to the legislation or other significant events. The general tendencies on the securities markets, as well as the returns realized with alternative investments will also exert influence over the exchange price of the Company's shares. For example, eventual rise of the market interest rates may have as a result potential buyers to demand higher earnings from the Company's shares and that to affect adversely their market price.

- ***Liquidity risk***

The liquidity risk arises from the lack of active trade with the shares of the Company. Due to it, the shareholders of the Company may not succeed in selling at the desired moment all or part of their shares, or to be compelled to sell them at considerably lower price, than their fair value or the last exchange price.

- ***Inflation risk***

The shareholders of the Company are subject to inflation risk, namely risk of reduction of the real value of the shares, in a consequence of rise of the general price level in the country. In the last years, in the conditions of a currency board and restrictive fiscal policy, the inflation in the country was kept at a comparatively low level, our expectations being that the inflation will remain low in the following years, too.

- ***Currency risk***

The shares of the Company are denominated in Bulgarian leva. Because of it, for investors using another currency as a reference currency, there is risk of change in the ratio of the Bulgarian lev towards that currency.

The Bulgarian lev is pegged to the euro in ratio 1 euro/ BGN 1.95583 in the conditions of currency board. In practice, the currency risk of investor in currency other than the lev comes down to that of the euro towards such currency, so far as the system of the currency board in Bulgaria is stable.

- **Risk of dilution of the shares value**

According paragraph 1 item 8 of the Additional Provisions of Ordinance № 2 from 17 Sept., 2003 on the prospectus with public offering of securities and on disclosure of information by the public companies and the other issuers of securities, „Dilution of the capital (of the value of shares) is the reduction of the earnings of an ordinary share and its book value as a result of conversion into shares of issued debentures and warrants or exercising of issued options, as well as a result of the issue of ordinary shares at price, lower than the book value of a share”.

The issue value per one share of the offered in this Prospectus issue is equal to BGN 1,10 (one lev and ten stotinki) with par value of BGN 1 (one).

The book value of the securities as of the last drawn up annual balance sheet (at 31 Dec., 2006) is BGN 1.20. The difference between the price at which the securities are publicly offered and the book value is equal to BGN 0.10, which in percentage is equal to 9,09%.

## **2. INFORMATION ON THE COMPANY**

### **2.1. BASIC DATA**

The business name of the Company is Agro Finance Special Purpose REIT (with an equivalent in English Agro Finance REIT). The Company is incorporated in Bulgaria on 30 Jan., 2006 with a seat in the city of Sofia, Oborishte region and registered office at: №. 5, Dunav Str., city of Sofia. The web site of the Company in Internet is : <http://www.agrofinance.bg>. The Company has an address for correspondence : №7 Sveta Sofia Str., 6<sup>th</sup> floor, city of Sofia, tel: +359 (2) 935 06 36, fax: +359 (2) 935 06 49.

The Company has been entered in the register of the Sofia City Court by ruling of the Sofia City Court № 1 from 23 Feb., 2006, lot. № 101897., volume 365, page 50, reg. 1, under company case № 2125/year 2006.

The Company is with Unique Identification Code: 175038055.

The Company has been incorporated for a period of seven years, considered as from the date of its initial registration in the commercial register.

The company has not been transformed and consolidated; it does not have subsidiaries; no transfers or pledge on the undertaking were realized; no acquisition or disposal with assets of considerable value were made, other than in the normal course of the operation; no changes in the subject of activity were introduced; there are no statements of complaint filed for the initiation of bankruptcy proceedings.

There are no tender offers made by third persons to the Company or by the Company to other companies.

After its incorporation Agro Finance REIT acquired 1 630 properties, subject of securitization. For the investments made by the Company see item 3.3.4."Acquired by the Company real estates".

Agro Finance REIT has not made any other investments, incl. it has not acquired shareholdings in other companies.

### **2.2. REVIEW OF THE ACTIVITY**

The subject of activity of Agro Finance REIT is: Investment of cash, raised through the issue of securities, in real estates (securitization of real estates) by means of purchase of title and other real rights over real estates, completion of constructions and improvements in them, with the purpose of their providing for administration, granting on hire, leasing, rent and/or their sale.

Agro Finance REIT does not offer products and services in the sense of the offered products by a manufacturing enterprise or by a company in the sphere of services. The major goals of the Company are: acquisition, consolidation and granting on rent of agricultural land plots, aiming at gaining income through rent or sale of the acquired properties. For its short period of existence the Company has not altered its subject of activity. The incomes realized from the main business are insignificant until presently, as the Company is at the stage of development in which it mainly acquires agricultural land.

The main market relating to the Company's operation is the real estate market, and in particular the agricultural land market. According the LSPV, Agro Finance REIT may securitize only real estates located on the territory of the Republic of Bulgaria.

The Company's business is not influenced by extraordinary factors, it is not of a seasonal nature, does not depend on patents, licenses for products, etc. or on new production process.

The competitiveness of the Company is determined by the following pre-conditions:

- It has been incorporated by the largest companies from the T B I Group in Bulgaria, which are its major shareholders at the current time, as well;
- A clear procedure for the acquisition of real estates has been set up, through a wide network of agents of the Company;
- Continuous liquidity has been ensured, instrumental in conducting a flexible policy with regard to the acquired properties;
- The special purpose vehicles are exempted from corporate tax.

## **2.3. INVESTMENT OBJECTIVES AND RESTRICTIONS**

### **2.3.1. Investment objectives**

The major investment objective of the Company is growth of the value of investments and the obtaining of a current income with control of the risk, including also by diversification of the real estates portfolio. In unfolded form, the Company's investment objectives are:

- retention and rising of the market price of the shares, issued by the Company, by realization of a stable income with balanced risk allocation;
- ensuring a current income of the shareholders in the form of money dividend;
- realization of profit from the growth in the real estates value, upon their sale;
- ensuring liquidity of the shareholders' investment by admission of the Company's shares to be traded on a regulated market.

The company securitizes real estates (land estates). With a view to financing its investments, the Company by decision of the Board of Directors may increase its capital by the issue of new shares until reaching the accounting value of the basic capital of BGN 100 million.

The Company intends to maintain a balanced and quality portfolio of properties. The Articles of Association of the Company allows it to acquire real estates (assets for securitization) with the revenues from interest, with additionally raised cash by the issue of securities, as well as by bank credits, in compliance with the requirements of the law.

### **2.3.2. Requirements and limitations to the assets – subject of securitization**

Pursuant to its Articles of Association, the Company may invest in title and other (limited) real rights only over real estates, situated on the territory of the Republic of Bulgaria.

The Company may acquire real rights over: land estates (land), defined according their basic and specific designation, according the development schemes and plans and the improved development plan, as follows:

1. land estates in agricultural territories – arable lands (fields, fruit and vegetable gardens, vineyards, meadows, etc) and uncultivable lands;
2. land estates in forest territories – forests and forest lands;
3. real estates in urbanized territories (settlements and community establishments), designated for housing, public-servicing, production, warehouse, resort, villa, sports and entertainment functions;

The Company may acquire ownership and other (limited) real rights also over newly constructed and completed buildings – housing, industrial, business as well as parts of such buildings.

According the law and the Company's Articles of Association, it may not acquire real estates which are subject of legal dispute.

When choosing properties for securitization, the Company will be guided by the adopted by the Board of Directors concrete criteria within the general requirements and limitations, laid down in the law and the Articles of Association (see “Criteria for selection of real estate”).

The investment policy of the Company envisages it to invest its temporary free funds in all allowed by the law ways, which presently include:

- securities, issued or guaranteed by the Bulgarian state and bank deposits – without limitations;
- mortgage-backed bonds, issued under the procedure and conditions of the Law on Mortgage-backed Bonds – up to 10 per cent of the Company’s assets.

The Company’s Articles of Association allows it to invest also up to 10% of its capital in one or more servicing companies. The latter will be made when the Company’s Board of Directors decides that such investment is in the best interest of its shareholders.

According its Articles of Association, the Company may acquire new assets.

### **2.3.3.Criteria for selection of real estates**

The Company invests its resources mainly in farm lands. For diversification of the real estates portfolio, the Company may also acquire land estates in urbanized territories, designated for housing, public-servicing, production, warehouse, resort, villa, sports and entertainment functions. The Company may acquire title and other (limited) real rights also on newly constructed and completed buildings – housing, industrial, business, as well as parts of such buildings.

In the selection of farm lands, the Board of Directors will be guided by the general requirements and limitations, laid down in the law and the Articles of Association, as well as by the following concrete and basic criteria:

- ✓ Acquisition price;
- ✓ Geographical location;
- ✓ Cultivability of the agricultural land;

- ***Acquisition price***

This is a determinant criteria, from which the Company is guided in the acquisition of agricultural land.

The acquisition price must be within the prevailing market prices for that category of agricultural land in the region where the plot is located, or lower.

- ***Geographical location***

There are no preliminary limitations about the geographic location in the country, where agricultural lands will be acquired. Lands are bought in those regions, in which the soil has qualities suitable for farm cultivation. After the Company accumulates a portfolio of agricultural land, the Company shall specify the priority areas, in which it will focus its activity of buying, consolidation and renting.

- ***Cultivability of the farm land***

The Company seeks to purchase agricultural lands, which are arable.

Beside the above three major criteria, also of importance in the choice of farm land to be purchased are:

- Existence of tenants or co-operatives cultivating the land in the relevant location;
- Availability of contracts for leases and rents;
- Possibilities for consolidation of the owned agricultural lands. Plots with bigger area provide possibilities for more effective cultivation of the land and are preferred by the tenants, but they have higher value of acquisition than the average market price for the respective region;
- With priority are purchased plots with area over 10 decare, but the possibility is also not excluded plots below 10 decare to be purchased;
- Plots from first to fifth category are purchased with priority, but the purchase of plots with lower category is also allowed;
- Delevelling of the plots must be not bigger than the normal, allowing its cultivation and the farm land , subject to buying to be with „regular form”.
- Waterability, distance from a road and large market-place, availability of additional limitations for use of the property: electric wiring, water-main, gas-main, water-supply zone, etc..

### **2.3.4.Acquired by the Company real estates**

By 31 Dec., 2006 the Company has acquired 1 630 real estates (agricultural land), subject of securitization with a total area of 10 306,332 dca.

#### *2.3.4.1.Type of real estates and percent of each type from the totally securitized properties*

*Land estates in farm territories as of 31 Dec., 2006.*

Category	Total area	% of the total volume of bought land from the type
II	286,120	2,78%
III	3 782,504	36,70%
IV	2 973,516	28,85%
V	1 691,072	16,41%
VI	1 033,179	10,02%
VII	371,690	3,61%
VIII	49,937	0,48%
IX	35,543	0,34%
X	82,771	0,80%
Total	10 306,332	100,00%

*Totally acquired by the Company properties at 31 Dec., .2006.*

Type of property	Total area in decares	% from the total volume of purchased land
Land estates in forest territories	-	0,00%

Land estates in agricultural territories	10 306,33	100,00%
Land estates in urbanized territories	-	0,00%
Total	10 306,33	100,00%

2.3.4.2. Location of the estates and percent according their location from the overall securitized estates

On 31 Dec., .2006.

District	Total area in decares	% of the total volume of purchased land
Burgas	469,16	4,55%
Varna	116,72	1,13%
Veliko Tarnovo	981,35	9,52%
Vidin	249,25	2,42%
Vratsa	3 167,73	30,74%
Lovetch	330,89	3,21%
Montana	1 254,81	12,18%
Pleven	1 435,35	13,93%
Razgrad	31,44	0,31%
Russe	809,59	7,86%
Silistra	38,95	0,38%
Stara Zagora	127,26	1,23%
Targovishte	509,16	4,94%
Haskovo	47,20	0,46%
Shoumen	705,19	6,84%
Yambol	32,29	0,31%
Total	10 306,33	100,00%

2.3.4.3. Description of the real estates; Completed constructions, repairs and improvements of the real estates; Granted to be used against payment real estates and the percent estate totally securitized real estates; The insurance company or companies with which the real estates have been insured, as well as the material conditions of the insurance contracts;

The acquired by Agro Finance REIT real estates are plots of agricultural land.

After the acquisition of the estates, improvements were not made.

*Granted and non-granted on rent real estates as of 31 Dec., 2006.*

Type of estate	Total area	% of the total volume purchased land
non-granted on rent	10 274,04	99,69%
granted on rent	32,29	0,31%
Total	10 306,33	100,00%

The agricultural land is not subject to insurance. As the plans of the Company are to rent maximum quantity of the owned by it farm land, the care for insurance of the farm production, obtained from the land will be of the tenants.

#### 2.3.4.4.Appraisal of the real estates

The data for appraisal of the real estates represent Appendix, an integral part of this Prospectus.

The next table presents information on the sum of the appraisals of the real estates with the relevant amount from the audited annual report of the Company at 31 Dec., 2006.

Total number of estates	Total area in decares	Amount of the final appraisal	Amount of the reappraisal
1 630,00	10 306,33	2 087 296,00	2 087 296,00

The statistical information on similar real estates is given in item 4.4.2. „Market of agricultural land in Bulgaria”.

### **3. OPERATING RESULTS. FINANCIAL SITUATION. PERSPECTIVES**

#### **3.1. OPERATING RESULTS**

The Company is comparatively new and on the date of the prospectus preparation is in the process of initial accumulation of assets. On the date of the prospectus drawing up, there are available audited accounts, prepared according the International Financial Reporting Standards (IFRS), on 31 Dec., 2006. The formed at the end of 31 Dec., 2006 „Operating incomes” of the Company are at amount of BGN 263 thousand and have been accounted for in item „Other incomes”. This amount represents the value of the reappraisal of the investment estates towards the end of 2006. Regarding the acquired by the Company real estates, subject of securitization, see item 1.3.3.4.”Acquired by the Company real estates”.

As of 31 Dec., 2006 the Company has acquired investment estates at the amount of BGN 2 087 thousand (after the reappraisal at the year’s end). „Provided advances” in the balance sheet are formed by advances provided to agents of the Company for the buying of agricultural land. Liabilities to suppliers are formed by liabilities of the Company for the acquired agricultural land. The liabilities to the financial institutions represent the collected on 31 Dec., 2006 amount under the two credit lines, provided by Corporate and Trade Bank AD and Economic and Investment Bank AD. For more details about the received by the Company bank credits, see item 3.2.3.

There are no significant, unusual and rare events or new developments, which to have an effect on the incomes of the Company.

With regard to inflation, economic, tax, political and other factors, which would influence the Company’s operation, see “Risk factors”.

#### **3.2. LIQUIDITY AND CAPITAL RESOURCES**

According the audited financial report of the Company (attached hereto) as of 31 Dec., 2006, Agro Finance REIT has cash at the amount of BGN 32 thousand.

##### **3.2.1. Description and internal and external sources of liquidity**

As sources of liquidity are specified the funds, which the Company has available at a given time to meet the expenditures of its normal business, including all current assets, which within short terms at market prices and without considerable transaction costs may be converted into cash.

The needs of the Company for pecuniary funds, other than the funds required for the acquisition of real estate, will be covered in their larger part by the operating incomes. The investments in real estates will be financed by the issue of shares of the Company and by loan funds. The external financing will be in the form of:

- Bond issues and/or
- Bank credits.

The choice of financing will be in conformity with the market conditions and the availability of resources, and a form will be chosen which minimizes the cost of the loan resource. The use of external financing will provide the possibility the Company to have more funds available for the acquisition of real estate, which will allow the composition of a diversified portfolio of assets and will maximize the return for the shareholders. It is envisaged the maximum ratio of the debt to own funds to be 20:1.

Internal source of resources for the Company is its joint-stock (share) capital at the amount of BGN 650 thousand, fully subscribed and fully paid in.

Currently the Company uses external financing in the form of bank credits.

More detailed information about the loans of the Company is given in item 3.2.3. The next table shows liquidity ratios of the Company at the end of year 2006.

Liquidity Analysis		3 Dec., .2006
General liquidity ratio	Current assets/Short-term liabilities	0,09
Immediate liquidity ratio	Money/Short-term liabilities	0,02

Detailed information on the cash flows is stated in the issuer's accounts, an integral part of this Prospectus.

### 3.2.2. Assessment of the sources and quantities of cash flows

The choice of a specific form of external financing is made in accordance with the market conditions, and such form is chosen that minimizes the cost of the loan resource.

From the beginning of its operation till presently the Company is financed mainly through its joint-stock capital and banu credit lines. The capital raised from this increase will be used both for acquittal of the two credit lines, and for funding the Company's activity for the purchase of real estates.

The used bank financing is an effective way the company not to cease the investment process at the time before the obtaining of the funds from the second increase in the capital.

### 3.2.3.Data about obtained by the Company credits

Date of credit conclusion	Creditor	Type of credit	Amount (BGN)	Interest %	Due date	Collateral	Collected amount on 31 Dec., 2006
22 August, 2006	EIBANK	credit line	1 000 000	8	22 Feb., 2007	Pledge on shares, ownership of a third person	1 000 000
28 Dec., 2006	Corporate and Trade Bank	credit line	2 000 000	9,50	25 June, 2007	Pledge on shares, ownership of a third person	200 000

The Company is in the process of extension of the term of the credit facility, obtained from Economic and Investment Bank AD.

### 3.2.4.Used financial instruments

The Company has not invested funds and has not used any whatever financial instruments.

### 3.2.5. Major engagements for making capital expenditures

Agro Finance REIT has no engagements to make capital expenditure, other than the expenditures for investment in properties for securitization (main business).

## 3.3. MAIN TENDENCIES

*Below are presented findings and conclusions about the state and main tendencies in the real estate development and in particular the agricultural land market, as they are seen by the Company, and forecasted financial data about its operation till the end of year 2007. The information contained in this Section is based on our expectations and presumptions at this moment (see the date of the title*

*page of the Registration Document). It is possible the future development of the real estate market or the financial situation of the Company to differ considerably from that which we expect and envisage. Investors should not attach too high importance to the forecasts and prognostications contained in this Section.*

*In the presentation of the main tendencies of the real estate market in this registration document information from the following sources has been used:*

- System for agromarket information – SAPI Ltd;
- National Association Real Estate;
- Ministry of Agriculture, Forestry and Agrarian Reform;

### **3.3.1. Main tendencies in the real estate market in Bulgaria, having a bearing to the issuer's business**

- **Real estates in Bulgaria**

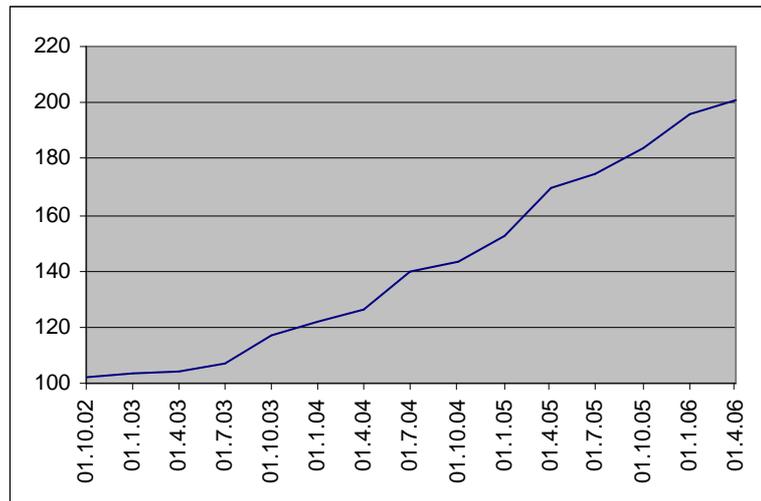
The market of real properties is one of the most dynamically developing sectors of the economy of Bulgaria. The rising tendency of the prices of housing estates and offices, the industrial lands, agricultural lands makes investment in such type of assets profitable.

Bulgaria's accession to the EU and the membership in NATO form a positive idea of the country among the foreign investment community. In consequence of it, in the last few years a heightened interest is noticed on the side of foreign natural persons and legal entities for making investments on the real estate market in the country.

The sector can be divided into several sub-sectors: market of properties for residential needs, offices, lands in industrial zones, agricultural lands. While the market of properties for housing needs and offices is characterized with a high extent of concentration of supply and demand in the large cities and the more famous resort complexes, the market of agricultural land is structured in the strongly developed agrarian regions with suitable soil and climatic conditions.

The tendencies in the development of the real estate market are quite multidirectional, depending on the type of the specific property. While on the market of properties for housing needs already oversaturation is felt, in offices enhancement of the demand is noticed, which cannot be caught up with by the supply of such properties. The tendencies of the agricultural land market are also towards increase in the demand at certain price levels. The expectations are that after Bulgaria's accession to the EU, the land prices will rise and will approximate those in the countries of Central and East Europe. An motive force of that tendency are not only the big agricultural producers, but also the special purpose vehicles which have been set up. The acting since April, 2005 two funds (Advance Terrafund REITs and Elana Agricultural Land Fund REIT) at the moment are one of the most active buyers of agricultural land in the country. Their appearance actually marks also an entirely new stage of the development of the land market in Bulgaria. If before that the deals for the agricultural estates were predominantly sporadic and most oftenly connected with purely formal transfer of the ownership, the tendency already is their purchase to be viewed as a long-term investment. It may already be talked of the presence of real investors on that market, even though this concept still does not cover the foreign entrepreneurs.

All these tendencies on the real properties market have been reflected in the introduced in year 2002 special market index – REMI. It has been developed by the National Association Real Estates (NARE) and the American Chamber of Commerce in Bulgaria. The index is calculated on quarterly basis, various properties being included in its structures – housing properties (apartments, one-family houses, villas); properties with business designation (offices, shops, industrial and tourist sites); land (agricultural and for industrial use).



From its introduction till the beginning of year 2006 the index edged up over 100% from 100 to 200,7 points. The last information on the Internet site of NARE is from the end of April, 2006.

### **3.3.2. Market of agricultural lands in Bulgaria**

As Agro Finance REIT is a special purpose vehicle, which mainly invests its funds in the purchase of real estates and in particular agricultural lands, we present more detailed information about the development of the market of agricultural lands in Bulgaria.

- *Development of the market of agricultural lands*

In contrast to the other sectors of the economy of the country, the market of agricultural lands begun its development only in year 1998. The market of agricultural lands started in year 1998 as a result of the reform carried out, upon which a part of the owners already have the possibility to dispose with their ownership. In 1999 the supply of land was activated but the demand was still weak and the market was unregulated. The period year 2000-2003 is characterized with moderate dynamics of the transactions and difficulties with the ownership transfer. In 2004 the deals with agricultural land considerably increased, this tendency being further developed in year 2005, when the market of agricultural land became active and attractive for the investors.

The market of agricultural land is in direct dependence on the profitableness from the agricultural production. A strong incentive for the development of the market relations are the agreed financial subsidies for assistance of the agricultural production after year 2007 (the membership of the country in the EU). Beside the expected subsidies for the agricultural producers, the market is also influenced by the expectations the prices of the agricultural lands to come near to those in the countries of the CEE.

In 2006 the market of agricultural lands was characterized with a relevant balancing between the demand and supply for most of the regions in the country. The new tendency was the search for lands in the range I-III-rd category and differentiation of the offer prices for purchases and rent according the category of the land. Most strong was the demand of lands for agricultural development. Nevertheless, a growth was also recorded by the concluded deals for the purchase of agricultural land for non-profit purposes. The prices in both categories recorded a serious growth for year 2006.

- *Tendencies of the market*

The next tables show the main tendencies in the development of the real estate market by regions.

Transactions executed in the period year 2000/2006

Regions	Number of transactions							Number of transactions for the period year 2000/2006.
	2000	2001	2002	2003	2004	2005	2006	
North-west	970	1 719	2 823	1 912	5 865	6 577	19 910	39 776
North Central	2 065	4 087	6 949	8 162	7 775	12 445	19 822	61 305
North-east	3 836	16 372	13 510	12 244	15 583	18 378	21 781	101 704
Southeast	1 436	2 332	4 676	4 740	8 148	11 474	12 468	45 274
South Central	1 623	5 506	5 353	4 006	8 787	12 525	15 942	53 742
Southwest	1 230	1 788	2 667	1 404	2 279	4 946	2 607	16 921
<b>For the country</b>	<b>11 160</b>	<b>31 804</b>	<b>35 978</b>	<b>32 468</b>	<b>48 437</b>	<b>66 345</b>	<b>92 530</b>	<b>318 722</b>

Quantity of sold land for the period year 2000/2006

Regions	Sold land - (dca)							Sold land for the period year 2000/2006
	2000	2001	2002	2003	2004	2005	2006	
North-west	16 024	18 750	30 766	21 173	63 951	74 026	168 039	392 729
North Central	25 412	66 695	73 277	85 100	77 403	115 822	206 896	650 605
North-east	113 538	407 932	173 189	167 091	184 382	202 855	265 546	1 514 533
Southeast	14 423	42 935	33 509	40 160	77 316	102 504	142 897	453 744
South Central	18 169	49 390	32 796	27 141	50 832	77 285	103 237	358 850
Southwest	5 519	9 265	11 044	5 057	9 446	21 857	15 271	77 459
<b>For the country</b>	<b>193 085</b>	<b>594 967</b>	<b>354 581</b>	<b>345 722</b>	<b>463 330</b>	<b>594 349</b>	<b>901 886</b>	<b>3 447 920</b>

Average sale price per decare for the period y 2000/2006.

Regions	Average price- BGN/dca)						
	2000	2001	2002	2003	2004	2005	2006
North-west	128	92	115	92	89	115	170
North Central	105	97	120	104	140	190	346
North-east	123	129	107	117	138	1 157	1 287
Southeast	112	126	164	157	545	4 212	5 171
South Central	215	308	281	297	737	891	792
Southwest	618	509	574	967	2 591	15 366	13 393
<b>For the country</b>	<b>137</b>	<b>141</b>	<b>141</b>	<b>143</b>	<b>306</b>	<b>1 854</b>	<b>1 706</b>

The differentiation of the agricultural land market by regions of the country was retained. Underlying the regional differences were the acting production structure, the profitability of the agricultural production, the allocation of the ownership. For the whole shown period the tendency was retained the market of agricultural lands to be more dynamic in the major grain-producing regions, both with respect to the concluded transactions, and with respect to the market prices.

The most developed agricultural land market for the whole period was reported in the Northeast Region of the country. Over 40% of the sold land was registered therein.

Moderately developed was the agricultural land market in the North Central, Southeast, South Central regions and the Northwest.

Poorly developed is the agricultural land market in the Southwest Region of the country. What is noticed is that in 2006 the market in the Northwest Regions was activated, promoted by the reported lowest price for deals with land there. On the other pole is the Southwest region of the country. There the average market price was 13 393 BGN/dca, and the number of the registered transactions was symbolic – 2 607 thousand for 15 thousand dca.

For the period year 1998-2003 in the conclusion of transactions with agricultural lands, the category of the land did not have any influence on the formation of the market prices. For year 2004-2005 in the North Central and Northeast Regions of the country the demand was for lands with certain category and there existed differentiation in the offer prices. A high market price was achieved also with the offering of grouped properties or such with a small number of inheritors.

The active market of agricultural lands along both lines of realization (for agricultural production and for non-profit purposes) is a premise for comparability between them for the period year 2004-2006 г.

Regions	Number of transactions					
	2004		2005		2006	
	agricultural lands	lands for non-profit purposes	agricultural lands	lands for non-profit purposes	agricultural lands	lands for non-profit purposes
North-west	5 857	8	6 577	0	19 910	155
North Central	7 569	206	11 891	554	19 822	1 899
North-east	15 479	104	16 888	1 490	21 781	2 021
Southeast	7 280	868	10 341	1 133	12 468	1 334
South Central	8 037	750	10 972	1 553	15 942	1 855
Southwest	1 633	646	2 667	2 279	2 107	1 331
<b>For the country</b>	<b>45 855</b>	<b>2 582</b>	<b>59 336</b>	<b>7 009</b>	<b>92 030</b>	<b>8 595</b>

Regions	Sold land - (dca)					
	2004		2005		2006	
	agricultural lands	lands for non-profit purposes	agricultural lands	lands for non-profit purposes	agricultural lands	lands for non-profit purposes
North-west	63 934	17	74 026	0	168 039	1 376
North Central	76 532	871	113 376	2 446	206 896	7 466
North-east	184 115	267	192 182	10 673	265 546	14 394
South-east	73 911	3 405	96 701	5 803	142 897	12 326
South Central	47 015	3 817	69 272	8 013	103 237	7 063
Southwest	7 126	2 320	13 444	8 413	15 271	4 594
<b>For the country</b>	<b>452 633</b>	<b>10 697</b>	<b>559 001</b>	<b>35 348</b>	<b>901 886</b>	<b>47 219</b>

The big price difference in those two lines (purchase of agricultural lands and of land for non-profit purposes) is shown in the next table.

Regions	Average price (BGN./dca)					
	2004		2005		2006	
	agricultural lands	lands for non-profit purposes	agricultural lands	lands for non-profit purposes	agricultural lands	lands for non-profit purposes
North-west	89	1 287	115	*	162	1 134
North Central	103	3 391	126	3 170	169	5 261
North-east	132	4 189	174	18 848	220	20 967
South-east	139	9 052	178	71 441	182	63 011

South Central	224	6 210	247	6 457	253	8 658
Southwest	274	9 708	276	32 337	283	56 972
<b>For the country</b>	<b>134</b>	<b>7 585</b>	<b>169</b>	<b>28 499</b>	<b>56 829</b>	<b>30 543</b>

Another important element of the market land relations are the lease. For the period year 2001-2006 921 890 contracts were concluded for lease of agricultural lands for 21 325 048 dca. For that period no substantial difference was registered in the transactions intensity. In 2004-2006 rent contracts were concluded on the level of year 2003.

#### Number of concluded rent contracts

Regions	Number of rent contracts						Number of contracts for the period year 2001/2006
	2001	2002	2003	2004	2005	2006	
Northwest	12 127	31 605	16 335	36 612	19 723	19 233	135 635
North Central	21 319	21 729	37 275	96 312	41 538	50 492	268 665
Northeast	57 194	32 970	47 946	78 198	44 506	50 954	311 768
Southeast	7 898	7 923	7 186	22 736	13 326	9 130	68 199
South Central	19 291	10 106	31 856	21 584	15 920	13 259	112 016
Southwest	2 385	2 503	4 737	9 284	3 414	3 284	25 607
<b>For the Country</b>	<b>120 214</b>	<b>106 836</b>	<b>145 335</b>	<b>264 726</b>	<b>138 427</b>	<b>146 352</b>	<b>921 890</b>

#### Size of the land granted on rent

Regions	Size of the land (dca)						Rented land for the period year 2001/2006
	2001	2002	2003	2004	2005	2006	
Northwest	287 574	448 310	401 301	577 294	486 577	560 446	2 761 502
North Central	441 548	526 688	769 397	1 806 087	928 002	1 081 439	5 553 161
Northeast	1 395 995	745 248	1 278 311	1 731 368	1 074 788	1 357 224	7 582 934
Southeast	216 857	320 775	326 611	953 483	525 271	389 487	2 732 484
South Central	430 998	292 269	462 755	434 948	293 836	291 432	2 206 238
Southwest	35 859	98 271	90 472	125 521	67 484	71 122	488 729
<b>For the country</b>	<b>2 808 831</b>	<b>2 431 561</b>	<b>3 328 847</b>	<b>5 628 701</b>	<b>3 375 958</b>	<b>3 751 150</b>	<b>21 325 048</b>

The lease in the Northeast and North Central Regions was active. For the reviewed period the leased land was 13,1 million dca. Moderately developed were the leases in the Northwest, Southeast and South Central Region. Unlike the sale trades of agricultural lands, where there is clearly expressed differentiation in the level of market prices, with the leases the level of payments is almost equal by regions of the country. The rent payments are functions mostly of the profitability from the agricultural production.

- *Major competitors*

The tendencies of growth of the prices of the agricultural land in the last three years are accompanied with an active investor interest both on the side of the big agricultural producers, and by the set up in

2005 special purpose vehicles, investing in agricultural land. The main competitors of Agro Finance REIT are:

**AdvansTerrafund REITs**

Founder of the fund are Karol Standard EOOD and IC Advance Invest AD in its capacity of an institutional investor. Currently the company owns 160 000 dca agricultural lands. 10.4 % of the capital is invested in two plots – village of German (Sofia) in immediate proximity of the ring-road of the city, as well as in Stara Zagora , Zhelesnik quarter, next to Technomarket shop.

The capital of the company amounts to BGN 44 million.

**Elana Agricultural Land Fund REIT**

Founders of the company are Elana Holding AD, Mutual Insurance Co-operative Dobrudzha – M – Life AD and Health Insurance Company Planet. Currently it owns about 143 000 dca of lands.

The capital of the company is at the amount of BGN 59,72 million.

Another three special investment purpose companies have entered the market, which will invest in agricultural lands: Bulland Investments REIT, Bulgaria Real Estate Fund REIT and Mel Invest Agricultural Land Fund REIT. All of the three companies operate on the market since 2006.

**3.4.FORECASTED DATA ABOUT THE COMPANY’S OPERATION TILL THE END OF YEAR 2007.**

In item 3.3. “Main tendencies” findings and conclusions are presented about the state and the main tendencies in the development of the agricultural land market in the country, as the Company sees them, and in the following information forecasted data are given about its operation till the end of year 2007. The information contained under the two items is based on the expectations and the presumptions of the Company at this time (the date of drawing up the Prospectus). It is possible the future development of the real estate market or the financial situation of the Company to differ considerably from that, which is expected and envisaged. Investors should not attach too big importance to the forecasts and prognostications, contained in this section.

**INCOME STATEMENT**

	<b>BGN</b>	<b>BGN</b>
	<b>31.12.2006</b>	<b>31.12.2007</b>
<b>Ongoing activities</b>		
Profit/(loss) from investment properties	262 529	1 414 417
Incomes from other investments		-
<b>Profit/(loss) from investments</b>	<b>262 529</b>	<b>1 414 417</b>
Administrative expenditures	(86 831)	(1 078 193)
Amortization costs	(7 223)	(15 510)
Expenditures for salaries and social insurances	(30 606)	(52 582)
Other operating expenditures	(1 571)	(14 680)
Financial revenues/(expenses)	(7 518)	-
<b>Pretax profit/(loss)</b>	<b>128 780</b>	<b>253 452</b>
Corporate tax	-	-
<b>Profit/(loss) from ongoing operations</b>	<b>128 780</b>	<b>253 452</b>
<b>Net profit/(loss) for the period</b>	<b>128 780</b>	<b>253 452</b>

**BALANCE**

	<b>31.12.2006</b>	<b>31.12.2007</b>
	<b>BGN</b>	<b>BGN</b>
<b>ASSETS</b>		
<b>Fixed assets</b>		
Investment estates	2 087 296	38 844 013
Tangible fixed assets	24 198	62 038
Intangible fixed assets	3 350	
<b>Total Fixed assets</b>	<b>2 114 844</b>	<b>38 906 051</b>
<b>Current assets</b>		
Advances given	93 177	-
Other current assets and prepaid expenditures	5 080	-
Money funds and money equivalents	32 450	1 461 441
<b>Total current assets</b>	<b>130 707</b>	<b>1 461 441</b>
<b>Deferred expenditures</b>	<b>307</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>2 245 858</b>	<b>40 367 492</b>
<b>EQUITY AND LIABILITIES</b>	<b>BGN</b>	<b>BGN</b>
<b>Equity</b>		
Capital stock	650 000	36 400 000
Premiums from capital		3 575 000
Accumulated profit/(loss)		128 780
Profit/(loss) from the current period	128 780	253 452
<b>Total equity</b>	<b>778 780</b>	<b>40 357 232</b>
<b>Long-term liabilities</b>		
Long-term loans to third persons		-
Long-term liabilities to related persons		-
Deferred tax liabilities		-
Long-term provisions		-
<b>Total Long-term liabilities</b>		<b>-</b>
<b>Current liabilities</b>		
Liabilities to financial undertakings	1 200 000	-
Short-term loans to related persons		-
Liabilities to contractors	256 335	-
Liabilities to related persons		-
Liabilities for taxes and social insurances		-
Current provisions		-
Other liabilities and deferred revenues	10 743	10 260
Liabilities for interests on loans		-
<b>Total Current liabilities</b>	<b>1 467 078</b>	<b>10 260</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 245 858</b>	<b>40 367 492</b>

## CASH FLOW STATEMENT (Indirect method)

	BGN	BGN
	<b>31.12.2006</b>	<b>31.12.2007</b>
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>128 780</b>	<b>253 452</b>
Amortization	7 223	15 510
Increase (reduction) of the liabilities	1 467 078	(1 456 818)
Reduction (increase) of the receivables	(131 014)	98 564
Incomes from reappraisal of investment estates	(262 529)	(138 800)
Purchase of investments	(1 824 767)	(36 617 917)
Purchase of fixed assets	(2 321)	(50 000)
Revenues related with the capital stock	650 000	39 325 000
<b>NET CHANGE IN THE CASH</b>	<b>32 450</b>	<b>1 428 991</b>
<b>CASH AT THE BEGINNING OF THE PERIOD</b>	<b>-</b>	<b>32 450</b>
<b>CASH AT THE END OF THE PERIOD</b>	<b>32 450</b>	<b>1 461 441</b>

The above presented forecasts are based on the following **basic assumptions**:

1. The forecasted size of the portfolio of acquired agricultural land is consistent with the Company's expectations for the availability of supply of suitable properties. The Company does not envisage next increase in the capital by the end of year 2007.
2. According the Articles of Association, the amount of the Company's liabilities, incl. the amount of liabilities under the issued bond loans, should not exceed at any time 20 times the Company's equity.
3. Maintenance of optimal cash availability within the required liquidity, in the form of money on bank accounts, allowed for investments according the Articles of Association.
4. The underlying operating costs, costs for management and servicing of the operation and other expenditures for year 2007 are:

### AGRO FINANCE REIT ANNUAL EXPENDITURES AS A % FROM THE BOOK VALUE OF THE COMPANY'S ASSETS

	2007	
	amount in BGN	%
<b>Operating expenses</b>		
Remunerations and social insurances, incl.:	52 582	0,13%
- remunerations of the Board of Directors	39 580	0,10%
Ongoing expenses (rent, overheads, etc.)	3 400	0,01%
Expenses for legal servicing	-	0,00%
Other operating expenses	5 000	0,01%
<b>Total operating expenses</b>	<b>60 982</b>	<b>0,15%</b>
<b>Financial expenses</b>	<b>-</b>	<b>0,00%</b>
<b>Expenses for management</b>		
Remuneration of the depository bank	1 200	0,00%

Remuneration for the servicing company	278 593	0,69%
Remuneration for auditors	1 000	0,00%
Expenses for servicing and maintenance of the acquired real properties	69 000	0,17%
<b>Total management expenses</b>	<b>280 793</b>	<b>0,70%</b>
<b>Fees and commissions</b>		
Fees to the FSC	5 080	0,01%
Fees to the investment intermediary (II)	720 000	1,78%
Fees to the BSE	1 000	0,00%
Fees to CD	7 600	0,02%
Other	1 000	0,00%
<b>Total expenses for fees and commissions</b>	<b>734 680</b>	<b>1,82%</b>
<b>TOTAL EXPENSES</b>	<b>1 076 455</b>	<b>2,67%</b>
<b>BOOK VALUE OF ASSETS</b>		<b>40 367 492</b>

5. With regard to the incomes and expenses in foreign currency, it is presumed that Bulgaria will remain in a currency board regime and the exchange rate of the leva to the euro will retain its current level EUR 1 = BGN 1.95583.

6. Underlying the 2007 forecasts are the following basic remunerations, taxes and fees:

#### AGRO FINANCE REIT

##### Remunerations and fees paid by the Company

##### Remunerations

Remuneration to the investment intermediaries for the increase in capital:

- fixed fee	BGN 5 000
- % of the raised capital	2,00%

Remuneration for the investment intermediary for following increases in the capital (% of the raised capital) 1,50%

Remuneration of the servicing company under a contract (annual fixed % of balance sheet value of the assets) 1,50%

Remuneration of the servicing company with granting of properties on rent/lease (% of the rent/lease premium) 10,00%

Remuneration of the servicing company upon sale of properties (% from The difference between the sale and purchase value of the asset) 10,00%

Commissions, related to purchase and sale of the real estates (average % on the transaction's value) 1,00%

##### Fees to the Financial Supervision Commission

For the approval of prospectus for subsequent increases in the capital (for any increase)	BGN 5 000
Annual fee for general financial supervision	BGN 1 080

##### Fees to Central Depository AD

Certificate of registration on free market of BSE	BGN 50
Fee for issue of ISIN code of securities issue	BGN 56
Keeping registration in CD (yearly)	BGN 480
Fee for depositing rights upon increase in capital:	BGN 855

Fee for depositing of share upon increase in the capital: BGN 6 687

#### **Fees BSE-Sofia AD**

Realization of initial offering of securities through BSE	BGN 150
Fee for registration of the rights on BSE	BGN 100
Maintenance of registration in BSE (anually)	BGN 500

#### **Taxes and notarial fees**

Notarial and other fees (average % from the value of the property)	1,50%
Tax upon acquisition of the property against payment (% of the property's value)	2,00%

#### **Amortization (% of the asset book value)**

Amortization of tangible assets	20,00%
Amortization of land	0,00%

#### **Dividends**

% of the profit, distributed as dividends	90,00%
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***Factors, influencing the realization of the forecasts made.*** Depending on the ability of the Company to exert influence on the above mentioned assumptions and factors, they are divided in the following groups:

Factors beyond the Company's control. These are factors over which the Company is unable to exert any influence, such for instance as factors from the macroeconomic environment. Such factors are: exchange rate of BGN to euro; the rates of taxes due by the Company; fees for registration of issue of shares and bonds of the Company.

Factors, over which the Company may exert influence. These are factors over which the Company is able to exert influence to a greater or smaller extent. Beside those listed in the preceding section, all other factors for which assumptions were made in the preparation of the forecast balance sheet and income statement for the Company, fall under this category, so far as they are subject of decisions of the Company's management bodies (for example, selection of properties to be purchased).

Source of the forecast information is the management of the Company. With its signature on the last page it declares that the forecasts are duly prepared on the basis of the above presented presumptions and the accounting is kept in compliance with the Company's accounting policy.

## 4. MEMBERS OF THE BOARD OF DIRECTORS. HIGH OFFICIALS AND EMPLOYEES

### 4.1. MEMBERS OF THE BOARD OF DIRECTORS

Management body of the Company is its Board of Directors. The membership of the Board of Directors consists of five persons, including two independent members. According Art. 41, para 5 of the Company's Articles of Association, the definition "independent" (which is in compliance with the provision of Art. 116a para 2 of the Law on Public Offering of Securities) means that the relevant director: is not an official of the Company; does not hold directly or through related persons 25 per cent or bigger number of the votes in the Company's general meeting and is not a member of a body, procurator or an official of a legal entity, which holds such number of votes; is not a related to the Company person; is not in lasting trade relations with the Company and is not a member of a body, procurators or an official of a legal entity, which is in such relations with the Company; is not a related person with another member of the Company's Board of Directors.

Below are submitted data about the members of the Board of Directors of the Company and their representatives in the execution of their duties, including about their professional experience, which is relevant to their activity as representatives of members of the Company's Board of Directors, and about their activities outside of the Company. Regarding the remunerations of the members of the Board of Directors, see "Expenses for management of the Company".

The members of the Company's Board of Directors are:

- **PERSIMON EOOD – Chairman of the Board of Directors**

The company is with a seat and registered office at: №163, Georgi Sava Rakovski Str., Sredets Region, city of Sofia. The subject of activity is: Trade activity in the country and abroad – trade with industrial goods, household goods and food commodities, trade representation, intermediation and agency in the country and abroad, transportation of passengers and cargoes in the country and abroad, advertising and impresario activity, tourist activity – hotel-keeping and restaurant-keeping, construction of residential, utility and industrial buildings, any other type of commercial, economic and consultancy activity, allowed by law. The company is entered in the commercial register of the Sofia City Court under №93885, volume 1236, page. 2 under company case №5799/year 2005. The Unique Identification Code of the company is 131424980.

By decision of single owner of the Company from 27 Jan., 2006, as a representative of Persimon EOOD in the Board of Directors of Agro Finance REIT was appointed Stoyan Todorov Toshev.

**Stoyan Todorov Toshev** is a graduate from the St. Kliment Ohridsky Sofia University (year 1982), majoring in Physics, and has a Doctorate degree in theoretical and mathematical physics (year 1989). Stoyan Toshev received a certificate for Certified Financial Analyst (CFA®) in 2001 and he is a Member of the Association for Investment Management and Research (AIMR), the USA. Stoyan Toshev was a research associate I<sup>st</sup> degree in the Bulgarian Academy of Sciences (year 1982-1995) and Visiting Professor at the University in Bordeaux, France (year 1992-1994).

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Professional experience:

Since year 2002 and currently	Executive Director of T B I Asset Invest EAD
Since year 2002 and currently	Executive Director of T B I Asset Management EAD
From year 1998 to 2002	Director of Division Investments in PIC Doverie
From year 1995 to 1998	Investment manager in PIC Doverie AD

Participation in other companies as a member of the management or control bodies for the last 5

years.

From year 2004 to 2006	Member of the Supervisory Board of PIC Doverie
Since year 2002 and currently	Member of the Board of Directors and Executive Director of T B I Invest AD
Since year 2002 and currently	Member of the Board of Directors and Executive Director of T B I Asset Management AD
Since 2001 and currently	Member of the Supervisory Board of PAD Bulstrad
From year 2000 to 2003	Member of the Management Board of Bulgarian Pension Insurance Company
From year 1999 to 2001	Member of the Board of Directors of PAD Bulstrad

Stoyan Toshev does not possess holding in commercial companies as a general partner. No coercive administrative measures or administrative sanctions were imposed on the person in the last 5 years.

• **CSIF – Independent member and Deputy Chairman of the Board of Directors**

The company is with a seat and registered office at: №14, Nerazdelni Str., Lozenets Region, city of Sofia. The subject of activity is: Consultations to undertakings about their capital structure, corporate strategy and related issues, surveys, analyses and consultations for acquisition and management of shareholdings, consultations about transformation of companies and transactions for acquisition of undertakings, as well as any other transactions, which are not prohibited by law. The company is entered in the commercial register of the Sofia City Court under №91481, volume 1185, page 104 under company case №2435/year 2005. The unique identification code of the company is 131385285.

By a protocol of the Company's Board of Directors from 5 Dec., 2005, as a representative of CSIF in the Board of Directors of Agro Finance REIT is appointed Danail Mihailov Kamenov.

**Danail Maihailov Kamenov** graduated in 1994 from the University of National and World Economy, majoring in Economy and Management of Transport.

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Professional experience:

Since 2003 and currently	Executive Director of Economic and Investment bank AD /EIBANK/
From 2001 to 2003	Executive Director of Communications Equipment AD

Participation in other companies as a member of the management or control bodies for the last 5 years.

Year 2006	Member of the Board of Directors of T B I EAD
Since 2005 and currently	Member of the Board of Directors of CEIE
From year 2004 to 2006	Member of the Supervisory Board of PIC Doverie AD
Since 2002 and currently	Member of the Management Board of Economic and Investment Bank AD /EIBANK/
2002	Chairman of the Board of Directors of Despred AD
From 2002 to 2003	Chairman of the Management Board of Bentonit AD
From 2001 to 2003	Manager of Industrialcontrol EOOD
From 2001 to 2003	Member of the Board of Directors of Communications Equipment AD
From 1998 to 2001	Chairman of the Board of Directors of Sokol AD

Danail Kamenov is a partner in Avers OOD and Ecoprojects OOD. No coercive administrative measures or administrative sanctions were imposed on the person in the last 5 years.

• **ZPAD BULSTRAD**

The company is with a seat and registered address: №5, Pozitano Sq., Triaditsa Region, city of Sofia. The subject of activity is: insurance and reinsurance in the country and abroad. The company is entered in the commercial companies register of the Sofia City Court under №6450, volume 108, page 156 under company caseпод №2710/year 1992. The unique identification code of the company is 000694286.

By a protocol of the Company's Management Board from 19 Jan., 2006, Rumen Yanchev has been appointed a representative of ZPAD Bulstrat in the Board of Directors if Agro Finance REIT.

**Rumen Ivanov Yanchev** is a graduate of D.A. Tsnov Academy of Economics in Svishtov, majoring in Insurance. In the same year he began work at ZPAD Bulstrad and passed through the whole hierarchical ladder in the company. He has many specializations in leading insurance and reinsurance companies in Europe and in the USA. He was an executive director of European Reinsurance Brokers Ltd in London. Registered as a broker on the London market.

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Professional experience:

since 1992 and currently                      Chief Executive of ZPAD Bulstrad

Participation in other companies as a member of management and control bodies for the last 5 years.

Since 2003 and currently                      Member of the Supervisory Council of PIC Doverie AD

Since 2003 and currently                      Deputy chairman of the Board of Directors of T B I Health Insurance AD (former Bulstrad Health Insurance AD)

Since 2003 and currently                      Member of the Board of Directors of T B I Credit EAD

Since 2003 and currently                      Manager of Optimum Best OOD

Since 2002 and currently                      Member of the Board of Directors of T B I Leasing AD

From 2002 to 2006                              Member of the Board of Directors of T B I Asset Management EAD

Since 2001 and currently                      Chairman of the Board of Directors of Utex Holding AD (former name Privatization Fund Bulstrad)

Since 2001 and currently                      Member of the Board of Directors of United Capital AD

Since 2000 and currently                      Member of the Supervisory Board of Yuta JSC

Since 2000 and currently                      Member of the Board of Directors of Belatur AD

Since 2000 and currently                      Member of the Supervisory Board of Slavyanka AD till 2006, and since 2006 a member of the collective management body

Since 1999 and currently                      Manager of Bulstrad Services and Consulting EOOD

From 1996 to 2001                              Member of the Board of Directors of Privatization Fund Bulstrad

Since 1994 and currently                      Chairman of the Board of Directors of ZAD Bulstrad Life

Since 1992 and currently                      Chairman of the Board of Directors and Executive Officer of ZPAD Bulstrad

Since 1991 and currently

Member of the Board of Directors of the European Insurance & Reinsurance Brokers LTD, London

Rumen Yanchev is a partner in Best Profit Options OOD and Optimum Best OOD. No coercive administrative measures or administrative sanctions were imposed on the person in the last 5 years.

Rumen Yanchev does not possess holding in commercial companies as a general partner. No coercive administrative measures or administrative sanctions were imposed on the person in the last 5 years.

- **ZAD BULSTRAT LIFE**

The company is with a seat and registered office at : №6, Sveta Sofia Str. Vazrazhdane Region, city of Sofia. The subject of activity is: Underwriting Life and Rent Insurance, marriage and child's assurance, permanent health insurance, supplementary insurance, accident insurance. The company is entered in the commercial register of the Sofia City Court under №626, volume 12, page 8 under company case №14871/year 1994. The unique identification code of the company is 831211284.

By protocol of the Management Board of the Company №27 from 16 August, 2006 as a representative of ZAD Bulstrad Life in the Board of Directors of Agro Finance REIT is appointed Svetla Ivanova Nestorova - Assenova.

Svetla Ivanova Nestorova – Assenova graduated St. Kliment Ohridski Sofia University in year 2000 and holds a master's degree in Psychology.

Professional experience:

From 1994 to 1998

National Association Debates

From 1999 to 2002

St. Kliment Ohridski Sofia University – assistant in Psychology of Abnormal Development

From 2002 to 2004

AIG Life LIC EAD

From 2004 to 2006

ZAD BULSTRAD LIFE, Director Marketing and Sales

Since 2006 and currently

ZAD BULSTRAD LIFE, Executive Director

Participation in other companies as a member of the management or control bodies for the last 5 years.

From 2005 to 2006

Member of the Management Board of ZAD Bulstrad Life

Since 2006 and currently

Chairman of the MB of ZAD Bulstrad Life

Svetla Ivanova Nestorova – Assenova does not possess holding in commercial companies as general partner. No coercive administrative measures or administrative sanctions were imposed on the person in the last 5 years.

- **OGNIAN IORDANOV KALEV – Independent member and Executive Director**

**Ognian Iordanov Kalev** graduated in year 1989 the Higher Institute of Zooengineering and Veterinary Medicine, specialty zooengineer, and in 1998 – Dimitar Tsenov Academy of Economics, majoring in Finance.

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Professional experience:

From March, 2006 and currently      Executive Director of Agro Finance REIT

From November, 2005 till February, 2006      Financial analyst in T B I Consulting EOOD

From August 2005 till November, 2005      Auditor in Allianz Bulgaria Holding

From August, 1999 till February 2005      Head of Department Crediting in SF Agriculture

From Nov., 1998 to July, 1999      Expert in SF Agriculture

Participation in other companies as a member of the management or control bodies for the last 5 years.

The person has not been a member of management and control bodies in the last 5 years.

Ognian Kalev does not have a participation in commercial companies as a general partner. No coercive administrative measures or administrative sanctions were imposed on the person in the last 5 years.

### **5.3. INFORMATION ABOUT THE OPERATION OF THE BOARD OF DIRECTORS**

All above stated persons have been elected as members of the Board of Directors at the constituent assembly of the Company, held on 30 January, 2006. At a meeting of the Board of Directors from 31 Jan., 2006, allocation of the functions among them was made and the representation of the Company was assigned to the Executive Director Ognian Kalev. On 1 March, 2006 contracts for management were concluded with all members of the Board of Directors. These contracts are with a 3-year period of validity, equal to the mandate for which the members of the Board of Directors were appointed, and expire on 1 March, 2009. Payment of compensation to the member of the Board of Directors upon termination of their contracts for management with the Company has not been envisaged.

Till the date of the prospectus preparation no coercive administrative measures or administrative sanctions have been imposed on any of the members of Company's the Board of Directors.

### **5.4. INFORMATION ABOUT THE OFFICIALS OF AGRO FINANCE REIT**

In pursuance of the provisions of Art. 116d of the LPOS, the Board of Directors of the Company has appointed under a labor contract Investor Relations Director, as she has the appropriate qualification and experience for the realization of her duties, she is not a member of a management or control body or procurators of a public company and satisfies all other requirements of the LPOS to the investor relations directors of the public companies.

At the time of the drawing up of this document, Agro Finance REIT does not have appointed other officials under a labor contract.

## **5. FUNCTIONING OF THE COMPANY. MAJOR PARTNERS**

The legislative framework, governing the securitization of real properties by means of the special purpose vehicles, is based on separation of the functions in this process among the specialized institutions: depository bank, servicing companies, appraisers of the real estates, etc.

As a special purpose vehicle, Agro Finance REIT functions as a specific collective scheme for investment in real estate; in particular, the Company acquires real estates (land) with cash, which it raises by the issue of securities. The depository bank keeps the cash of the Company and the acquired by it securities, makes all payments of the Company and has certain control functions over its operations.

According the Law on Special Purpose Vehicles, the operation of the Company is carried out not by own staff, but under a contract with external entities – specialized commercial companies (servicing companies). Due to it, at the present time the appointment of officials of the Company is still not envisaged. Only the Investor Relations Director is appointed under a labor contract, in consistence with the requirements of Art. 116d of the Law on Public Offering of Securities.

The law obligates the Company to assign to external independent experts (appraisers) the appraisal of the securitized real properties prior to their acquisition, as well as at the end of each fiscal year and upon certain change in the inflation index in the country or the index of real estate prices. As of any joint-stock company, the annual financial statements of the Company must be audited by a registered auditor.

### **5.1 DEPOSITORY BANK**

The depository bank of the Company is United Bulgarian Bank AD, with headquarters and registered office at №5, Sveta Sofia Str., city of Sofia, tel: +359 (2) 811 37 52, fax: +359 (2) 988 08 22, Internet page: [www.ubb.bg](http://www.ubb.bg).

United Bulgarian Bank Ad was established in year 1992 by means of the merger of 22 Bulgarian regional commercial banks. In 1997 it was privatized and it holds an authorization (license) to pursue bank activity № 63/19 Nov., 1992 and resolution №340 of the BNB's Governing Council.

The contract with United Bulgarian Bank EAD envisages the bank to render the following services: keeping of the cash and securities of the Company, which it is entitled to own according the law and its Articles of Association; making payments on behalf and for account of the Company; execution of actions, related to the securities, such as providing of information, reports, payment of interests, principals, etc; opening of an accumulation account in case of increase in the Company's capital. The depository bank has all obligations under the contract, which LSPVs and the LPOS and their implementing instruments require, including: to keep and account for the Company's assets separately from its own and the other accepted for safe-keeping assets; to make all payments in compliance with the conditions, envisaged in the Company's Articles of Association and to ensure the use of the Company's incomes in compliance with those instruments and the law.

The contract with the depository bank has been concluded without a term. The contract may be terminated also with an one-month prior written notice on the Company's side, as well as with two-months prior written notice on the side of the depository bank.

### **5.2 SERVICING COMPANY**

The Company has a contract concluded with a servicing company about the servicing of real estates, as well as about the keeping and storage of its accounting records.

#### **➤ Servicing the real estates of the Company**

This activity is carried out by T B I Consulting EOOD

*Seat and registered office:* № 5, Dunav Str. Oborishte Municipality, city of Sofia

T B I Consulting EOOD is entered in the commercial register with the Sofia City Court according a decision of the SCC under company case №2175/year 2004 under lot №82281, volume 992, reg. 1, page 29.

➤ **Concise information on the professional experience of the servicing company**

T B I Consulting EOOD was established in year 2004 with the purpose of broadening the financial and consulting services of the group T B I H and providing of specialized intermediation services and know-how.

The financial-consultancy activity of the company until presently covers:

- analysis of the financial situation of companies and municipalities and estimate of the possibilities for attracting debt and/or equity financing;
- consultations about the capital structure of companies, refinancing and restructuring of liabilities;
- consultations and services about transformation of companies and transactions for acquisition of undertakings; as well as development of investment strategies for taking up new business;
- analysis, assessment and development of investment projects and providing financing;
- consultations with conclusion of transactions with real estate, including acquisition, construction, improvement, dale and granting on hire;
- study and preparation of estimates about the conditions of the real estate market in the country;
- accounting services.

T B I Consulting EOOD is with over three-year experience as a financial consultant in determining investment strategies of companies and attraction of equity and debt financing from the Bulgarian capital market. In 2005 the company was a consultant to T B I –BAK – Real Estate REIT (now Prime Property BG REIT) – one of the biggest in capitalization on BSE-Sofia AD special purpose vehicles for real estate in the country, carrying out the following activities:

- Preparation of analyses, forecasts and assessments of the situation of the financial resource market and proposals about concrete form of financing the operation of a special purpose vehicles;
- Preparation of analyses and proposals about changes and replacements in the sources of financing of a special purpose vehicle and of the relative weight of those sources in its capital structures;
- Preparation of studies and analyses, forecasts and assessment about the state of the real estate market in the country and drawing up proposals for the buying by a special purpose vehicle title and/or limited real rights over real estates;
- Examining the condition of the real properties, which a special purpose vehicle owns or intends to acquire, with a view to the situation and the forecasts for the development of the real estates market in the country, and preparation of proposals on the manner of administration of and/or disposal with the real properties, including on their granting on hire, rent or leasing, or on their sale on definite conditions;
- Preparation of proposals for changes in the investment objectives and the limitations in the investment activity and/or the type of real estates for securitization, envisaged in the

Articles of Association, the prospectus and the other internal acts of a special purpose vehicle, where such changes are necessitated or are advisable with a view to amendments to the acting legislative framework or in the market conditions.

- The organizational structure of the company includes a financial and accounting department, legal department and expert teams for work on separate projects. In the execution of the activities and services as a servicing company of Agro Finance REIT, T B I Consulting EOOD uses specialists in the field of deals with land properties, including acquisition, sale and granting on hire, as well as experts in the field of the accounting and legal servicing.

The set up organization and the established rules of work, combines with the professional experience of the officials and the managerial team, are a premise for the successful development of the activity of T B I Consulting EOOD regarding the servicing of real estates, the maintenance and keeping of the accounting documentation and correspondence, and other activities for the administration of the portfolio of properties. The company has the required structure, professional and technical resources to perform the functions of a servicing company of Agro Finance REIT, according the concluded for the purpose contract.

### **5.3.APPRAISERS OF THE REAL ESTATES OF THE COMPANY. AUDITOR**

By decision of the Board of Directors Bright Consult OOD has been appointed for appraiser of the acquired by the Company real properties.

#### **➤ Main information about the appraisers**

Bright Consult OOD is a private appraisal and consultancy company, registered in 1994 by ruling No 1/16 April, 1994 of the Sofia City Court and subject of activity: consultancy, audit, managerial, expert and business-appraisal activities.

The head office of the company is : D. Nestorov Boul. Bl. 119, Entrance B, ap. 25, 1612 Sofia, Bright Consult OOD has concluded contracts for representation in almost all big cities and towns, such as Sofia, Plovdiv, Varna, Rusee, Razgrad, Pernik, Yambol, Troyan, Montana, Burgas, Sliven, Kardjali, Pleven, Svishtov, etc.

Bright Consult OOD realizes its activities since 1994..

Within its subject of activity, the company specialized in rendering legal services for proving the ownership and making market appraisals for privatization of the state and municipal ownership and sale trades of real estate. The company has accumulated considerable experience also in the appraisal of movable and immovable assets, pledged as a collateral against credits for BULBANK AD, FIB AD, CCB AD, UBB AD, DSK EAD, REIFFEISENBANK AD, HVB Leasing OOD, etc.

Bright Consult OOD executes also many orders, placed by private companies and institutions, by receivers of declared in bankruptcy trade companies, bank, insurance companies and other assignors.

In its appraisal practice of over 10 years, the appraisals prepared by Bright Consult OOD have not been a subject of comment in the public domain and are accepted by the assignors.

The personnel of the company consists of licensed appraisers under a permanent labor contract.

The owner of the company – Dr. Valentin Parvanov is a founder of the company and its methodological manager. He is a founder and chairman of the Association of the Bulgarian appraiser since year 1993. He holds all required licenses and is a lecturer in the education of appraisers for valuation of all types of tangible and intangible assets. He is a representative of Bulgaria in the European group of the valuation associations - TEGoVA.

In his long activity and the large number of tasks, the company carried out appraisal and consultancy activity practically in all branches of economy:

- industry – all branches;
- trade;
- transport;
- services;
- agriculture, etc.

Privatization and market appraisals were made in the various industries and branches, as well as evaluation of collaterals against credits.

Bright Consult OOD is financially and staff-wise provided consultancy company and on that basis it guarantees the independence of its experts and the quality of the prepared market assessments.

Bright Consult OOD is with experience of appraisal of enterprises in the system of the military-industrial complex.

The company is actively engaged in the process of transformation and privatization of the state and municipal enterprises. From its registration till the present time, more than 900 privatization and market appraisals were prepared. The valuations were assigned after a won competition of the Privatization Agency, the branch ministries, Capital Municipal Privatization Agency, Sofia Properties EAD and privatization bodies in a number of municipalities in the country.

The members of the team of Bright Consult OOD have a serious experience gained in the valuation of a large number of sites, including financial and insurance institutions. They all are university educated and have additional qualifications in various fields. The licensed appraisers work under a permanent labor contract in the firm, contributing for the professionalism and the responsibility in the performance of the separate tasks.

The appraisal experts, working in the company are licensed by the Privatization Agency and hold international certificates for the pursuance of a professional activity, issued by authorized foreign institutions.

The team of the company includes:

- licensed appraisals for appraisal of whole enterprises;
- licensed appraisals for appraisal of real properties;
- licensed appraisals for appraisal of machines and equipments;
- licensed appraisals for valuation of financial institutions;

The fulfillment of the assigned market assessments is realized by Bright Consult OOD by its own efforts and by representatives in the country. The company has concluded contracts for representation in almost all big cities and towns, such as Sofia, Plovdiv, Varna, Rusee, Razgrad, Pernik, Yambol, Troyan, Montana, Burgas, Sliven, Kardjali, Pleven, Svishtov, etc.

The representatives of Bright Consult OOD in the country work in compliance with the company's standards, ethic code and requirements and on behalf of the company. Bright Consult OOD assume in whole the responsibility for the appraisals.

Bright Consult OOD maintains continuous electronic connection with its representatives and if needed, renders methodological consultations or assists in the taking of more important decisions.

The system of work with representatives in the country functions well and efficiently for a second year already, without any serious deviations to have been made or any problems caused to the assignors. Thus Bright Consult OOD works actively with a number of customers and already has accumulated enough experience in the administration of the activity.

By ruling of the Sofia City Court from 22 Jan., 2007, an auditor has been appointed for audit of the 2006 annual financial statement of the Company. The appointed auditor is Agein Takt OOD, having a seat and registered office at №52, Dondukov Boul., city of Sofia. The contract for audit of the Company's operation for year 2006 was concluded on 23 Jan., 2007.

#### **5.4. INVESTOR RELATIONS DIRECTOR**

The Investor Relations Director is not a member of the Company's Board of Directors. According Art. 116d of the Law on Public Offering of Securities, the main function of the Investor Relations Director is the realization of an efficient connection between the Company's Board of Directors, on one side, and its shareholders and the investors, on the other side. More specifically, the Investor Relations Director is responsible for: (a) providing information about the financial and economic situation of the Company, about general meetings and any other information, to which according the law the shareholders and investors are entitled in this capacity; (b) forwarding the reports and notifications to the Financial Supervision Commission, to Bulgarian Stock Exchange-Sofia AD and to the Central Depository; (c) the keeping and storage of the minutes from the Board of Director's meeting.

The Board of Directors of the Company has appointed as Investor Relations Director Ralitsa Yovkova Peeva. Ralitsa Peeva graduated in 1996 the UNWE, majoring in Finance, and in 2001, in the same university a second major in Law. In the period December 1997 - July 1999 she hold consecutively the positions of bank accountant and bank inspector in Regional Branch - 5 of Bank DSK EAD. In the period July 1999 – November 2002 she hold consecutively the positions chief expert and head of department in the Headquarters of Bank DSK EAD. From November 2002 to June 2004 she was a chief expert in the Main Office of DZI – Non-life Insurance AD. Since July 2004 she is a financial analyzer in TBI Invest EAD.

Ralitsa Peeva does not participate in management and supervisory bodies of commercial companies and does nor own holding from the capital of other companies. No coercive administrative measures or administrative sanctions were imposed on the person in relation to her professional activity.

## 6. MAJOR SHAREHOLDERS. TRANSACTIONS WITH RELATED (STAKEHOLDERS) PERSONS

### 6.1. SHAREHOLDER, HOLDING OVER 5% OF THE VOTING SHARES

Upon the incorporations of the company, the shareholders holding over 5% of the voting shares have been:

- **CSIF**, having a seat and registered office at: №14 Nerazdelni Str. , Lozenets Region, city of Sofia owns 100 000 ordinary voting shares, representing 20% of the capital and of the votes in the General Meeting of Agro Finance REIT;

- **ZPAD BULSTRAD**, having a seat and registered office at: №5, Pozitano Sq., Triaditsa Region, city of Sofia, owns 150 000 ordinary voting shares, representing 30% of the capital and of the votes in the General Meeting of Agro Finance REIT ;

- **ZAD BULSTRAD LIFE**, with a seat and registered office: №6, Sveta Nedelya Str., Vazrazhdane Region, city of Sofia, owns 100 000 ordinary voting shares, representing 20% of the capital and of the votes in the General Meeting of Agro Finance REIT;

- **T B I CREDIT EAD**, with a seat and registered office: №5, Pozitano Sq., Triaditsa region, city of Sofia owns 100 000 ordinary voting shares, representing 20% of the capital and of the votes in the General meeting of Agro Finance REIT;

- **T B I INVEST EAD**, with a seat and registered office: №5 Dunav Str., Oborishte region, city of Sofia, owns 50 000 ordinary voting shares, representing 10% of the capital and of the votes in the General Meeting of Agro Finance REIT;

On the date of drawing up the Prospectus, the shareholders with more than 5% are:

- **CSIF**, having a seat and registered office at: №14 Nerazdelni Str. , Lozenets Region, city of Sofia owns 121 000 ordinary voting shares, representing 18,62% of the capital and of the votes in the General Meeting of Agro Finance REIT;

- **ZPAD BULSTRAD**, having a seat and registered office at: №5, Pozitano Sq., Triaditsa Region, city of Sofia, owns 182 829 ordinary voting share, representing 28,13% of the capital and of the votes in the General Meeting of Agro Finance REIT;

- **ZAD BULSTRAD LIFE**, with a seat and registered office: №6, Sveta Nedelya Str., Vazrazhdane Region, city of Sofia, owns 121 925 ordinary voting shares, representing 18,76% of the capital and of the votes in the General Meeting of Agro Finance REIT;

- **T B I CREDIT EAD**, with a seat and registered office: №5, Pozitano Sq., Triaditsa region, city of Sofia owns 121 920 ordinary voting shares, representing 18,76% of the capital and of the votes in the General Meeting of Agro Finance REIT ;

- **T B I INVEST EAD**, with a seat and registered office: №5 Dunav Str., Oborishte region, city of Sofia, owns 61 000 ordinary voting shares, representing 9,38% of the capital and of the votes in the General Meeting of Agro Finance REIT;

- **FAIRPLAY AGRARIAN FUND AD**, with a seat and registered office: №51B, Cherni Vrah St., Lozenets region, city of Sofia owns 40 816 ordinary voting shares, representing 6,28% of the capital and of the votes of Agro Finance REIT ;

## 6.2. TRANSACTIONS WITH RELATED (STAKEHOLDERS) PERSONS

The Company has entered into a contract with T B I Consulting EOOD in its capacity of servicing company of Agro Finance REIT. The Company has concluded a contract with T B I Invest EAD, as one of the investment intermediaries (along with H B V Bank Biochim AD), authorized to service the second increase of the capital of Agro Finance REIT. The Company has also concluded a separate contract with T B I Invest EAD for the drawing up of the prospectus for public offering of shares from the second increase in the company's capital.

Presently, the Issuer has not concluded any other transactions with related persons, and has not received proposals for the conclusion of such transactions.

Agro Finance REIT has not granted loans and has not undertaken guarantees for or in favor of related persons. The Company is not entitled to grant loans or to secure other person's liabilities (Art. 21, para 1 of LSPVs).

At the date of the Registration Document, T B I Bulgaria AD has granted the following loans to related companies within the meaning of item 6.3.2 of Ordinance №2:

	<b>Interest %</b>	<b>Due date</b>	<b>Principal in BGN</b>	<b>Subject of the transaction</b>
BZP Group EAD	BNB IR + 1%	30.9.2007	6 990 174	Investment loan
TBI Contact Center EAD	6%	31.5.2007	1 368 085	Investment loan
TBI Info EOOD	8%	31.12.2007	27 000	Current needs

## **7. EXPENSES OF THE COMPANY**

According Art. 60 para 1 of the Company's Articles of Association, the maximum allowed amount of all expenses for its management and servicing, including the expenses for remunerations of the members of the Board of Directors, of the servicing companies, of the registered auditor, the appraisers and the bank-depository may not exceed 7 (seven) per cent of the asset value according the Company's balance sheet, included in the Company's annual financial statement for the year of expenses assessment.

In case that the Company sells its own real estate, the expenses for the Company's management for the year of sale may exceed 7 (seven) per cent, but by not more than 15 (fifteen) percent of the obtained by the Company sale price.

### **7.1. REMUNERATIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS**

According Art. 51 of the Company's Articles of Association, every of the members of the Board of Directors receives a monthly remuneration with a fixed amount, which may not exceed 10 (ten) times the amount of the minimal salary for the country. The specific amount of the remuneration is determined by the General Meeting within the frameworks of the preceding sentence and while complying with the maximum allowed amount of all expenditures of the Company.

The constituent assembly has fixed a monthly gross remuneration for every of the non-executive members of the Board of Directors at amount, equal to three minimal monthly salaries for the country. The monthly remuneration of the executive member of the Board of Directors is determined by the Constituent Assembly at the amount of BGN 1 500.

### **7.2. REMUNERATION OF THE SERVICING COMPANY**

For its activities under the contract the servicing company is entitled to a remuneration as follows:

- Annual remuneration at the rate of 1.5% (one point five per cent) on annual basis from the value of the assets as per the balance sheet at the end of the preceding month. The remuneration is paid monthly.
- Annual remuneration upon granting of estates on rent/hire/leasing at the rate of 10% (ten per cent) of the rent/lease premium. The remuneration is paid quarterly.
- Single-time remuneration upon sale of properties – at the rate of 10% (ten percent) of the difference between the sale and purchase price of the asset.

### **7.3. ANNUAL REMUNERATION OF THE DEPOSITORY BANK**

The depository bank receives for its services a monthly remuneration at the amount of BGN 100. All other costs for execution of the directions of the Company are paid according the acting Tariff for the fees and the commissions of the depository bank at the time of the chargeability of the price for the respective service.

### **7.4. REMUNERATION TO THE APPRAISERS**

For their services the appraisers receive a remuneration at the rate of BGN 10 for anyone initial appraisal. For any subsequent reappraisal is paid 0,2% of the purchase price, but not more than BGN 5. Due to the accepted accounting policy of the Company, the value of the initial appraisal before the purchase of land is included the balance sheet value of the acquired property. The costs for any other reappraisal are carried to the expenditure part of the income statement.

## 7.5. OTHER EXPENSES. PAID EXPENSES BY THE COMPANY

As the Company was incorporated in February 2006 and the general meeting has not appointed a chartered accountant until the expiration of the calendar year, by ruling from 22 Jan, 2007 Sofia City Court appointed, on the grounds of Art. 249 para 1 of the Commercial Law (CL) in relation to Art. 121 of the LPOS, Agein Takt with a seat and registered office: № 52, Dondukov Boul. 1000 Sofia as a registered auditor for audit of the 2006 annual financial statement of the Company. On 23 Jan, 2007 the Company concluded a contract with the auditor, the remuneration for year 2006 was at the amount of BGN 1 000.

Regarding the acquired properties and paid costs for their acquisition, see Item 3.3.4. of the Registration Document.

## 7.6. ADDITIONAL INVESTMENTS AND COSTS FOR PUTTING THE ASSETS IN EXPLOITATION

Additional investments and costs for putting the assets into exploitation are not envisaged.

## 7.7. EXPENSES PAID BY THE COMPANY AS OF 31 DEC., 2006

In the following table are given all expenses made by the Company as of 31 Dec., 2006 and as a percent of the company's assets.

Total expenses of the company as of 31 Dec., 2006.

	31 Dec., 2006.	% of the assets as per balance sheet
Remuneration of the servicing company	27 509,01	1,22%
Remuneration of the depository bank	200,00	0,01%
Remuneration of the members of the Board of Directors	33 857,00	1,51%
Remuneration to the auditor	-	0,00%
Remuneration to investment intermediaries	8 000,00	0,36%
Other expenses of the company	68 414,99	3,05%
Total expenses	137 981,00	6,14%

The next table presents the expenses for management of the Company at 31 Dec., 2006 and as a percent of the company's assets. According Art. 60 para 1 of the Company's Articles of Association, the maximum allowed amount of all expenses for its management and servicing, including the expenses for remunerations of the members of the Board of Directors, of the servicing companies, of the registered auditor, appraisers and the depository bank may not exceed e 7 (seven) per cent of the value of the assets as per the Company's balance sheet, included in the annual financial statement of the Company for the year of the expenses assessment.

## Expenses for management of the company at 31 Dec., 2006

	31 Dec., 2006	% of the assets as per balance sheet
Remuneration of the servicing company	27 509,01	1,22%
Remuneration of the depository bank	200,00	0,01%
Remuneration of the members of the Board of Directors	33 857,00	1,51%
Remuneration to the auditor	-	0,00%
Remuneration of the appraisers	-	0,00%
Total expenses	61 566,01	2,74%

## **8. FINANCIAL INFORMATION**

The Company was incorporated in the month of February, 2006 and at the present time there are audited annual accounts prepared in accordance with the IFRS as of 31 Dec., 2006.

### **8.1. ANNUAL FINANCIAL STATEMENTS**

The annual audited financial statements of the Company at 31 Dec., 2006, prepared according the IFRS have been attached and represent an integral part of the Registration Document.

### **8.2. SUBSTANTIAL CHANGES AFTER THE DATE OF THE LAST ANNUAL OR INTERIM FINANCIAL STATEMENT**

After the date of the last annual financial statement – 31 Dec., 2006 until the date of preparation of this document, the following material circumstances occurred:

On 8 February, 2007 the Board of Directors of Agro Finance REIT took a decision for increase in the capital of the Company, subject of this prospectus. For details see the Document for the Offered Securities.

### **8.3. THE COMPANY POLICY WITH REGARD TO DIVIDEND DISTRIBUTION**

The Company distributes dividends under the procedure and conditions, provided for in the LSPVs, LPOS, CL and the Articles of Association, by decision of the General Meeting. Advance dividend distribution is prohibited. Entitled to receive a dividend are the persons, entered in the registers of the Central Depository as shareholders on the 14-tieth day after the date of the General Meeting, at which the annual financial statement has been adopted and a decision has been made for distribution of the profit.

The Company distributes obligatorily as dividend at least 90% of the profit for the fiscal year. The dividends are paid to the shareholders within 12 months after the end of the respective fiscal year.

Until now the Company has not paid any dividends.

## **9. INFORMATION ABOUT THE OFFERED SHARES**

In addition to the below presented information, you have to read also the general information “Rights and limitations of the classes of shares of the Company” in the Registration Document, Section “Additional information: Information about the Company’s Articles of Association”.

On 8 February, 2007 the Board of Directors of Agro Finance REIT, on the grounds of Art. 44 para 1 of the Company’s Articles of Association took a decision for increase of the capital to BGN 36 400 000 through the issue of 35 750 000 new ordinary dematerialized voting shares, with an issue value of BGN 1.10 and par value of BGN 1 (The BD decision is enclosed to this Document for the Offered Securities).

### **9.1. TYPE AND CLASS OF THE OFFERED SHARES**

Subject of initial public offer are 35 750 000 pieces of ordinary, dematerialized voting shares, from the issue of the second increase in the capital of the Company. The shares of this issue are of the same class as the already issued shares of the floatation issue and the issue from the initial increase in the capital of the Company. The par value of the offered shares is BGN 1 (one), and the issue value is BGN 1,10 (one lev and ten stotinki). The Book of shareholders is kept by Central Depository AD.

### **9.2. CURRENCY OF THE ISSUE OF SHARES**

The shares, subject of the public offering are issued in BULGARIAN LEVA.

### **9.3. APPLICABLE LAW WITH INTERNATIONAL OFFERINGS OF THE SHARES**

The shares of this issue are offered for trading only on the Bulgarian market – BSE-Sofia AD. Trade on international markets has not been envisaged.

### **9.4. RIGHTS ATTACHING TO THE OFFERED SHARES AND PROCEDURE OF THEIR EXERCISING**

Agro Finance REIT is entered in the register of the public companies and other issuers of securities under Art. 30 para 1 item 3 of the Financial Supervision Commission Act by Decision № 1025-ПД from 17 Oct., 2006 of the Financial Supervision Commission. According the Articles of Association of Agro Finance REIT, LPOS, the Commercial Law and the other applicable statutory acts, any ordinary share entitles to one vote in the General Shareholders Meeting, to a dividend and liquidation quota, proportionate to the par value of the share.

**Voting right.** Voting right in the General Shareholders Meeting is exercised by the persons, entered in the registers of the Central Depository as shareholders 14 days before the date of the General Meeting. (The buyer of shares, entered in the register of Central Depository on the 13-tieth day prior to the General Meeting, will not be able to vote; the voting right attaching to those shares may be exercised by their previous holder). Central Depository provides to the Company a list of the shareholders on the above stated date (14 days before the General Meeting). The presence of the person in this list is a sufficient condition, such person to participate in the general meeting and to exercise his/her voting right, after duly legitimizing himself (ID card for the natural persons; certificate of current court status of a shareholder – legal entity and respectively legitimizing of its representative). The holders of the voting right participate in the General Meeting personally or through a proxy, authorized with an express notarially attested power of attorney under Art. 116 para 1 of the Law on Public Offering of Securities (LPOS).

**Right to dividend.** The Company is obligated by law to distribute as dividend at least 90 per cent of its annual profit. The law prohibit the Company from capitalizing its profit. Entitled to receive dividend are the persons, entered in the registers of the Central Depository as shareholders on the 14-tieth day after the date of the General Meeting on which the annual financial statement has been adopted and decision has been made for distribution of the profit. The Central Depository provides the Company with a list of the shareholders on the above indicated data. The presence of the person in this list is a sufficient condition such person to receive a dividend, after he/she duly established his/her identity (see above). According the Company's Articles of Association, it must pay the dividends to the shareholders within 12 months after the end of the relevant fiscal year. The persons, entitled to a dividend, who do not look for it within the 12-month period, may exercise this right until the expiration of the general 5-year prescriptive term, after which the right lapses and the non-received dividends remain in the Company.

**Right to liquidation quota.** Any share of Agro Finance REIT entitles to a liquidation quota, proportionate to the par value of the share. The right to a liquidation quota of the shareholders is irrevocable and may not be limited. The right to a liquidation quota arises after the winding up of the company and satisfying the creditors. Right to a liquidation quota have only the persons, entered in the registers of Central Depository AD as shareholders at the time of the company's winding-up. Agro Finance REIT is wound up by resolution of the General Shareholders Meeting, upon declaring bankruptcy or by decision of the registrar court in the envisaged by law cases. For the winding up of the Company, a permission is issued by the Financial Supervision Commission (FSC), which also approves the persons appointed as liquidators. The Financial Supervision Commission refuses the issue of permission for winding up, if investors interest have not been protected. According the acting legislation, the right to a liquidation quota lapses with the expiration of the general 5-year prescriptive term.

Every share also entitles **additional rights**, ensuing from the main, as follows:

- Right of every shareholder upon increase in the capital to acquire shares, which are proportionate to his share in the capital before the increase. According Art. 13 para. 3 pf the LSPVs, that right is not applied with the initial increase in the capital of Agro Finance REIT.
- Right of every shareholder to participate in the management, to elect and to be elected in the management bodies;
- Right to information, including also the right to preliminary acquaintance with the written materials for the declared agenda of the General Shareholders Meeting and their free receiving on request;
- Right to appeal to the court decisions of the General Meeting, contrary to the law or the Articles of Association.

***Rights of the minority shareholders:***

*Shareholders, holding jointly or severally at least 5% (five percent) of the capital of the Company, may:*

1. in case of inaction of the Board of Directors, which jeopardizes the interests of the Company, to bring to the court the claims of the Company against third persons. As a side to the lawsuit is summoned the Company as well;
2. to raise a claim for compensation of damages, caused to the Company by actions or inactions of the members of the Company's Board of Directors;
3. to request from the general meeting or the registry court the appointment of a controller who is to audit the whole accounting documentation of the Company and prepare a report of his findings;

4. to ask from the registry court convening of a general meeting or authorization of their representative to convene a general meeting with set by them agenda;

5. in case that the Company has a concluded contract for common enterprise - to file a claim with the registry court by the place of the Company's seat, for compensation of damages caused to the Company by actions or inactions of the persons, managing the common enterprise.

*Shareholders, who more than three months own at least 5% (five percent) of the capital of the Company, may:*

1. ask from the Management Board convening of a general meeting. If within one-month period this request of theirs is not honored or if the general meeting is not held within three months after the request is stated, the register court will convene a general meeting or will authorize the shareholders who have asked for the convening, or their representative, to convene the meeting;

2. to include new item on the agenda of already convened general meeting of the shareholders under Art. 223a of the Commercial Law.

#### **9.5. LIMITATIONS WITH REGARD TO THE RIGHTS ATTACHING TO THE SHARES, SUBJECT OF THE INITIAL PUBLIC OFFERING**

The Articles of Association of Agro Finance REIT does not provide for any other special rights and privileges attaching to the shares, subject of the public offering, as well as it does not envisage any limitations or other conditions for the transfer of these shares.

The rights, provided under the shares – subject of initial public offering, are not and may not be considerably limited by rights, provided by another class of securities, or by the provisions of a contract or another document.

#### **9.6. PROCEDURE FOR THE SHARES TRANSFER**

The Articles of Association of Agro Finance REIT does not envisage limitations or conditions for the transfer of the shares. The issued by the Company shares are transferred freely, without limitations and conditions, in compliance with the statutory provisions (see below).

The transfer of the shares is considered done from the time of registration of the transaction at the Central Depository.

After the successful completion of the subscription and the public offering, the shares of the Company will be admitted to be traded on Bulgarian Stock Exchange – Sofia AD. After the listing for trading on BSE, purchases and sales of the shares (secondary trade) will be carried out only on the floor of Bulgarian Stock Exchange-Sofia AD through an investment intermediary.

To buy or sell shares on the exchange, investors have to give “buy” or “sell” order to the investment intermediary, whose clients they are. After conclusion of the exchange transaction, the investment intermediary performs the necessary actions for registration of the transaction at Central Depository and the carrying out of its settlement (the execution of the concluded transaction), with which the shares are transferred from the seller's account on the buyer's account.

An exception to the above rule, that the trade with shares of the Company is carried out only on BSE, exists about the sale trades of shares between natural persons. The latter have the right to conclude such transactions also directly between themselves. In order, however, the transfer of the shares to be realized in the Central Depository, the natural persons, parties to the transaction, have to submit data and documents to a licensed investment intermediary, pursuing business as a registration agent. The investment intermediary registers (declares) the transaction on BSE and performs the required actions for registration of the transaction in the Central Depository after its settlement. Under an analogous procedure, through an investment intermediary-registration agent, the transfer of shares is done in the cases of donation and inheritance.

The conclusion of transactions with the Company's shares (as well as with the shares of any public and investment company) is regulated in detail by the provisions of the Law on Public Offering of Securities and its implementing instruments, the Regulations of BSE and the rules of Central Depository AD. More information on the shares transfer you may receive from the contact persons, indicated in the end of this Documents for the Offered Securities, as well as from any investment intermediary.

## **10. DATA ABOUT THE PUBLIC OFFERING OF THE SHARES**

Subject of an initial public offering are 35 750 000 (thirty five million seven hundred fifty thousand) ordinary, dematerialized voting shares of the new issue from the second increase in the capital of the Company. All 35 750 000 shares are offered to the investors for subscription. A possibility for reduction or increasing the number of the offers shares is not envisaged.

The offered shares are with issue value of BGN 1 (one) and a par value of BGN 1,10 (one lev and ten stotinki).

After the completion of the subscription, entry of the increased capital of the Company in the commercial register and registration of the new issue of shares in Central Depository AD, all issued by the Company ordinary shares will be traded on BSE.

**Investors, that have shown interest in subscription of the offered securities, may approach the investment intermediaries, servicing this increase in the capital: T B I Invest EAD, address: № 7, Sveta Sofia Str., fl. 6, 1000 Sofia, tel. (02) 935 06 28, contact person: Irina Pancheva and H V B Bank Biochim AD, №7, Sveta Nedelya sq. , 1000 Sofia, Fl. 4, room 429, tel: 359 (2) 926-91-28, contact person: Iolanda Hristova.**

### **10.1. CONDITIONS AND TERM OF THE INITIAL PUBLIC OFFERING OF THE SHARES**

#### **10.1.1. Ratio between the issued rights under § 1, item 3 of the LPOS and one new share:**

On the grounds of Art. 112b para 2 of LPOS, entitles to participate in the increase of the capital are the persons, that have acquired shares latest 7 (seven) days after the date of promulgation of the notification about public offering according Art. 92a para 1 of the LPOS. On the next working day Central Depository AD (CD AD) opens accounts for rights of those persons on the basis of the Book of Shareholders. Against every acquired at the end of the indicated period share is issued one right, allowing the subscription of 55 new shares at issue value 1,10 (one lev and ten stotinki) (i.e. the number of shares, which a person may subscribe is equal to the number of the owned by such person rights, multiplied by 55.

Regarding the initial and final time-limit for the transfer of the right and subscription of the shares, see item 5.1.2 - 5.1.5 below.

All persons, who wish to subscribe shares from the new issue of the Company, have first of all to acquire rights within the term for their transfer (see item 3-3 below). One person may subscribe at least 55 new shares at issue value 1,10 (one lev and ten stotinki) and mostly, such number of new shares, which is equal to the number of the owned by him rights, multiplied by 55.

The ratio between the issued rights and one new shares is right/shares – 1/55.

#### **10.1.2. Initial time-limit for sale (trade) with rights.**

This is the first working day, following the expiration of 7 (seven) days after the date of promulgation of the notification of the public offering under Art. 92a para 1 from the LPOS in State Gazette and its publishing in one central daily newspaper, and if the promulgation and the publishing are on different dates – the first working day, following the expiration of 7 days after the promulgation of the notification in State Gazette, but not earlier than the expiration of the term under Art. 112b para 2 of the LPOS (the opening of the accounts for the rights by CD AD).

#### **10.1.3. Final time-limit for the sale of the rights.**

The final term for transfer of the rights according Art.13 para 7 and § 2 of the LSPVs in relation to Art. 112b para 4 of the LPOS is the first working day following the expiration of 14 (fourteen) days,

considered from the initial date for the transfer of the rights. According to the Regulations of the Bulgarian Stock Exchange – Sofia AD (BSE) the last date for trading with rights on the exchange is two working days before the final date for rights transfer.

#### **10.1.4. Initial and final term for subscription of shares.**

The starting date for subscription of shares coincides with the initial date of trade with rights. The final term for subscription of shares by the holders of rights according to Art. 13 para 7 from the LSPVs and Art.112b, para 5 of the LPOS is the first working day, following the expiration of 15 (fifteen) working days after the day, on which the term for transfer of the rights expires.

Subscription of shares before the initial and after the final time-limit for subscription of shares is not allowed.

#### **10.1.5. Extension of the term of the subscription. Possibility the number of the offered securities to be decreased or increased. Minimum and maximum number of shares, which may be subscribed and bought by one person**

The provision of Art. 84 para 1 and 2 of the LPOS envisages the possibility in principle the term of the subscription to be prolonged one-time up to 60 days, introducing the relevant amendments to the prospectus and informing of it the FSC, as well as announcing the term's extension at the places of the subscription and in the mass media. In this case the last day of the extended term is considered the final time-limit of the subscription.

The Company does not intend to extend or shorten the above fixed terms for subscription of the shares.

The subscription of more shares than the envisaged in the decision of the Board of Directors for increase in the Company's capital, is not allowed. The increase of the Company's capital will be considered to be successfully carried out in case that until the final time-limit of the subscription at least one new share is subscribed and paid, the capital being increased up to the amount of the subscribed and paid shares.

Any person may subscribe at least one new share and at most such number of shares, which is equal to the number of the acquired and/or owned by him rights, multiplied by 55.

#### **10.1.6. Conditions and procedure for subscription of the shares.**

The persons that have received rights on private accounts (See *Procedure for exercising the preemptive right (procedure for exercising the rights for subscription of securities within the meaning of § 1, item 3 of the LPOS). Procedure applied in case of non-exercising this right.*) of this document, declare the rights transfer with the authorized by the issuer investment intermediaries (II) – T B I Invest EAD and H B V Bank or with another II. The persons holding shares with attaching rights, as well as all other holders of rights, that have acquired the same within the term for their transfer, may subscribe against them the relevant number of shares till the expiration of the term for the rights transfer, and otherwise their non-exercised rights will be sold officially at an open auction. The persons, who have acquired rights in the sale through an open auction, may subscribe the relevant number of shares till the deadline for subscription. The subscription for shares is done by the filing of a written application.

**Applications for subscription.** The subscription of shares is done by the filing of written application. All persons, owning shares with rights, as well as all other holders of rights, acquired in the term for their transfer and/or on an open auction, file the applications for subscription of shares with the authorized investment intermediaries- II T B I Invest EAD or H B V Bank Biochim, servicing the increase of the capital, and/or with the investment intermediaries, members of CD AD,

with which the client accounts are kept for the owned by them rights, according the acting procedures in the Rules of Central Depository AD.

The applications for subscription of shares are filed with II T B I invest EA Doe H V B Bank Biochim AD every day from 09.00 to 17.00 hrs, respectively in the working hours of the other investment intermediaries.

➤ **Contents of the applications for subscription of shares. Enclosures.** The application for share subscription must contain at least:

1.the names (business name) and the unique client number of the person and of his proxy, assigned to the investment intermediary, and if such numbers were not assigned – for the natural persons: the full name, PIN, place of residence and address, for the legal persons: business name, identification code BULSTAT, tax number, seat and address of the client. If the client is a foreign person, the application has to contain analogous identification data;

2.issuer, ISIN code of the issue, number of the held rights and number of subscribed shares;

3.date, hour and place of filing the application;

4.signature of the person, filing the application.

For applicants-legal persons, to the application are attached:

a) original or notarially attested copy of a certificate of current court registration, issued not earlier than 3 months before the date of filing the written application, and for foreign legal entities – copy of the registration act (or another identical certification document) in the relevant foreign language, legalized translation of the text of the registration act, containing the full business name of the legal entity; date of issue and state of registration; address of the legal entity; the names of the persons, authorized to represent it;

б) for the Bulgarian legal entities – copies of the registration under BULSTAT and the tax registration, certified by the legal representative;

в) original of notarially attested express proxy of attorney in case of filing the application though proxy.

➤ **Filing the applications for subscription.** The legal entities file applications through their legal representatives or through a proxy with express, notarially attested power of attorney, and they legitimize themselves with an ID document (a copy of which is attached to the application) and certificate of current court registration of the legal entity. Also attached are copies of the registration under BULSTAT and tax registration, certified by the legal representative.

The natural persons file the applications personally or through proxy, and such persons legitimize themselves by an ID document and enclose to the application certified by them copy of the document.

The foreign natural persons legitimize themselves with their original foreign passport for entry in Bulgaria and enclose to the application a legalized original translation of the pages of the passport, containing information about the full name; number of passport; date of issue /if there is such in the passport/; date of expiry /if any/, nationality; address /if there is such in the passport/ and an ordinary copy of the translated pages of the passport, containing other information and a picture of the person.

The application may be also filed by a proxy, who legitimates himself with notarially attested express power of attorney and the documents, listed above, in accordance with the authorizer (local or foreign, legal or natural person).

The Company provides possibility for subscription of shares also by remote means through CD AD and its members. On the grounds of Art. 112b, para 9 of the LPOS, the applications can be made also by a remote means of communication - fax, where within two days after the application thus made, but not later than the day, on which the term for subscription of shares from the increase in the

capital expires, the applicant must submit and sign the indicated documents by the prescribed procedure.

➤ **Irrevocability of the applications for share subscription.** By definition (§ 1, item 10 of the AP of the LPOS) the subscription is unconditional and irrevocable declaration of intention for acquisition of securities in process of issue and for payment of their issue value. The investor may not withdraw his application for subscription of shares. The investor is entitled to refuse the securities under the procedure and conditions of Art. 85 para 6 of the LPOS, in case that in the period between the issue by the FSC of the approval for the prospectus and the deadline of the subscription, substantial amendments have been introduced in the prospectus, the person that subscribed, respectively purchased shares, may refuse them within a period of two working days of publishing the notice for the supplement, without giving an answer, unless he has acted in bad faith. The refusal is made by a written statement at the place, where the securities were subscribed, respectively purchased.

➤ **Special condition for validity of the subscription.** The subscription of shares is considered valid, if made by a shareholder holding shares with rights and/or by other holder of rights at the utmost possible number of shares, equal to the number of the acquired and/or owned by him rights, multiplied by 55, and the total issue value of the subscribed shares has been paid in the term and under the conditions, indicated below under item 5.1.7. With partial payment of the issue value, subscribed will be considered to be the relevant number of shares, for which the same is paid in full.

#### **10.1.7. Payment of the subscribed shares.**

The payment of the issue value of the subscribed shares is made on special accumulation account in the name of Agro Finance REIT at United Bulgarian Bank AD, which will be indicated in the announcement for public offering under Art. 92a para 1 of the LPOS.

The accumulation account must be credited with the contribution against the subscribed shares latest by the expiration of the last day of the subscription. The payment order or the paying-in slip must state the name/business name of the person, subscribing shares, his PIN/BULSTAT (for Bulgarian persons), the number of the subscribed shares, the total amount of the due and made payment and to be handed over to the authorized investment intermediaries T B I Invest EAD and H V B Bank Biochim AD latest till the expiration of the deadline for subscription of shares.

A verifying document for the payment made is a payment order or the paying-in slip and is received upon the depositing, respectively transfer of the payment on the accumulation account of Agro Finance REIT. The investor receives the verifying document from the servicing bank, through which he orders the payment, or deposits the amount due, and has to deliver it to the authorized investment intermediaries T B I Invest EAD or H V B Bank Biochim AD, until the expiration of the deadline for share subscription. In case that the applications are filed with other investment intermediaries, they deliver to the authorized investment intermediaries the original payment documents for payments made against the subscribed shares latest by the expiry of the last day of the subscription.

The raised moneys on the special account may not be used before the closing of the subscription, the entry of the increase in capital in the commercial register of the court (Art. 89, para 2 of the LPOS).

#### **10.1.8. Public announcement of the results of the subscription.**

The Company will notify the FSC within 3 working days of the subscription completion, of its carrying out and the results of it, including any difficulties, disputes and other such in the trading of the rights and subscription of the shares (*Art. 112b para 12 of the LPOS*).

#### **10.1.9. Registration of the new issue of securities in the Central Depository. Certification documents for the shares.**

After the entry of the increase of capital in the commercial register, the Company registers the issue of shares in the Central Depository, after which the latter issues within a 14-day period depository receipts to the shareholders for the owned by them newly issued shares on personal accounts (not as clients of an investment intermediary). The receipt will be delivered to the shareholders or to the authorized by them with an express, notarially attested power of attorney persons, on demand, at the registered office of the authorized II T B I Invest EAD or H V B Bank Biochim AD, and the delivery will start within a two-week period of the issue of the depository receipt. Where the newly issued shares are on client sub-accounts with an investment intermediary, the issue of depository receipts is done by the latter on demand by the shareholder under the procedure, envisaged in the Rules of Central Depository AD.

The paid in excess amounts are reimbursed by the respective branch of UBB AD, where the payments were made, in instructed by the investor way – on account or at cash-desk within 30 days after the date of the notification under Art. 112b, para 12 LPOS.

#### **10.1.10. Refunding of the money paid for the subscribed share, if the public offering concludes unsuccessfully.**

If the subscription concludes unsuccessfully, the Company published within a 3-day period announcement for that in two daily central newspapers /newspaper Pari and newspaper Dnevnik/ and notifies the FSC under Art. 112b, para 12 LPOS. The deposited amounts, along with the accrued by the bank interests, will be reimbursed to the investors within 30 days of the notification under Art. 112b, para 12 LPOS by remittance on indicated by them bank account or in cash. In case that the increase in capital is not entered in the commercial register, the Company will immediately notify the FSC, BSE and Central Depository AD and will publish an announcement in the indicated dailies within 3-days period of effectuation of the court decision for refusal and will refund the received amounts within a 30-day period of the notification under the same procedure.

### **10.2. ADDRESSEES OF THE PUBLIC OFFERING**

On the grounds of Art. 112b, para 2 LPOS entitled to participate in the increase of the capital are the persons, that have acquired shares latest 7 (seven) days after the date of promulgation of the announcement for the public offering according Art. 92a, para 1 of the LPOS. In case that those shareholders do not exercise their right of the preceding sentence, there are no limitations about the group of investors, to whom this issue of securities is offered, by the purchase on their side of rights within the term for trading of the rights or during the open auction.

The securities are offered only in Bulgaria on Bulgarian Stock Exchange – Sofia AD.

Insofar as the Company is aware, major shareholders and members of the Board of Directors of the Company intend to acquire from the offered securities by exercising their pre-emptive right.

The Company has no information whether some person intends to acquire more than 5 per cent of the offered shares.

### **10.3. ORGANIZATION OF THE INITIAL PUBLIC OFFERING OF THE SHARES**

The issue of securities is offered to be subscribed only on the regulated market in the Republic of Bulgaria.

#### **10.3.1.Banks and depository institutions.**

The bank at which a special accumulation account has been opened, on which the issue value of the subscribes shares will be deposited is United Bulgarian Bank AD, with headquarters and registered address at No. 5, Sveta Sofia Str., city of Sofia.

Depository institution with regard to the offered shares and the attaching to them rights is Central Depository AD, with a seat and registered office: № 4, Tri Ushi Str., 4<sup>th</sup> fl., city of Sofia.

### **10.3.2. Investment intermediary-underwriter.**

There are no entities which underwrite or guarantee this issue of securities.

### **10.3.3. Issue value (price) of the shares**

The issue value of each new share is BGN 1,10 (one lev and ten stotinki).

The issue value is determined by decision of the Board of Directors from 8 Feb., 2007 on the basis on the book value per share, calculated on the basis of the data from the audited annual financial statement of the Company as of 31 Dec., 2006 prepared according the IFRS.

The value of the securities as per balance sheet according the last drawn up balance sheet (on 31 Dec., 2006) is BGN 1.20. The difference between the price at which the securities are offered to the public and the balance sheet value is equal to BGN 0.10, which in percentage is equal to 9,09%.

At its meeting from 24 Nov., 2006 the Board of Directors of BSE – Sofia AD took a decision on Protocol № 30 for listing of an issue of shares of Agro Finance REIT on Unofficial Equity Market. The issue of shares represents 100% of the Company's capital stock and is at the amount of BGN 650 000, divided in 650 000 shares with par value of BGN 1 each.

**Information about the price of the shares of Agro Finance REIT from the date of admittance to trading is presented in the below table:**

<b>Market price for the period:</b>	<b>By 31 Dec., 2006</b>	<b>01.01.2007 – 13.02.2007</b>
<b>Highest</b>	<b>1.00</b>	<b>1.495</b>
<b>Lowest</b>	<b>1.00</b>	<b>1.15</b>

*Expenses for the investor's account.* All expenses related to the purchase of rights are on the investors' account, including the owed in this relation fees and commissions to the investment intermediary, to BSE and to the Central Depository, as well as bank fees and commissions.

On investors' account are also the following costs in relation to the shares subscription: fees and commissions for the investment intermediary, through which the shares are subscribed, for the Central Depository, bank fees and commissions.

## **10.4. ADMISSION OF THE SHARES FOR EXCHANGE TRADING**

Agro Finance REIT is entered as a public company in the register under Art. 30, para 1, item 3 of the Financial Supervision Commission Act (FSCA), kept by the Financial Supervision Commission by Decision 1025 – ПД from 17 Oct., 2006.

According Art. 110, para 9, item 1 of the LPOS, the persons who manage and represent Agro Finance REIT are obligated to apply for entry in the register every subsequent issue of shares within a 7-day period after the filing into the Commercial Register. With a view to the mentioned provision, the Financial Supervision Commission will enter the newly issued issue of shares after the entry of the capital increase in the Commercial Register and registration of the issue at Central Depository AD. After the completion of the procedure by the Financial Supervision Commission for entry of the issued by the Issuer issue of shares in the register under Art. 30, para 1, item 3 of the FSCA, maintained by the Financial Supervision Commission, issued by the issuer with the purpose of trading on a regulated securities market in pursuance of Art. 110, para 9, item 2 of the LPOS, the

persons who manage and represent Agro Finance REIT will apply for acceptance of the issue of shares to be admitted to trading on Unofficial Market of BSE – Sofia AD within a 7– day period after the entry into the FSC’s register.

The shares of Agro Finance REIT will be traded secondary on the Bulgarian Stock Exchange- Sofia AD after their admission to trading. The secondary trading will be carried out under the procedure and conditions of the LPOS, the sub-statutory acts of its implementation, the stock exchange’s regulations and the rules of the Central Depository. The transfer of shares is valid as of the time of its registration by Central Depository AD. After the listing for trading on the Bulgarian Stock Exchange-Sofia AD, purchases and sales of shares are carried out only on the floor of Bulgarian Stock Exchange – Sofia AD through an investment intermediary.

On the date of issue of the shares there is no public or private subscription for securities of the Issuer from the same or another class.

The Company-issuer has not concluded contracts with investment intermediaries, which to undertake an obligation to ensure liquidity by “buy” and “sell” quotes.

## 10.5. OWNERS OF SECURITIES – SELLERS WITH THE PUBLIC OFFERING

There are no such persons. The shares will be issued in case that the subscription for the capital increase concludes successfully.

## 10.6. COSTS RELATED TO THE PUBLIC OFFERING OF THE SHARES

**Remuneration of the investment intermediaries.** For their overall activities of servicing the increase in the capital of the Company, the remuneration of II T B I Invest EAD and H V B Bank Biochim AD is at the rate in total of 2.0% from the gross amount of the raised funds (the par value of the subscribed shares). II T B I Invest EAD will also receive a fixed fee at the amount of BGN 5 000 for the drawing up of this prospectus. The table below gives the maximum amount of the remuneration in leva of the investment intermediaries, i.e. provided that all offered shares with a total par value of BGN 35 750 000 are subscribed.

	Per 1 share	Total for the issue
Issue value	BGN 1.10	BGN 39 325 000
Par value	BGN 1.00	BGN 35 750 000
Remuneration of the investment intermediaries, participating in the public offering	BGN 0.0201	BGN 720 000*
Total costs for the public offering	BGN 0.0205	BGN 733 398,50
Net revenues from the public offering	BGN 1.0795	BGN 38 591 601,50

\*On condition that all offered shares have been subscribed.

**Main costs in relation to the public offering.** Below are given by item the major expenses, directly related to the public offering of the shares. The expenses relating to the overall operation of the Company or to more than one issue of securities have not been included, for instance, the expenses for the licensing of the Company, fee for ISIN code for the ordinary shares of the Company, servicing of the Company’s Book of Shareholders by the Central Depository.

All below indicated costs are for the Company’s account.

**EXPENSES FOR THE PUBLIC OFFERING IN BGN\*** **733 398,50**

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**Fees** **12 598,50**

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Fee for the issue of ISIN code of the right by Central Depository AD	56,00
Fee for depositing the rights at Central Depository AD	855,00

Fee for depositing the shares in Central Depository AD	6 687,50
Fee for approval of Prospectus in the Financial Supervision Commission	5 000,00
<b>Expenses for external services</b>	<b>720 800,00</b>
Remuneration to the investment intermediary*	720 000,00
Promulgation of announcement for increase of the capital and beginning of the subscription in State Gazette (estimate)	300,00
Publication of announcement for increase of the capital in a central daily newspaper (estimate)	500,00

*\*Estimate values with the assumption that the whole amount of the issue has been subscribed*

## 10.7. DILUTION OF THE SHARES' VALUE

According to the Article of Association of the Company there are not envisaged any limits with regard to future issues of shares. Due to it, the amount of holding of the shareholders (having such capacity at the date of entry of this capital increase in the commercial register) may be reduced as a result of future increase in the capital. In case that as a result of future increase in the capital, the number of the issued shares of the Company grows with more rapid rates than the amount of the assets of the same, it is possible to come to reduction of the value of assets per one share of the Company.

The book value of the securities on the last prepared annual balance sheet (on 31 Dec., 2006) is BGN 1.20. The difference between the price at which the securities are offered publicly and the book value is equal to BGN 0.10, which as percentage is equal to 9,09%.

The net asset value per share is determined as the difference between the total amount of the assets and the amount of the total liabilities, divided in the total number of issued shares.

## 11. ADDITIONAL INFORMATION

### 11.1. INFORMATION ON THE JOINT-STOCK CAPITAL

The below stated data relate to the capital of the company after the first increase of the capital and are actual on the date of the of the registration document. This is the amount of capital of the company and number of shares, included in the last annual financial statement of the Company.

Amount of the joint-stock (basic) capital .....	BGN 650 000
Par value per share .....	BGN 1
Issued and fully paid shares .....	650 000 pieces

All issued shares are paid in full, in cash.

Upon the incorporation of the Company, before the first increase, the capital of the Company was:

Amount of the joint-stock (basic) капитал .....	BGN 500 000
Par value per shares .....	BGN 1
Issued and fully paid shares .....	500 000 pieces

From the Company's incorporation till now, there is no change in the class of shares. The Company did not issue shares from different classes, preference shares and options.

Agro Finance REIT does not hold own shares and has no subsidiaries.

None person owns options over the capital of the Company. There are no persons, to whom a commitment to have been undertaken for the issue of options in their favor conditionally and unconditionally.

On 8 Feb., 2007 the Board of Directors of Agro Finance REIT adopted a resolution for increase of the capital at BGN 36 400 000 through the issue of 35 750 000 new ordinary dematerialized voting shares, with issue value BGN 1.10 each. Against one existing prior to the increase share is issued one right, entitling to subscription of 55 new shares.

Term of the public offering: The transfer of the rights and subscription of the shares starts in the first working day, following the expiration of 7 (seven) days after the date of promulgation of the announcement for public offering, according Art. 92a, para 1 and 2 of the LPOS and its publication in a central daily newspaper. If the promulgation and the publication are on different dates – the first working day, following the expiration of 7 days after the date of promulgation in State Gazette. The deadline for the transfer of the rights is the first working day, following the expiration of 14 days, considered as from the initial date for the rights transfer. The deadline for the subscription of the shares is the first working day, following the expiration of 15 working days after the day on which the deadline for the rights transfer expires.

Categories of persons who have pre-emptive rights for participation in the increase of the capital: The increase in capital is carried out, while complying with the pre-emptive right of the current shareholders to subscribe shares from the new issue according Art. 112 of the LPOS.

The increase of the capital through initial public offering is carried out, provided that the Financial Supervision Commission issues an approval of this Registration Document, the Document for the Offered Securities and the summary of the prospectus for this increase, and in compliance with the provisions of the LPOS, the Rules and Regulations of CD AD and of BSE – Sofia.

### 11.2. INFORMATION ON THE ARTICLES OF ASSOCIATION OF THE COMPANY

#### 11.2.1. Rights and limitations of the classes of shares of the Company

According to Art. 13 of the Articles of Association, the Company issues only dematerialized, freely transferable shares, for which Art. 185, para 2, sentence two of the Commercial Law does not apply. The dematerialized shares are kept in the register of the Central Depository on accounts of the shareholders. The issue and disposal (transfer) with the dematerialized shares is carried out with a registration at the Central Depository.

The shares with equal rights form a separate class. The limitation of the rights of separate shareholders from one and the same class is inadmissible.

The company issues ordinary shares, any of which entitles to one vote in the General Meeting, as well as to dividend and liquidation quota, proportionately to the par value of the share. All ordinary shares are from one and same class. The currently issued shares (from the floatation issue), as well as the shares which will be issued with the obligatory initial increase in the capital, are ordinary shares.

After the obligatory initial increase in the capital, the Company may issue preference shares under the procedure and on the conditions, envisaged in the law and the Articles of Association. The preference shares may be without voting right.

**Right to dividend.** The Company distributes dividends by decision of the General Meeting under the conditions and the procedure, envisaged in the Law on Special Purpose Vehicles, the Law on Public Offering of Securities, Commercial Law and Chapter Eleven of the Articles of Association. The advance distribution of dividends is prohibited.

Pursuant to the Law on Special Purpose Vehicles and the Articles of Association, the Company is obligated to distribute as dividend at least 90 per cent of its profit for the relevant fiscal year. According to Art. 64, para 2 of the Articles of Association, the company must pay the dividends to the shareholders within 12 months after the end of the relevant fiscal year.

Entitled to receive dividend are the persons, entered in the registers of Central Depository as shareholders on the 14-th day after the date of the General Meeting, at which the annual financial statement has been adopted and a decision has been taken for distribution of the profit. The shareholders, entitled to dividend, may exercise this right till the expiry of the general 5-year prescriptive term, after which the right lapses and the non-received dividends remain in the Company.

Any ordinary share entitled to dividend, proportionately to its par value. The amount of the guaranteed and additional dividend for the preference shares (if such are issued by the Company according to Art. 15 of the Articles of Association), as well as the conditions and the procedure for exercising the rights attaching to the preference shares, will be determined by the concrete decision for increase of the Company's capital through the issue of such preference shares.

**Right to vote.** Any ordinary share, as well as any preference share, which is issued with a voting right, gives one voting right in the General Shareholders Meeting of the Company. The voting right is exercised by the persons, entered in the register of Central Depository as shareholders 14 days before the date of the general meeting.

When the proposal for decision concerns the rights of shareholders from one class, the voting is carried out by classes, the requirements for a quorum and majority being applied for each class separately.

**Right to liquidation quota.** Any ordinary share entitles to liquidation quota, proportionate to its par value.

This right is conditional – it arises and may be exercised only in case (and to the extent ) that upon liquidation of the Company, after satisfying the pretension of all creditors, estate has remained for distribution among the shareholders and to the extent of that estate.

### **11.2.2. Convening of the general shareholders meeting. Participation of the shareholders in the meeting**

According Art. 115, para 1, sentence two of the Law on public Offering of Securities, the regular (annual) general shareholders' meeting must be held until the end of the first half-year after the closing of the reporting year. An extraordinary general shareholders' meeting may be convened at any time. In their other part the conditions and procedure for convening, as well as for participation of the shareholders in regular and extraordinary general meeting are one and the same.

The general shareholders meeting is convened by the Board of Directors. The general meeting may be also convened on request of shareholders, holding at least 5 per cent of the Company's capital under the procedure and conditions of Art. 223, para 1 and 2 of the Commercial Law or Art. 118 of the Law on Public Offering of Securities.

The convening is done by a notice, with the minimal content under Art. 223, para 4 of the Commercial Law. Shareholders, owning for at least 3 months shares, representing at least 5 per cent of the company's capital, may ask for supplement to the stated in the notice agenda under the procedure and the conditions of Art. 223a of the Commercial Law. The notice is promulgated in State Gazette and in one central daily newspaper. The period from the promulgation of the notice to the date of the General Meeting may not be less than 30 days. The notice, together with the written materials on the agenda are sent to the Financial Supervision Commission, to the Central Depository and to the regulated market, on which the shares of the Company have been admitted to be traded, at least 45 days before the meeting's holding. The Commission and the regulated market make the received materials public. In the cases of supplementing the agenda under Art. 223a of the Commercial Law, the shareholders provide the Commission with the materials on the agenda latest on the next working day after the ruling of the court for inclusion of other items on the agenda of the general meeting.

The General Meeting includes the shareholders possessing voting right. The voting right is exercised by the persons, filed as shareholders in the registers of the Central Depository 14 days before the date of the General meeting. They participate in the General meeting in person or through a proxy, authorized with an express, notarially certified power of attorney under Art. 116, para 1 of the Law on Public Offering of Securities. The members of the Board of Directors may not represent a shareholder.

The shareholders with preference share without voting right, as well as the members of the Board of Director, when they are not shareholders, take part in the work of the General Meeting without voting right.

### **11.2.3. Provisions of the Articles of Association, which impede the replacement of the persons, exercising control over the Company**

The decisions, by which the general shareholders meeting of the company amends and supplements the Articles of Association, transforms and winds up the company, increases and reduces the capital of the Company and appoints and dismisses the member of the Board of Directors, are taken with a majority of 3/4 (three fourth) from the represented at the meeting voting shares. All other decisions are taken by a simple majority of the represented at the meeting shares.

### **11.2.4. Provisions in the Articles of Association about changes in the capital of the Company**

The Company's Articles of Association does not contain provisions about changes in the capital that are more restrictive then the conditions, provided for by law.

According the law and the Articles of Association, the capital is increased by the issue of new shares or by conversion into shares of bonds, which have been issued as convertible. Is not admissible to increase the capital through increase of the par value of the already issued shares; through the conversion into shares of bonds, which have not been issued as convertible; against a non-money

contribution under Art. 193 of the Commercial Law; on condition under Art. 195 of the Commercial Law (with the exception of the cases of conversion of convertible bonds into shares); through the conversion of the profit in capital under Art. 197 of the Commercial Law.

A resolution for increase in the capital is adopted by the General Meeting. On the grounds of Art. 196, para 1 and Art. 204, para 3 of the Commercial Law and according Art. 44 and 45 from the Company's Articles of Association, the Board of Directors is empowered within 5 years after the filing of the Company in the commercial register of the court, to adopt resolutions for increase in the capital up to BGN 100 000 000 through the issue of new shares, as well as the issue of bonds (incl. convertible) with total amount of the bond loan up to BGN 100 000 000.

Upon increase in the capital through the issue of new shares, save for the obligatory initial increase of the capital, any shareholder has the right to acquire a part of the new shares, proportionately to his holding in the capital before the increase. This right may not be limited or withdrawn under the procedure of Art. 194, para 4 and Art. 196, para 3 of the Commercial Law. Upon increase in the capital through the issue of new shares, rights are issued within the meaning §1, item 3 of the Law on Public Offering of Securities, one right being issued against each existing share. The ratio between the issued rights and one new share is determined in the resolution for the increase of the Company's capital. Regarding the conditions and procedure for the initial increase in the capital of the Company, see Document for the Offered Securities (shares).

The capital of the Company may not be reduced with cancellation of the redeemed shares, issued with a preference for redemption. The Company may issue such shares according Art. 15 of the Articles of Association. The capital may not be reduced through coercive purchase of share or through redemption under Art. 111, para 5 of the Law on Public Offering of Securities.

#### **11.2.5.Contract, other than those on the occasion of the normal business of the Company**

The Company is not a party to contracts, other than those concluded in the course of its normal business, and it has no information about the availability of such contracts, concluded by its shareholders or member of the economic group.

#### **11.2.6.Grounds for the Company's winding up**

The existence of the Company is limited for a period of 7 years, considered from the date of its initial registration in the commercial register. Before the expiration of the period the general shareholders' meeting of the Company may adopt a resolution for its extension.

According Art. 32, para 1 and § 1 of the Articles of Association and Art. 252 of the Commercial Law, the Company is wound up: by decision of the general meeting; upon its being declared bankrupt; as well as with a decision of the court by the place of registration by action of the prosecutor, if: the Company pursues prohibited by law goals; the Company's net asset value under Art. 247a, para 2 of the Commercial Law falls below the amount of the authorized capital and within a period of one year the general meeting does not take a decision for reduction of the capital, for transformation or winding-up; in the course of 6 months the number of the members of the Company's Board of Directors is less than the envisaged in the law minimum (3 persons). For winding-up of the Company is required permission by the Financial Supervision Commission, and the persons nominated for liquidators or receivers are approved by the Financial Supervision Commission.

### **11.1. INFORMATION ABOUT THE TAXES OWED BY THE OWNERS OF THE SECURITIES**

According Art. 175 of the Corporate Income Tax Act, the licensed special purpose vehicles are not levies with corporate tax.

To taxation are subject only the incomes of investors in securities, issued by the Company (dividend).

The earnings from shares may be in the form of a positive difference between the sale price and the price of acquisition (capital gain) or in the form of dividends.

## 12. DECLARATION AND SIGNATURE OF THE LEGAL REPRESENTATIVES OF THE ISSUER

The undersigned, in their capacity of Members of the Board of Directors of Agro Finance REIT with their signatures affixed on 13 Feb., 2007 represent that as far as they know, the Summary - part of the Prospectus for the increase in the capital of Agro Finance REIT, contains correct and complete information.

For PERSIMON EOOD

Chairman of the Board of Directors

(signature illegible) (seal)

.....

Stoyan Toshev

For CSIF

Deputy Chairman of the Board of Directors

(signature illegible) (seal)

.....

Danail Kamenov

For ZPAD BULSTRAD

Member of the Board of Directors

(signature illegible) (seal)

.....

Rumen Yanchev

For ZAD BULSTRAD LIFE”

Member of the Board of Directors

(signature illegible) (seal)

.....

Svetla Nestorova – Assenova

Member of the Board of Directors

And Executive Director

(signature illegible) (seal)

.....

Ognian Kalev

**13. DECLARATION AND SIGNATURE BY THE DRAFTSMAN OF THE  
ISSUER'S FINANCIAL STATEMENTS**

The undersigned, in her capacity of Draftsman of the financial statements of Agro Finance REIT, with her signature affixed on 13 Feb., 2007 represents that so far as known to her, the information in the Summary, a part of the Prospectus for increase in the capital of Agro Finance REIT, relating to the Issuer's financial statements, is correct and complete.

(signature illegible)(seal)

.....

Eleonora Stoeva

**14. DRAFTSMEN OF THE SUMMARY, PART OF THE PROSPECTUS FOR PUBLIC OFFERING OF SHARES OF AGRO FINANCE REIT**

The below listed persons, by affixing their signatures, attached on 13 Feb., 2007 represent that:

(1) in the drawing up of the Summary, they have taken due care for its compliance with the requirements of the law;

(2) as far as they know, the information in the Summary is not incorrect, misleading or incomplete and correctly presents the substantial for the investors circumstances about the Issuer.

For T B I Invest EAD:

(signature illegible) (seal)  
.....

Representing: Stoyan Toshev  
Executive Directors  
T B I Invest EAD

(signature illegible)  
.....

Draftsman of the Prospectus: Ralitsa Peeva  
Director Corporate Finance

*I, Svetlana Kuneva Kaneva herein certify the authenticity of the translation made by me from Bulgarian into English of this Prospectus for public offering of shares .  
The translation is seventy four pages.*

*Sworn translator:  
Svetlana Kuneva Kaneva*