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NETTING ANALYSER LIBRARY

The Futures & Options Association

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36-38 Botolph Lane

London EC3R 8DE

8 January 2013

Dear Sirs

FOA Collateral Opinion

You have asked us to give an opinion in respect of the laws of Bulgaria ("**this jurisdiction**") in respect of the Security Interests given under Agreements in the forms specified in Annex 1 to this opinion letter (each an "**Agreement**") or under an Equivalent Agreement (as defined below).

Terms used in this opinion letter and not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

We understand that your fundamental requirement is for the effectiveness of the Security Interest Provisions of the Agreement to be substantiated by a written and reasoned opinion. Our opinion on the validity of the Security Interest Provisions is given in paragraph 3 of this opinion letter.

References herein to "**this opinion**" are to the opinions given in paragraph 3.

1. TERMS OF REFERENCE AND DEFINITIONS

1.1 Subject as provided at paragraph 1.2, this opinion is given in respect of persons which are which are private or publicly traded companies incorporated under Commerce Act ("**CA**"), and where listed for public trade, regulated also by the Public Offering of Securities Act ("**POSA**"), referred to as commercial companies ("**Commercial companies**"), insofar as each may act as a counterparty (a "**Counterparty**") providing Collateral (as defined in paragraph 1.3) to a member firm of the Futures and Options Association (each a "**Firm**") under an Agreement.

1.2 However, this opinion is also given in respect of Counterparties providing Collateral to a Firm that are any of the following, subject to the terms of reference,

definitions, modifications and additional assumptions and qualifications set out in the applicable Schedule:

1.2.1 Banks/financial institutions incorporated and regulated under the Credit Institutions Act ("**CIA**") and the Ordinances on its application (Schedule 1 (*Credit Institutions (Banks)/Financial Institutions*));

1.2.2 Investment firms/broker dealers which fall in the scope of the definition of investment intermediaries under the Markets in Financial Instruments Act ("**MiFIA**") and the Ordinances on its application (Schedule 2 *(Investment Intermediaries)*);

1.2.3 Insurance companies/providers incorporated under the Insurance Code ("**IC**") (Schedule 3 (*Insurers and Reinsirers*));

1.2.4 Individuals acting as professional investors in conformity with the MiFIA or consumers (Schedule 4 (*Individuals-Professional Investors or Consumers*));

1.2.5 Funds organised as collective investment schemes (contractual funds and open-ended investment companies) and close-ended investment companies under the Activities of Collective Investment Schemes and Other Collective Investment Undertakings ("**ACISOCIU**") (Schedule 5 (*UCITs and close-ended companies*));

1.2.6 Sovereign and public sector entities, namely the State, the Bulgarian National Bank under the Bulgarian National Bank Act, the municipalities and municipal entities and state-owned companies under the Municipal Ownership Act and the State Ownership Act, other sovereign and public sector entities (Schedule 6 (*Sovereign and public sector entities*));

1.2.7 Pension insurance companies under the Social Security Code ("**SSC**") (Schedule 7 (*Pension Insurance Companies*));

1.2.8 Non-profit entities as defined in the Non-profit Legal Persons Act as set out in Schedule 8 ("Non-profit entities").and

1.2.9 Partnerships defined in the Commerce Act (Sabiratelno druzhestvo) as commercial companies and in the Obligations and Contracts Act (Grazhdansko druzhestvo) as a civil partnership without legal personality, as set out in Schedule 9 (*Commercial Partnerships and Civil Partnerships*)

insofar as each may act as a Counterparty to a Firm under an Agreement.

1.3 This opinion is given in respect of cash and account-held securities which are the subject of the Security Interest Provisions ("**Collateral**"). The amount and value of such Collateral may fluctuate from time to time on a day to day, and possibly intra-day basis.

1.4 In this opinion letter:

1.4.1 "**Security Interest**" means the security interest created pursuant to the Security Interest Provisions;

1.4.2 "**Equivalent Agreement**" means an agreement:

(a) which is governed by the law of England and Wales;

(b) which has broadly similar function to any of the Agreements listed in Annex 1;

(c) which contains the Core Provisions (with no amendments, or with Non-material Amendments); and

(d) which neither contains (nor is modified, amended, or superseded by) any other provision which may invalidate, adversely affect, modify, amend, supersede, conflict with, provide alternatives to, compromise or fetter the operation, implementation, enforceability and effectiveness of all or part of the Core Provisions (in each case, excepting Non-material Amendments);

References to the "**Agreement**" in this letter (other than specific cross references to clauses in such Agreement and references in the first paragraph of this letter) shall be deemed also to apply to an Equivalent Agreement;

1.4.3 A "**Non-material Amendment**" means an amendment having the effect of one of the amendments set out at Annex 3;

1.4.4 "**enforcement**" means, in the relation to the Security Interest, the act of:

(i) sale and application of proceeds of the sale of Collateral against monies owed, or

(ii) appropriation of the Collateral,

in either case in accordance with the Security Interest Provisions.

1.4.5 in other instances other than those referred to at 1.4.4 above, references to the word "**enforceable**" and cognate terms are used to refer to the ability of a Party to exercise its contractual rights in accordance with their terms and without risk of successful challenge. We do not opine on the availability of any judicial remedy.

1.4.6 "**Insolvency Proceedings**" means insolvency, bankruptcy or analogous proceedings (where, for the purposes of paragraph 3 of this opinion, the occurrence of such proceedings in respect of the Counterparty falls within the definition of Event of Default under the Agreement).

1.4.7 references to "**Core Provisions**" include Core Provisions that have been modified by Non-Material Amendments (as defined herein).

1.4.8 terms defined or given a particular construction in the Agreement have the same meaning in this opinion letter unless a contrary indication appears;

1.4.9 any reference to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been amended or re-enacted on or before the date of this opinion letter;

1.4.10 certain terms relating specifically to the Agreement or to the provisions thereof are set out at Annex 2; and

1.4.11 headings in this opinion letter are for ease of reference only and shall not affect its interpretation.

2. ASSUMPTIONS

We assume the following:

2.1 That the Agreements are legally binding and enforceable against both Parties under their governing laws.

2.2 That the Security Interest Provisions are enforceable under the governing law of the Agreement to create a Security Interest.

2.3 That the Security Interest Provisions are effective under the law of the place where the Collateral is located to create an enforceable security interest.

2.4 That each Party has the capacity, power and authority under all applicable law(s) to enter into the Agreement; to perform its obligations under the Agreement; and that each Party has taken all necessary steps to execute, deliver and perform the Agreement.

2.5 That each Party has obtained, complied with the terms of and maintained all authorisations, approvals, licences and consents required to enable it lawfully to enter into and perform its obligations under the Agreement and Transactions and to ensure the legality, validity, enforceability or admissibility in evidence of the Agreement in this jurisdiction.

2.6 That the Agreement has been properly executed by both Parties.

2.7 That the Agreement is entered into prior to the commencement of any insolvency, bankruptcy or analogous proceedings in respect of either Party..

2.8 The Agreement has been entered into, and each of the transactions referred to therein is carried out, by each of the parties thereto in good faith, for the benefit of each of them respectively, on arms' length commercial terms and for the purpose of carrying on, and by way of, their respective businesses.

2.9 That the Agreement accurately reflects the true intentions of each Party.

2.10 That no provisions of the Agreement, or a document of which the Agreement forms part, or any other arrangement between the Parties, invalidate the enforceability or effectiveness of the Security Provisions or the Rehypothecation Clause under the governing law of the Agreement.

2.11 That there is no other agreement, instrument or other arrangement between the Firm and the Counterparty which modifies or supersedes the Agreement.

2.12 That all acts, conditions or things required to be fulfilled, performed or effected in connection with the Agreement and the creation and perfection of the security interests thereunder pursuant to laws of any jurisdiction other than this jurisdiction have been duly fulfilled, performed and effected.

2.13 That there are no provisions of the laws of any jurisdiction (apart from this jurisdiction) which would be contravened by the execution or the delivery of the Agreement.

2.14 That any accounts and the assets expressed to be subject to a Security Interest pursuant to the Security Provisions shall at all relevant times be located outside this jurisdiction.

2.15 That any cash comprising the Collateral is in a currency that is freely transferable internationally under the laws of all relevant jurisdictions.

2.16 That no provision of the Agreement that is necessary for the giving of our opinions and advice in this opinion letter has been altered in any material respect. In our view, an alteration contemplated in the definition of "Equivalent Agreement" above would not constitute a material alteration for this purpose. We express no view whether an alteration not contemplated in the definition of Equivalent Agreement would or would not constitute a material alteration of the Agreement.

3. OPINIONS

On the basis of the foregoing terms of reference and assumptions and subject to the qualifications set out in paragraph 4 below, we are of the following opinion.

3.1 Valid Security Interest

3.1.1 following the occurrence of an Event of Default, including as a result of the opening of any Insolvency Proceedings, the Non-Defaulting Party would be entitled to enforce the Security Interest in respect of the Collateral.

3.1.2 there is no rule of the laws of this Bulgaria which would impose a moratorium or stay which would prevent, delay or otherwise affect the right of the Non-Defaulting Party to enforce the Security Interest in respect of the Collateral.

3.1.3 following exercise of the Firm's rights under the Security Interest Provisions, the Firm's rights in respect of the proceeds of realisation of the Collateral would rank ahead of the interests of the Counterparty and any other person therein. Details on the ranking in priority as a matter of Bulgarian law are set out in the qualifications in Section 4.9 below.

3.2 Further acts

No further acts, conditions or things would be required by the law of this jurisdiction to be done, fulfilled or performed under the laws of this jurisdiction in order to enable the Non-Defaulting Party to enforce the Security Interest in respect of the Collateral.

4. QUALIFICATIONS

The opinions in this opinion letter are subject to the following qualifications:

4.1 There is no relevant case law confirming the interpretation of Bulgarian courts, and in particular the Bulgarian insolvency courts, of the financial collateral given in conformity with the laws of a foreign jurisdiction.

4.2 The qualification of the Security Interest under the English law as 'bankruptcy proof' financial collateral under the Financial Collateral Arrangements Directive should mitigate but not fully exclude risks related to insolvency of a Bulgarian Counterparty. Where the Collateral is not and cannot qualify as "financial collateral" under the Financial Collateral Arrangements Directive, such collateral cannot be considered "bankruptcy proof" and shall in any event be subject to the actions referred to in Section 4.7 below.

4.3 The capacity of the Bulgarian Counterparty to enter into a 'bankruptcy proof' financial collateral agreement is determined in the Bulgarian Financial Collateral Contracts Act transposing and implementing the Financial Collateral Arrangements Directive. Pursuant to the Bulgarian Financial Collateral Contracts Act only the following persons may enter into a Security Interest transaction which would qualify as "financial collateral" under the Bulgarian Financial Collateral Contracts Act:

4.3.1 a public authority, a local authority, including a public sector body charged with or intervening in the management of public debt, as well as a public sector body authorised to hold accounts for customers;

4.3.2 a central bank;

4.3.3 the European Central Bank, the Bank for International Settlements, the European Investment Bank, the International Monetary Fund, as well as multilateral development banks;

4.3.4 a credit institution;

4.3.5 a financial institution;

4.3.6 an insurer;

4.3.7 an investment broker;

4.3.8 a management company;

4.3.9 an investment company or trust fund;

4.3.10 a regulated market of securities;

4.3.11 a central depository;

4.3.12 additional social security (pension) company;

4.3.13 health security company;

4.3.14 a special investment purpose company;

4.3.15 a central counterparty, settlement agent or clearing house, as well as another legal entity of similar activities acting in the futures, options and derivatives markets;

4.4 Commercial Companies (including Commercial Partnerships) can be parties to financial collateral arrangements in extraordinary circumstances (when acting on behalf of bondholders or holders of other forms of securitised debt or an institution under 4.3.1

through 4.3.15 referred to above or when the other party is a person falling the scope of those authorized to enter into financial collateral arrangements) while the Civil Partnerships which are neither legal entities, nor merchants cannot be parties to a financial collateral arrangement. Respectively, Collateral which is not established as a financial collateral arrangement will be exposed to all insolvency-related and termination proceedings risk, including for the avoidance of doubt to invalidation and revocation actions as addressed in Section 4.7 below.

4.5 To the extent, however, that Counterparty is an eligible counterparty to a financial collateral arrangement under the Financial Collateral Contracts Act, it will be also able to provide the Collateral purported to be established as financial collateral under the English law.

4.6 Given the absence of case law, however, although Bulgarian courts should decline jurisdiction in case of an Agreement governed by the English law, subject to the jurisdiction of the English courts and where the assets subject to the Collateral are located outside Bulgaria, a Bulgarian Insolvency Representative and a Bulgarian insolvency court may fail to acknowledge that the Collateral created under the English law is a "bankruptcy proof" financial collateral in the sense given thereto in the Bulgarian Financial Collateral Contracts Acts and may opt to re-qualify such financial collateral as a regular security interest to which the protective rules of the Bulgarian Financial Collateral Contracts Act, implementing the Financial Collateral Arrangements Directive, do not apply. In an adverse scenario where the Security Interest is re-qualified as a regular security interest to which the protective rules of the Bulgarian Financial Collateral Contracts Act do not apply, a Bulgarian Insolvency representative or the creditors to the insolvency estate may seek to invalidate the Security Interest Provisions in conformity with the general rules of Bulgarian insolvency laws.

4.7 In particular, while (as indicated above), the Financial Collateral Contracts Act provides broad ranging protection against the application of general claw-backs in the context of insolvency if, depending on the particular circumstances, these exceptions are not applicable to the transfer or realization of Collateral, or the provision of collateral is not covered by the Financial Collateral Contracts Act (e.g. by reason of the secured obligations being obligations which do not give a right to cash settlement and/or delivery of financial instruments), the following general considerations would apply:

4.7.1 Invalid in respect of the creditors of the bankruptcy estate, if done following the date of the opening of insolvency proceedings, but not in the procedure provided by the law (i.e. with the consent of the Insolvency Representative in bankruptcy) would be, among others: (i) performance of an obligation which has occurred prior to the date of the judgment for the opening of insolvency proceedings; (ii) a Transaction with a right or chattel belonging to the bankruptcy estate;

4.7.2 Invalid in respect of the creditors of the bankruptcy estate of a debtor, where the debtor is a bank, would be transactions done following the withdrawal of the banking license, which provide for disposal of property of the bank, outside the ordinary costs for its preservation, as well as transactions aimed at collection, renegotiation or collateralisation of claims against the bank, or the performance of its monetary obligations irrespective of the manner of performance.

4.7.3 Invalid in respect of the creditors of the bankruptcy estate, if done following the initial date of insolvency, respectively overindebtedness, would be, among others:

(a) Performance by the debtor of a monetary obligation irrespective of the manner of performance;

(b) A gratuitous transaction with a right over an asset of the bankruptcy estate;

(c) A transaction with a right over an asset of the bankruptcy estate, in which the consideration given significantly exceeds the value of the consideration received.

4.7.4 Voidable on a claim of the Insolvency Representative (trustee in bankruptcy) (and in the case of failure of the Insolvency Representative to file such claim, on a claim by a creditor) would be the following acts and transactions:

(a) A gratuitous transaction, with the exception of the ordinary donation, to the benefit of a party related to the debtor, done within 3 years prior to the opening of insolvency proceedings (if the debtor is a bank – 5 years prior to the initial date of insolvency if to the benefit of administrators or shareholders of the bank or third parties related to them);

(b) A gratuitous transaction, to the benefit of a third party, done within 2 years prior to the opening of insolvency proceedings (3 years prior to the initial date of insolvency is the debtor is a bank);

(c) A transaction for consideration where the consideration given significantly exceeds the consideration received done within two years prior to the date of the opening of insolvency proceedings (two years prior to the initial date of insolvency, if the debtor is a bank);

(d) The settlement of a monetary obligation by way of the transfer of ownership done within 3 months (6 months if the debtor is a bank) prior to the initial date of insolvency, if the return of the property would increase the amount, which the creditors would receive;

(e) A transaction done within two years prior to the date of the opening of insolvency proceedings if it damages the creditors and a related party of the debtor is a party to the transaction (if the debtor is a bank - an act or transaction done within 5 years prior to the initial date of insolvency with the intent to harm the creditors of the bank).

(f) Where the debtor is a bank any transaction, if done within 2 years prior to the initial date of insolvency, damaging the creditors to which a party is a party related to the bank, an administrator or shareholder, its spouse, relative of direct or collateral lineage up to the sixth degree, or a related party to it;

4.8 Even absent insolvency as an Event of Default a transaction undertaken with the intent to damage the interest of the creditors may be challenged as relatively invalid in accordance with Art.135 of the Obligations and Contracts Act (*Actio Pauliana*). Given the existence of theoretical possibility to apply the *Actio Pauliana* for relative invalidity of the transactions under the Agreement the following considerations need to be made:

4.8.1 The creditors to a Counterparty may seek to invalidate a transaction under the Agreements vis-à-vis themselves if the transaction has been harmful to them and if the Counterparty was aware of the damaging effect at the time of performance. Where an

act is for consideration it shall be assumed that the person with whom the debtor negotiated was also aware of the damaging effect.

4.8.2 The law provides however for relative but not absolute invalidity i.e. it shall not prejudice the rights acquired in good faith by third parties for consideration prior to the filing of the petition for invalidation. Where the transaction was performed prior to the arising of the claim it shall be invalid only if it was intended by the debtor and the person with whom he negotiated to harm the creditor. Creditors in whose favour the invalidity is declared shall be satisfied out of the amount received from a public auction prior to the third party, when the latter participates in the distribution with a claim arising from the declaration of invalidity.

4.9 The opinion expressed in Section 3.1.3 is subject to the following qualification:

4.9.1 As a matter of Bulgarian law it is possible to establish more than one charge on the same assets. In practical terms it is possible that cash or securities serving as Collateral are also subject to a special 'non possessory' pledge ('*osoben zalog*') under the Special Pledges Act ('*Zakon za ososbenite zalozi*') or, subject to certain requirements under the Obligations and Contracts Act, to a standard security interest on accounts receivables. The priority of the charges shall be dependent on the timing of their establishment or registration. Thus, we cannot exclude a situation where the security provider shall have established a special pledge on security assets which will be registered in the Central Register of Special Pledges prior than the establishment of the Security Interest under the English law or under the Obligations and Contracts Act. Furthermore, the Special Pledges Act does not prohibit disposal with the pledged assets until a statement for commencement of enforcement is entered in the Central Register of Special Pledges while the Obligations and Contracts Act does not require registration in a public register but only "a true date" of the pledge contract. In such a case, as matter of Bulgarian law a pledgee under the Special Pledges Act or a pledgee under the Obligations and Contracts Act shall be entitled to priority satisfaction out of the value of the Security Interest provided under the English law. e

4.9.2 Absent insolvency, the order of priority under the Bulgarian law is established in the Obligations and Contracts Act. Pursuant to Art.136 of the Obligations and Contracts Act he following claims shall be satisfied preferentially in the order in which they are listed:

(a) claims on costs for securing and forcible execution, as well as for actions pursuant to Articles 134 and 135 - out of the value of the property for which they were made, for the creditors in favour of whom these costs were made;

(b) claims of the state on taxes on a certain property or on a motor vehicle - out of the value of that property or vehicle, as well as claims on concession payments, interests and defaults on concession contracts.

(c) claims secured by a pledge or mortgage - out of the value of the pledged or mortgaged properties;

(d) claims for which the right of retention is exercised - out of the value of the retained property; should this claim arise from costs for maintenance or improvement of the retained property, it shall be satisfied before the claims under item (c) above;

(e) employee claims arising from employment relationships and maintenance claims;

(f) claims of the state other than fines;

4.9.3 The Obligations and Contracts Act further stipulates that claims of the same order shall be satisfied proportionately. This means that claims secured by pledges established simultaneously on one and the same assets shall be satisfied as ranking equal in priority i.e. proportionally.

4.9.4 In addition to accrued interest the right to preferential satisfaction shall cover the outstanding interest from the moment the forcible execution commenced, as well as interest for the year preceding it. Finally, where particular laws provide for some claims to be paid before all others they shall be paid after the claims for cost in case of forcible execution and in the event they compete with each other they shall be paid proportionately.

4.9.5 The order of priority referred to is slightly changes in case of Insolvency Proceedings. The order of priority in case of an Insolvent Party in Bulgaria is set out in Article 722 of the Commerce Act. Thus, claims secured by a pledge or mortgage or distraint or prohibition registered in pursuance of the procedure under the Registered Pledges Act rank first in priority followed by claims with regards to which the right to foreclose is exercised - out of the value of the foreclosed property; then - the bankruptcy costs; and after that employee remunerations arisen before the date of opening of the Insolvency Proceedings etc. Public law claims of the state and the municipalities such as taxes, customs duties, fees, obligatory social security contributions, as well as others, which have emerged prior to the date of the ruling to institute bankruptcy proceedings rank sixth followed by obligations which have arisen after the date of the judgment on institution of bankruptcy proceedings and have not been paid when due, etc.

4.9.6 With view of the foregoing in order to make sure that the obligations secured by Collateral shall be satisfied with priority, the recipient of Collateral shall seek to obtain clean, "no encumbrance" certificates from the Central Register of Special Pledges (with respect to cash amounts) and from the Central Depositary to the extent the Collateral is established Central Depositary AD confirming that there are no pledges or injunctions on the Collateral assets, as well as certificates from Bulgarian tax authorities that the security provider has no past due tax and social security obligations.

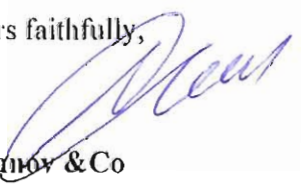
4.9.7 On a separate note, due contractual representations and warranties shall be given with respect to the Collateral confirming that no priority claims exist vis-à-vis the Collateral assets and that the security provider shall not charge or otherwise dispose with the pledged Collateral assets.

4.10 Publicly-traded companies under the POSA are prohibited from entering into certain transactions of value in excess of the thresholds (and particularly in interested parties' transactions to which lower thresholds apply) set out in Art.114 of the POSA without the prior approval of the General Meeting of the Shareholders (or as the case may be the Managing and Supervisory Boards), unless the transactions fall in the exemption of Art. 114 (8) of the POSA i.e. a transaction entered into in the ordinary course of business (except where interested parties participate). In case no exemption applies and no relevant authorization is obtained the transaction may happen to be null and void by virtue of Art. 114 (10) of the POSA.

There are no other material issues relevant to the issues addressed in this opinion letter other than the supplements and modifications set out in Schedules 1 through 9 hereto (with respect to the respective regulated types of Counterparties) which we draw to your attention.

This opinion is given for the sole benefit of the Futures and Options Association and such of its members (excluding associate members) as subscribe to the Futures and Options Association's opinions library (and whose terms of subscription give them access to this opinion). This opinion may not be relied upon by any other person unless we otherwise specifically agree with that person in writing, although we consent to it being shown to such Futures and Options Association members' affiliates (being members of such persons' groups, as defined by the UK Financial Services and Markets Act 2000) and to any competent authority supervising such member firms and their affiliates in connection with their compliance with their obligations under prudential regulation.

Yours faithfully,



Boyanov & Co

Enclosures:

SCHEDULES 1, 2, 3, 4, 5, 6, 7, 8 and 9

ANNEX 1

FORM OF FOA AGREEMENTS

1. Professional Client Agreement (2007 Version), including Module G (Margin and Collateral) (the "Professional Client Agreement 2007")

2. Professional Client Agreement (2009 Version), including Module G (Margin and Collateral) (the "Professional Client Agreement 2009")

3. Professional Client Agreement (2011 Version) including Module G (Margin and Collateral) (the "Professional Client Agreement 2011")

4. Retail Client Agreement (2007 Version) including Module G (Margin and Collateral) (the "Retail Client Agreement 2007")

5. Retail Client Agreement (2009 Version) including Module G (Margin and Collateral) (the "Retail Client Agreement 2009")

6. Retail Client Agreement (2011 Version) including Module G (Margin and Collateral) (the "Retail Client Agreement 2011")

7. Eligible Counterparty Agreement (2007 Version) including Module G (Margin) (the "Eligible Counterparty Agreement 2007")

8. Eligible Counterparty Agreement (2009 Version) including Module G (Margin) (the "Eligible Counterparty Agreement 2009")

9. Eligible Counterparty Agreement (2011 Version) including Module G (Margin) (the "Eligible Counterparty Agreement 2011")

For the avoidance of doubt none of the forms of the Agreements listed at this Annex 1 include or incorporate the Title Transfer Securities and Physical Collateral Annex to the Netting Modules published by the Futures and Options Association.

Where the form of any Agreement listed in this Annex 1 (as published by the Futures and Options Association) (the "**FOA Published Form Agreement**") expressly contemplates the election of certain variables and alternatives, the Agreements listed above shall be deemed to include any such document in respect of which the parties have made such expressly contemplated elections (and have made any deletions required by such elections, where such deletions are expressly contemplated in the event of such election by the applicable FOA Published Form Agreement).

Each of the Agreements listed in this Annex 1 may be deemed to include Agreements identical to the relevant FOA Published Form Agreement, save for the substitution of Two Way Clauses in place of the equivalent terms in the FOA Published Form Agreement.

ANNEX 2

DEFINED TERMS RELATING TO THE AGREEMENTS

1. The "**Eligible Counterparty Agreements**" means each of the Eligible Counterparty Agreement 2007, the Eligible Counterparty Agreement 2009 and the Eligible Counterparty Agreement 2011 (each as listed and defined at Annex 1).

2. The "**Professional Client Agreements**" means each of the Professional Client Agreement 2007, the Professional Client Agreement 2009 and the Professional Client Agreement 2011 (each as listed and defined at Annex 1).

3. The "**Retail Client Agreements**" means each of the Retail Client Agreement 2007, the Retail Client Agreement 2009 and the Retail Client Agreement 2011 (each as listed and defined at Annex 1).

4. An "**Equivalent 2011 Agreement without Core Rehypothecation Clause**" means an Equivalent Agreement in the form of the Eligible Counterparty Agreement 2011, Retail Client Agreement 2011 or Professional Client Agreement 2011 but which does not contain the Rehypothecation Clause.

5. "**Core Provisions**" means:

(a) with respect to all Equivalent Agreements, the Security Interest Provisions; and

(b) with respect to Equivalent Agreements that are in the form of the Eligible Counterparty Agreement 2011, Retail Client Agreement 2011 or Professional Client Agreement 2011 (but not with respect to an Equivalent 2011 Agreement without Core Rehypothecation Clause), the Rehypothecation Clause.

6. "**Rehypothecation Clause**" means:

(i) in the case of Agreements in the form of the Professional Client Agreement 2011, clause 8.13 (Rehypothecation);

(ii) in the case of Agreements in the form of the Retail Client Agreement 2011, clause 8.15 (Rehypothecation);

(iii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2011, clause 7.13 (Rehypothecation); and

(iv)in the case of an Equivalent Agreement, a clause that is identically the same in form and language as a clause referred to in any of the foregoing paragraphs (i) to (iii) of this definition (except insofar as variations may be required for internal cross-referencing purposes);

7. "**Security Interest Provisions**" means:

(a) the "**Security Interest Clause**", being:

(i) in the case of Agreements in the form of the Professional Client Agreement 2007, clause 8.6 (Security interest);

(ii) in the case of Agreements in the form of the Professional Client Agreement 2009, clause 8.6 (Security interest);

(iii) in the case of Agreements in the form of the Professional Client Agreement 2011, clause 8.7 (Security interest);

(iv) in the case of Agreements in the form of the Retail Client Agreement 2007, clause 8.8 (Security interest);

(v) in the case of Agreements in the form of the Retail Client Agreement 2009, clause 8.8 (Security interest);

(vi) in the case of Agreements in the form of the Retail Client Agreement 2011, clause 8.9 (Security interest);

(vii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2007, clause 7.6 (Security interest);

(viii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2009, clause 7.6 (Security interest);

(ix) in the case of Agreements in the form of the Eligible Counterparty Agreement 2011, clause 7.7 (Security interest); and

(x) in the case of an Equivalent Agreement, a clause that is identically the same in form and language as a clause referred to in any of the foregoing paragraphs (i) to (ix) of this definition (except insofar as variations may be required for internal cross-referencing purposes);

(b) the **"Power to Charge Clause"**, being:

(i) in the case of Agreements in the form of the Professional Client Agreement 2007, clause 8.10 (Power to charge);

(ii) in the case of Agreements in the form of the Professional Client Agreement 2009, clause 8.10 (Power to charge);

(iii) in the case of Agreements in the form of the Professional Client Agreement 2011, clause 8.10 (Power to charge);

(iv) in the case of Agreements in the form of the Retail Client Agreement 2007, clause 8.12 (Power to charge);

(v) in the case of Agreements in the form of the Retail Client Agreement 2009, clause 8.12 (Power to charge);

(vi) in the case of Agreements in the form of the Retail Client Agreement 2011, clause 8.12 (Power to charge);

(vii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2007, clause 7.10 (Power to charge);

(viii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2009, clause 7.10 (Power to charge);

(ix) in the case of Agreements in the form of the Eligible Counterparty Agreement 2011, clause 7.10 (Power to charge); and

(x) in the case of an Equivalent Agreement, a clause that is identically the same in form and language as a clause referred to in any of the foregoing paragraphs (i) to (ix) of this definition (except insofar as variations may be required for internal cross-referencing purposes);

(c) the "**Power of Sale Clause**", being:

(i) in the case of Agreements in the form of the Professional Client Agreement 2007, clause 8.11 (Power of sale);

(ii) in the case of Agreements in the form of the Professional Client Agreement 2009, clause 8.11 (Power of sale);

(iii) in the case of Agreements in the form of the Professional Client Agreement 2011, clause 8.11 (Power of sale);

(iv) in the case of Agreements in the form of the Retail Client Agreement 2007, clause 8.13 (Power of sale);

(v) in the case of Agreements in the form of the Retail Client Agreement 2009, clause 8.13 (Power of sale);

(vi) in the case of Agreements in the form of the Retail Client Agreement 2011, clause 8.13 (Power of sale);

(vii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2007, clause 7.11 (Power of sale);

(viii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2009, clause 7.11 (Power of sale);

(ix)in the case of Agreements in the form of the Eligible Counterparty Agreement 2011, clause 7.11 (Power of sale); and

(x)in relation to an Equivalent Agreement, a clause that is identically the same in form and language as the clauses referred to in any of the foregoing paragraphs (i) to (ix) of this definition (except insofar as variations may be required for internal cross-referencing purposes);

(d) the "**Power of Appropriation Clause**", being:

(i) in the case of Agreements in the form of the Professional Client Agreement 2007, clause 8.12 (Power of appropriation);

(ii) in the case of Agreements in the form of the Professional Client Agreement 2009, clause 8.12 (Power of appropriation);

(iii) in the case of Agreements in the form of the Professional Client Agreement 2011, clause 8.12 (Power of appropriation);

(iv)in the case of Agreements in the form of the Retail Client Agreement 2007, clause 8.14 (Power of appropriation);

(v) in the case of Agreements in the form of the Retail Client Agreement 2009, clause 8.14 (Power of appropriation);

(vi) in the case of Agreements in the form of the Retail Client Agreement 2011, clause 8.14 (Power of appropriation);

(vii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2007, clause 7.13 (Power of appropriation)

(viii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2009, clause 7.13 (Power of appropriation);

(ix) in the case of Agreements in the form of the Eligible Counterparty Agreement 2011, clause 7.12 (Power of appropriation); and

(x) in the case of an Equivalent Agreement, a clause that is identically the same in form and language as a clause referred to in any of the foregoing paragraphs (i) to (ix) of this definition (except insofar as variations may be required for internal cross-referencing purposes);

(e) the "**Lien Clause**", being:

(i) in the case of Agreements in the form of the Professional Client Agreement 2007, clause 8.13 (General lien);

(ii) in the case of Agreements in the form of the Professional Client Agreement 2009, clause 8.13 (General lien);

(iii) in the case of Agreements in the form of the Professional Client Agreement 2011, clause 8.14 (General lien);

(iv) in the case of Agreements in the form of the Retail Client Agreement 2007, clause 8.15 (General lien);

(v) in the case of Agreements in the form of the Retail Client Agreement 2009, clause 8.15 (General lien);

(vi) in the case of Agreements in the form of the Retail Client Agreement 2011, clause 8.16 (General lien);

(vii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2007, clause 7.12 (General lien);

(viii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2009, clause 7.12 (General lien);

(ix) in the case of Agreements in the form of the Eligible Counterparty Agreement 2011, clause 7.14 (General lien); and

(x) in the case of an Equivalent Agreement, a clause that is identically the same in form and language as a clause referred to in any of the foregoing paragraphs (i) to (ix) of this definition (except insofar as variations may be required for internal cross-referencing purposes); and

(f) the "**Client Money Additional Security Clause**", being:

(i) in the case of Agreements in the form of the Professional Client Agreement 2007, clause 7.8 (Additional security) at module F Option 4 (where incorporated into such Agreement);

(ii) in the case of Agreements in the form of the Professional Client Agreement 2009, clause 7.9 (Additional security) at module F Option 1 (where incorporated into such Agreement);

(iii) in the case of Agreements in the form of the Professional Client Agreement 2011, clause 7.9 (Additional security) at module F Option 1 (where incorporated into such Agreement);

(iv) in the case of Agreements in the form of the Retail Client Agreement 2007, clause 7.8 (Additional security) at module F Option 4 (where incorporated into such Agreement);

(v) in the case of Agreements in the form of the Retail Client Agreement 2009, clause 7.9 (Additional security) at module F Option 1 (where incorporated into such Agreement);

(vi) in the case of Agreements in the form of the Retail Client Agreement 2011, clause 7.9 (Additional security) at module F Option 1 (where incorporated into such Agreement);

(vii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2007, clause 6.8 (Additional security) at module F Option 4 (where incorporated into such Agreement);

(viii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2009, clause 6.9 (Additional security) at module F Option 1 (where incorporated into such Agreement);

(ix) in the case of Agreements in the form of the Eligible Counterparty Agreement 2011, clause 6.9 (Additional security) at module F Option 1 (where incorporated into such Agreement); and

(x) in the case of an Equivalent Agreement, a clause that is identically the same in form and language as the clauses referred to in any of the foregoing paragraphs (i) to (ix) of this definition (except insofar as variations may be required for internal cross-referencing purposes).

8. "**Two Way Clauses**" means each of the Futures and Options Association's Short-Form Two-Way Clauses 2007, the Short-Form Two-Way Clauses 2009, the

Short-Form Two-Way Clauses 2011, the Long-Form Two-Way Clauses 2007, the Long-Form Two-Way Clauses 2009 and the Long-Form Two-Way Clauses 2011.

SCHEDULE 1
Credit Institutions (Banks)/Financial Institutions

Subject to the modifications and additions set out in this Schedule 1 (Credit Institutions (Banks) and Financial Institutions), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are Credit Institutions (Banks) or Financial Institutions.

For the purposes of this Schedule 1 (*Credit Institutions (Banks) and Financial Institutions)*,

"***Credit Institution***" means as set out in Art.2 of the Credit Institutions Act, promulgated in State Gazette, Issue No. 59/21.07.2006, effective 1.01.2007 as amended and supplemented ("**CIA**"):
"Art.2 (1) A bank (a credit institution) shall be a legal person engaged in the business of receiving deposits or other repayable funds from the public and granting credits or other financing for its own account and at its own risk.
(2) A bank may also carry on the following activities, provided that they are included in its authorisation (license):
1. provision of payment services in the meaning of the Payment Services and Payment Systems Act;
2. issue and administration of other means of payment (travellers' cheques and letters of credit) as long as these activities are not covered by subparagraph 1;
3. acceptance of valuables on deposit;
4. activity as a depository or trustee institution;
5. (repealed, SG No. 24/2009, effective 31.03.2009);
6. financial leasing;
7. guarantee transactions;
8. trading for own account or for account of customers in:
(a) money market instruments - cheques, bills, certificates of deposit, etc., with the exception of the cases referred to in subparagraph 9;
(b) foreign exchange and precious metals;
(c) financial futures, options, exchange and interest-rate instruments as well as other derivative instruments, with the exception of the cases referred to in subparagraph 9;
9. trading for own account or for account of customers in transferable securities, participation in securities issues and other services and activities under Article 5, (2) and (3) of the Markets in Financial Instruments Act;
10. money brokerage;
11. advice to companies regarding their capital structure, branch strategy and related issues, as well as advice and services in connection with transformation of companies and transactions for acquisition of enterprises;
12. acquisition of accounts receivable on loans and other type of financing (factoring, forfeiting, etc.);
13. issuing of electronic money
14.acquisition and management of participating interests;

15. safe custody services;
16. collection, provision of information and reference on customer creditworthiness;
17. any other activities as may be specified by an ordinance of the Bulgarian National Bank (BNB). "

The acquisition, registration, settlement, repayment and trading in government securities shall be carried on in accordance with the terms and procedure of the Government Debt Act . Trade in government securities on regulated markets in financial instruments and on multilateral trading facilities shall be carried out under the terms of the Markets in Financial Instruments Act. No bank may, acting by the nature of trade thereof, carry on any other activities other than those specified in paragraphs 1 and 2, save where this is necessary in connection with the pursuit of the business thereof or in the process of collection of receivables thereof on credits as granted. A bank may establish or acquire undertakings for the purpose of carrying on ancillary services.

Pursuant to the Credit Institutions Act receiving of deposits or other repayable funds from the public as well as the services under subparagraphs 3 and 4 of paragraph 2 may be carried on solely by:
1. a person which has been granted a bank licence (authorisation) by the BNB;
2. a bank whereof the registered office is in a third country, which has been granted a licence (authorisation) by the BNB to conduct banking business in the Republic of Bulgaria through a branch;
3. a bank which has been granted a licence (authorisation) for conduct of banking business by the competent bodies of a Member State, which provides services directly or through a branch within the territory of the Republic of Bulgaria.

"**Financial Institution**" means as set out in Art.3 of the CIA
Article 3. (1) A financial institution shall be a person other than a credit institution whereof the principal business shall be the carrying on of one or more of the activities:
1. specified in Article 2 (2), subparagraphs 1, 2, 6 - 13;
2. acquisition of stakes in credit institutions or other financial institutions;
3. granting of credits with funds which have not been raised from receiving deposits or other repayable funds from the public.
(2) Financial institutions which are not subject to licensing (authorisation) or registration under another law shall be entered into a Register of the BNB in order to be able to operate. The Register shall be public and a certificate shall be issued upon registration in it.

Except where the context otherwise requires, references in this Schedule to "paragraph" are to paragraphs in the opinion letter (but not to its Annexes or Schedules) and references to "sections" are to sections of this Schedule.

1. MODIFICATIONS TO TERMS OF REFERENCE AND DEFINITIONS

N/A

2. ADDITIONAL ASSUMPTIONS

We assume:

2.1. That a Counterparty-credit institution (Bank) or financial institution within the sense given thereto in the Bulgarian Credit Institutions Act holds a full and valid license to enter into the Agreements and to provide the Security Interest thereunder and that it is not restricted in any manner whatsoever to undertake the regulated activity as per its regulatory authorizations;

2.2. That no conservatorship or special supervision is established with respect to Counterparty- Credit Institution in conformity with Section VII (Conservator) and Section VIII (Special supervision in danger of insolvency) of Chapter XI to the Credit Institutions Act.

3. MODIFICATIONS TO OPINIONS

On the basis of the terms of reference and assumptions and subject to the qualifications (in each case set out in this opinion letter as modified, or added to, by this Schedule), we are of the following opinion.

4. ADDITIONAL QUALIFICATIONS

The opinions in this opinion letter are subject to the following additional qualifications:

4.1. A Counterparty-credit institution or financial institution within the sense given thereto in the Bulgarian Credit Institutions Act shall comply with all major regulatory requirements applicable to it in order to secure that there will be no compulsory administrative proceedings or similar administrative constraints as per Section VI (Supervisory Measures) of the Credit Institutions Act which would affect its capacity and authority to enter into the Agreements or its ability to perform the obligations thereunder;

4.2. The Bulgarian National Bank ("BNB") may apply compulsory measures under Section VI (Supervisory Measures) of the CIA.

In particular, the BNB may pursuant to Art.103, para 2 of the CIA:

(a) restrict the business of the bank, prohibiting it from effecting specified transactions, actions or operations;
(b) restrict the volume of specific types of activities carried on by the bank;
(c) forbid conduct of banking business by a foreign bank through a branch or directly; where a permanent ban on the conduct of banking business by a branch of a bank is imposed, the relevant body of the bank shall take decision on termination of the activity of the branch, settling relationships with the bank's creditors and deletion of the branch from the commercial register;
(d) set additional requirements to the bank in connection with the licensed banking business thereof;
(e) require submission of a rehabilitation plan to be implement by the bank following approval by the BNB;
(f) appoint two or more conservators of the bank for a specified period;
(g) put the bank under special supervision.

Each of the supervisory measures referred to above may affect the ability of the Counterparty to enter into or perform the obligations under the Agreements.

4.3. In case the Counterparty - credit institution is put under conservatorship its capacity and authority to enter into and perform the obligations under the Agreements will be affected as follows - upon the appointment of conservators, all powers vesting in the bank's Supervisory Board and Management Board or Board of Directors, as the case may be, shall be suspended and shall be exercised by the said conservators, save in so far as the act of appointment thereof does not provide for any limitations.

4.4. In case the Counterparty is put under special supervision by the BNB, the BNB shall appoint conservators (where no conservators have been appointed and shall determine their powers) and shall specify the term and conditions of the special supervision.
The BNB may (pursuant to Art.116, para 2 of the CIA), among other things:
(a) reduce the interest on the bank's liabilities to the average market rate;
(b) suspend for a specified period in full or in part execution of all or part of its obligations;
(c) restrict its activity in full or in part;
(d) stipulate conditions and additional requirements to the procedure for disposal with the bank's property;
(e) remove from office the members of the Board of Directors, the Management Board and the Supervisory Board, as the case may be;

Pursuant to the express provisions of Art.119 of the CIA, "Any actions and transactions effected by the bank in violation of Article 116 (2) subparagraphs 1–4 (referred to above in items (a) through (d)) shall be void after announcement in the commercial register of the BNB decision. Furthermore, in the cases under Article 116 (2) subparagraph 2 execution proceedings, including execution proceedings under the Registered Pledges Act against the property of the bank shall be stopped.

4.5. However, in the cases under Article 116 (2) subparagraph 2 the ***following is expressly allowed***:
(a) execution of obligations that have arisen from payment orders accepted for settlement by the bank before putting it under special supervision;
(b) execution of payment orders arising from exercise of rights or performance of obligations under financial security agreements where the orders were given before or on the date of putting the bank under special supervision or where the counterparty on the security proves that it has not been aware of the fact that the bank was put under special supervision;
(c) execution of netting operations through the payment system;
(d) execution of monetary obligations relating to the bank's support or arisen after the date of the special supervision as a result of legal actions performed by the conservators and necessary for the rehabilitation of the bank.

On a separate note, pursuant to para 4 of Art.116 of the CIA, "*in the cases under Article 116 (2) subparagraph 2 and for the period in which the BNB has exercised such power it shall be deemed that the bank has not defaulted on the monetary obligations the execution whereof has been stopped.*"

The CIA further provides in Art.116 para 5 that "*In the cases under Article 116 (2) subparagraph 2, the bank shall not bear financial liability for non-performance of the obligations whose execution has been stopped by the special supervision. For the term of the special supervision no default interest and penalty shall be charged on the monetary obligations whose execution has been stopped, and contractual interest on such obligations shall accrue but shall be paid after lifting of the special supervision.*"

4.6. The Credit Institutions (Bans) when providing investment services in relation to financial instruments under the MiFIA are required to comply with all rules and regulations there of including for the avoidance of doubt under Ordinance No 16 on the Terms and Conditions for Undertaking of Margin Purchases, Short Sales and Lending of Financial Instruments ("**Ordinance No16**") which is in the process of amendment restricting certain transactions such as securities lending, short sales or margin purchases of financial instruments.

Furthermore, with effect from 1 November 2012, Regulation (EU) 236/2012 of the European Parliament and the Council on short selling and certain aspects of credit default swaps which also impose certain restrictions on short selling and credit default swaps.

The precise limitations under Ordinance No 16 and the implementation of Regulation (EU) No 236/2012 are yet to be clarified but these have to be taken into account in relation to the transactions envisaged in the Agreements and the Security Interest Provisions, if applicable. Furthermore, in case a transaction under the Agreement is made on terms which will violate the said rules may be subject to restrictions or regulatory intervention.

5. MODIFICATIONS TO QUALIFICATIONS

Furthermore, the qualifications at paragraph 4 are deemed modified as follows.

N/A

SCHEDULE 2
Investment Intermediaries

Subject to the modifications and additions set out in this Schedule 2 (Investment Intermediaries), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are Investment Intermediaries.

For the purposes of this Schedule 2 (*Investment Intermediaries)*,

"***Investment Intermediary***" means as set out in Art.5 of the Markets in Financial Instruments Act ("**MiFIA**"):

"*Article 5 (1) An investment intermediary shall be a person which provides one or more investment services and/or performs one or more investment activities*[1] *as a regular occupation or a business on a professional basis.*"

Pursuant to Art.6 of the MiFIA, investment services may be provided and investment activities may be performed as a regular occupation or business on a professional basis solely by a joint-stock company or a limited liability company which has its seat and registered office on the territory of the Republic of Bulgaria, has obtained authorisation for conduct of business in an investment-intermediary capacity from the Financial Supervision Commission ("FSC").

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[1] Investment services and activities shall be:
1. reception and transmission of orders in relation to one or more financial instruments, including intermediating for conclusion of transactions in relation to financial instruments;
2. execution of orders on behalf of clients;
3. dealing in financial instruments on own account;
4. portfolio management;
5. provision of investment advice to clients;
6. underwriting of issues of financial instruments and/or placing of financial instruments on the basis of an unconditional and irrevocable commitment to subscribe/acquire the financial instruments on own account;
7. placing of financial instruments without an unconditional and irrevocable commitment to acquire the financial instruments on own account;
8. operation of a multilateral trading facility.

Investment intermediaries may furthermore provide the following ancillary services:
1. safekeeping and administration of financial instruments for the account of clients, including custodianship (holding clients' financial instruments and cash at a depositary institution) and related services, such as cash/collateral management;
2. granting loans for effecting of transactions in one or more financial instruments, subject to the condition that the person granting the loan is involved in the transaction under terms and according to a procedure established in an ordinance;
3. advice to undertaking on capital structure, industrial strategy and related matters, as well as advice and services relating to mergers and the purchase of enterprises;
4. provision of foreign exchange services, insofar as they are connected with the investment services provided;
5. investment research and financial analysis or other forms of general recommendations relating to transactions in financial instruments;
6. services relating to underwriting of issues of financial instruments;
7. under Paragraph 2 and items 1 - 6 in connection with the underlying asset of derivative financial instruments under Article 3, item 2 "d", "e", "f" and "i" insofar as they are connected with the provision of services under items 1 - 6 and Paragraph 2.

The provision of one or more investment services and/or the performance of one or more investment activities as a regular occupation or business on a professional basis may be carried out by a bank, which has obtained authorisation for provision of such services and performance of such activities from the Bulgarian National Bank ("**BNB**").

Investment intermediaries (other than credit institutions) may not effect any other commercial transactions as a regular occupation or business on a professional basis.

1. MODIFICATIONS TO TERMS OF REFERENCE AND DEFINITIONS

N/A

2. ADDITIONAL ASSUMPTIONS

We assume:

2.1. That a Counterparty—investment intermediary within the sense given thereto in the Bulgarian Markets in Financial Instruments Act holds a full and valid license to enter into the Agreements and to provide the Security Interest thereunder and that it is not restricted in any manner whatsoever to undertake the regulated activity as per its regulatory authorizations;

2.2. That no conservatorship is established with respect to Counterparty- investment intermediary within the sense given thereto in the Bulgarian Markets in Financial Instruments Act in conformity with Part Four, Chapter VIII (Conservator) of the Markets in Financial Instruments Act.

3. MODIFICATIONS TO OPINIONS

4. ADDITIONAL QUALIFICATIONS

The opinions in this opinion letter are subject to the following additional qualifications:

4.1.A Counterparty- investment intermediary within the sense given thereto in the Bulgarian Markets in Financial Instruments Act needs to comply with all major regulatory requirements applicable to it in order to secure that there will be no compulsory administrative proceedings or similar administrative constraints as prescribed in Part Four, Chapter VII (Compulsory Administrative Measures) of the Markets in Financial Instruments Act which would affect its capacity and authority to enter into or perform the Agreements;

4.2. Absent compliance with the major regulatory requirements, the Financial Supervision Commission ("FSC") may apply compulsory administrative measures under Part Four, Chapter VII (Compulsory Administrative Measures) of the MiFIA.

In particular, the FSC may pursuant to Art.118 of the MiFIA among other things:

(a) oblige any regulated person to take specific action as may be necessary for prevention and rectification of the violations, of the prejudicial consequences of the said violations or of the jeopardy to the interests of investors within a time limit as the FSC shall set;

(b) discontinue trade in particular financial instruments;

(c) order in writing a supervised person to remove one or more persons authorized to manage and represent the said person, and deprive any such person or persons of the managerial and representative powers held thereby until removal;

(d) appoint conservators in the cases prescribed by the MiFIA (see below);

(e) require distraint on property;

(f) remove financial instruments from trading on a regulated market or from another trading system.

Each of the supervisory measures referred to above (some of which contain a general discretion of the FSC to intervene in specific transactions) may affect the ability of the Counterparty to enter into or perform the obligations under the Agreements.

4.3. In case the Counterparty – investment intermediary is put under conservatorship its capacity and authority to enter into and perform the obligations under the Agreements will be affected as follows:

The FSC may appoint one or more conservators of an investment company (a) when imposing a compulsory administrative measure as referred to above (for a period of up to three months) or (b) upon withdrawal of authorization for conduct of business, until appointment by the court of law of a liquidator or a trustee in bankruptcy, as the case may be.

Upon appointment of a conservator, all powers vesting in the supervisory board and the management board or in the board of directors, as the case may be, of the investment intermediary shall be suspended and shall be exercised by the said conservator, save in so far as the act of appointment thereof does not provide for any limitations. The conservator shall take all the necessary measures for protection of the interests of investors.

Any acts and transactions performed and effected by third parties on behalf and for the account of the investment intermediary under conservatorship, without prior authorization by the conservator, shall be void.

The FSC may issue mandatory directions to the conservators in connection with their activity as conservators to the investment intermediary.

4.4 In case, however, the ability to enter into and perform the Agreements is unaffected by a conservatorship or other compulsory administrative measures imposed by the FSC the settlement of a transaction in financial instruments within a settlement system cannot be prejudiced provided that the respective orders have been lawfully placed before or on the day on which the investment services license has been withdrawn unless the intermediary or the third party was aware of the fact of the withdrawal of the authorization or the restrictions imposed thereon.

4.5 Investment intermediaries are obliged to comply with a number of Ordinances issued by the FSC on their activities.

In this respect we need to note that the activities of the investment intermediaries may be affected by the requirements of Ordinance No 16 on the Terms and Conditions for Undertaking of Margin Purchases,

Short Sales and Lending of Financial Instruments ("Ordinance No16") which is in the process of amendment.

Furthermore, with effect from 1 November 2012, Regulation (EU) 236/2012 of the European Parliament and the Council on short selling and certain aspects of credit default swaps which also impose certain restrictions on short selling and credit default swaps.

The precise limitations under Ordinance No 16 and the implementation of Regulation (EU) No 236/2012 are yet to be clarified but these have to be taken into account in relation to the transactions envisaged in the Agreements and the Security Interest Provisions, if applicable. Furthermore, in case a transaction under the Agreement is made on terms which will violate the said rules may be subject to restrictions or regulatory intervention.

5. MODIFICATIONS TO QUALIFICATIONS

Furthermore, the qualifications at paragraph 4 are deemed modified as follows.

N/A

SCHEDULE 3

Insurers/Reinsurers

Subject to the modifications and additions set out in this Schedule 3 (Insurers/Reinsurers), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are Insurers /Reinsurers.

For the purposes of this Schedule 3 (*Insurers/Reinsurers)*,

"***Insurer***" means as set out in Art.8 (1) of the Insurance Code ("**IC**"):
"1. *a joint-stock company, a co-operative society or an insurer from a third state through a branch registered under the Commerce Act which has received a licence under the terms, conditions, and procedure specified herein; or*
2. an insurer from another member state under the conditions of the right of establishment or of the freedom to provide services."

"***Reinsurer***" means as set out in Art.8 (2) of the Insurance Code
1. a joint-stock company holding a licence to pursue inward reinsurance under this Code;
2. a person holding a licence to pursue inward reinsurance by seat of business in another member state;
3. a person holding a licence to pursue inward reinsurance by seat of business in a third country (a third country reinsurer):
a) through a branch registered under the Commerce Act and holding a licence under this Code [i.e. IC] or
b) from its seat of business or from a branch in a third country subject to the terms and conditions of this Code [i.e. IC].
A licence for insurance or reinsurance may also be granted to a person established as a European company (SE). A European company insurer or reinsurer shall be established, shall carry out its activity, transform itself and be wound up in accordance with Council Regulation (EC) No. 2157/2001 on the Statute for a European company (SE) and the IC. In respect of a European company insurer the provisions of the joint-stock insurance companies under IC shall apply.

1. MODIFICATIONS TO TERMS OF REFERENCE AND DEFINITIONS

N/A

2. ADDITIONAL ASSUMPTIONS

We assume:
2.1. That a Counterparty—Insurer or Reinsurer within the sense given thereto in the Bulgarian Insurance Code holds a full and valid license to enter into the Agreements and to provide the Security Interest thereunder and that it is not restricted in any manner whatsoever to undertake the regulated activity as per its regulatory authorizations;

2.2. That no conservatorship is established with respect to Counterparty-Insurer within the sense given thereto in the Bulgarian Insurance Code.

3. MODIFICATIONS TO OPINIONS

N/A

4. ADDITIONAL QUALIFICATIONS

The opinions in this opinion letter are subject to the following additional qualifications:

4.1 Pledge agreements, including financial collateral agreements with respect to assets designated for and serving as coverage for the mandatory technical reserves of an Insurer or Reinsurer shall be null and void due to violation of the express prohibition set out in the IC.

4.3. So far as Bulgarian law is concerned, the imposition of compulsory measures by the FSC, including the appointment of a questor or the withdrawal of the license of a Counterparty-Insurer or Reinsurer before the establishment of the financial collateral may limit the capacity of the Counterparty - Insurer or Reinsurer to enter into the Agreements. In such a case the secured Counterparty to the Agreements would not be able to benefit of the protective provisions applicable to financial collateral arrangements.

5. MODIFICATIONS TO QUALIFICATIONS

Furthermore, the qualifications at paragraph 4 are deemed modified as follows.

N/A

SCHEDULE 4

Individuals - Professional Clients or Consumers

Subject to the modifications and additions set out in this Schedule 4 (Individuals-Professional Clients or Consumers), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are Individuals-Professional Clients.

For the purposes of this Schedule 4 (*Individuals - Professional Clients)*,

"**Individual -Professional Client**" means an natural person (whether a sole trader or not) considered a professional client at his/her request as set out in Section II of the Annex to Art.36 (1) of the Markets in Financial Instruments Act ("**MiFIA**"), namely clients meeting ate least two of the following criteria:
(a) in the last year the person has concluded on average 10 large-scale transactions per quarter on a relevant market;
(b) the value of the investment portfolio of the person, which consists of financial instruments and cash deposits, exceeds the lev equivalent of EUR 500,000;
(c) the person works or has worked in the financial sector for at least one year on a position which requires knowledge of relevant transactions or services.

As opposed to the professional clients who are professional and institutional investors by definition, in order to consider an individual a professional client an assessment needs to be made pursuant to the following procedure set out in Section II to the Annex to Art.36 (1) of MiFIA:

The individuals may request treatment as professional clients subject to the following procedure:
(a) the clients shall request in writing from the investment intermediary to be treated as professional clients for all or for specific investment services or transactions or specific types of transactions or investment product;
(b) the investment intermediary shall warn the client in writing that it will not be afforded the relevant degree of protection in providing the services and performing the activities by the investment intermediary and shall not enjoy the right of compensation from the Fund for Compensation of Investors in Financial Instruments;
(c) the client must declare that he is notified of the consequences under "b";
(d) before taking a decision on treatment of the client under Article 37 as professional client the investment intermediary shall take the necessary steps to assure itself that the client meets the identification requirements referred to above.

"**Individual- Consumer**" means pursuant to § 13. Of the Consumer Protection Act "any natural person who acquires products or uses services for purposes that do not fall within the sphere of his or her commercial or professional activity, and any natural person who, as a party to a contract under this Act, acts outside his or her commercial or professional capacity."

1. MODIFICATIONS TO TERMS OF REFERENCE AND DEFINITIONS

N/A

2. ADDITIONAL ASSUMPTIONS

We assume:

2.1. That no restrictions on the personal capacity and ability apply to Counterparty - Individual-Professional Client or an Individual- Consumer, and in particular he/she have not been put under guardianship or custody or subject to appointment of a statutory representative under the Persons and Family Act (promulgated in State Gazette, Issue No 182/9.08.1949 as amended and supplemented)

2.2. That a Counterparty—Individual-Professional Client within the sense given thereto in the Bulgarian MiFIA has requested and has been recognized the capacity of professional client in conformity with the Bulgarian MiFIA and that it has been duly warned in writing of the consequences arising thereunder.

2.3. N/A;

2.4. That the transactions contemplated in the Agreements will be undertaken at fair market terms not intended to damage the creditors of the Counterparty – Individual Professional Client.

3. MODIFICATIONS TO OPINIONS

On the basis of the terms of reference and assumptions and subject to the qualifications (in each case set out in this opinion letter as modified, or added to, by this Schedule), we are of the following opinion.

4. ADDITIONAL QUALIFICATIONS

The opinions in this opinion letter are subject to the following additional qualifications.

4.1. So far as Bulgarian law is concerned, a natural person- whether a professional client or a consumer does not have capacity to enter into financial collateral agreements (within the sense of the Financial Collateral Arrangements Directive) because he/she do not fall in the categories of persons authorized to enter into such agreements. This will not prevent however a natural person – professional client or a consumer to enter into other forms of security interest and establish a charge on the security assets under the English law.

4.2. Individuals – Customers need to have full personal capacity to enter into any civil law transactions which they shall have acquired pursuant to the Bulgarian Persons and Family Act at the age of 18 unless subject to guardianship or restricted in another manner (for example by the imposition of compulsory medical measures imposed by virtue of the law).

4.3. The validity and enforceability of Security Interest Provisions, to the extent these cannot be considered financial collateral as a matter of the English law, shall be solely dependent on the Individual's personal capacity and ability under the general rules of the Bulgarian Persons and Family Act.

4.4 An Individual – Professional Client shall not be entitled to the enhanced consumer protection under the applicable consumer protection laws, and in particular under the Bulgarian Distance Marketing of Financial Services Act which transposes the provisions of Directive 2002/65/EC of the European Parliament and of the Council concerning the distance marketing of consumer financial services, including to the cancellation right in case of entry into a financial services agreement by means of distant communication.

4.5. Respectively, the special protective rules will apply to Individuals-Consumers under the Bulgarian Distance Marketing of Financial Services Act, if the transactions under the Agreements have been undertaken by distant means of communication and these may exercise a cancellation right subject to the terms of the Distance Marketing of Financial Services Act.

4.6. On a separate note, Individuals – whether Professional Clients or Consumers (who are not merchants under the Bulgarian law) cannot be declared insolvent, and therefore, the qualifications related to insolvency as well as the protections in case of bankruptcy proceedings applicable to financial collateral shall be irrelevant. Since no insolvency proceedings can be initiated with respect to individuals who are not merchants (sole traders under the Bulgarian Commerce Act) the fact that the Security Interest is not financial collateral shall not have implications on the validity or enforceability of the Security Interest established under the Security Interest Provisions.

4.7. A transaction under the Agreements or the Security Interest granted by a natural person who is not a merchant may only be invalidated on the basis of civil law actions, and in particular - on the basis of the so called "*Actio Pauliana*" under Art.135 of the Obligations and Contracts Act as set out in more details section 4.8 of the Legal Opinion.

5. MODIFICATIONS TO QUALIFICATIONS

Furthermore, the qualifications at paragraph 4 are deemed modified as follows.

N/A

SCHEDULE 5

UCITS and Close-Ended Investment Companies

Subject to the modifications and additions set out in this Schedule 5 (UCITS and Close-Ended Investment Companies), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are UCITS and Close-Ended Investment Companies.

For the purposes of this Schedule 5 (*UCITS and Close-Ended Investment Companies)*,

"UCIT" means a collective investment undertaking as determined in Article 4 of Activities of Collective Investment Schemes and Other Undertakings for Collective Investments Act (ACIESOUCI), namely "a collective investment undertaking" which meets the following conditions:
1. its sole objective is collective investment in transferable securities or other liquid financial assets under Article 38, Paragraph 1 of the ACIESOUCI[1] of funds raised through public offering, and which operates on the principle of risk spreading;

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[1] **Article 38.** (1) Investments of collective investment schemes may comprise only:
1. transferable securities and money market instruments admitted to or traded on a regulated market under Article 73 of the Markets in Financial Instruments Act;
2. transferable securities and money market instruments traded on a regulated market other than that under Article 73 of the Markets in Financial Instruments Act, in the Republic of Bulgaria or in another Member State, operating regularly, recognised and publicly accessible, as well as securities and money market instruments issued by the Republic of Bulgaria or another Member State;
3. transferable securities and money market instruments admitted to trading on an official market of a stock exchange or traded on another regulated market in a third country, operating regularly, recognised and publicly accessible, which are included in a list approved by the Deputy Chairperson, or which are set out in the statute, the rules of the collective investment scheme respectively;
4. recently issued transferable securities with the conditions of their issue including an obligation to request admission, and within a time limit not exceeding one year from their issue, be admitted to trading on an official market of a stock exchange or another regulated market operating regularly, recognised and publicly accessible, which are included in a list approved by the Deputy Chairperson, or which are set out in the statute, the rules of the collective investment scheme respectively;
5. units of collective investment schemes and/or other collective investment undertakings which meet the conditions of Article 4, Paragraph 1, no matter whether their seat is in a Member State, provided that:
a) the other collective investment undertakings meet the following conditions:
aa) have been granted an authorisation for pursuit of activity by law in accordance with which supervision is exercised over them, which the Deputy Chairperson considers equivalent to the supervision laid down in Community law and cooperation between supervision authorities is sufficiently ensured;
bb) the level of protection of the unit-holders in these, including the rules for distribution of assets, for use and granting of loans for transferable securities and money market instruments, as well as for sale of securities and money market instruments not held by the collective investment undertakings, are equivalent to the rules and protection of the unit-holders of collective investment schemes;
cc) disclose periodically information by preparing and publishing annual and semi-annual reports, providing opportunity for assessment of the assets, liabilities, income and effected operations in the reporting period, and
b) not more than 10 per cent of the assets of collective investment schemes or other collective investment undertakings intended for acquisition may be, in accordance with their instruments of incorporation or their rules, invested in total in units of other collective investment undertakings or in other collective investment schemes;
6. deposits at credit institutions, payable at demand or in respect whereof the right for withdrawal at any time exists, and with maturity date not exceeding 12 months; credit institutions in a third country shall observe rules and shall be subject to supervision as the Deputy Chairperson considers equivalent to those set out in Community law;
7. derivative financial instruments, including equivalent cash-settled instruments traded on regulated markets referred to in items 1 - 3;
8. derivative financial instruments traded on OTC markets, provided that:
a) their underlying assets are instruments under Paragraph 1, financial indices, interest indices, currencies or foreign exchange rates in which the collective investment scheme may invest in accordance with its investment policy set out in the statute, the rules respectively;
b) the counterparty to the transaction in such derivative financial instruments is an institution subject to prudential supervision, and meeting the requirements approved by the Deputy Chairperson;

2. its units are dematerialised and are subject to redemption, directly or indirectly, based on its net asset value, at a request made by the unit-holders.

"**Close Ended Investment Company**" means as set out in Art.171 of ACIESOUCI a collective investment undertaking organised as a joint-stock company, whose scope of business activity shall be investment in securities and other liquid financial assets of cash raised through public offering of shares, which acts on the risk-sharing principle and whose shares are not subject to redemption, except under the terms and procedure of the Commerce Act.
A close-ended investment company may not carry out other commercial activity, unless it is necessary for the carrying out of its activity above.

On a separate note, the ACIESOUCI applies as well to special investment purpose companies incorporated under the Special Investment Purposes Companies Act ("**SIPCA**") which are established for the purposes of securitization of receivables or immovable properties. SIPCs are also subject to specific transactions limitations regulated in the SIPCA and the ACIESOUCI.

1. MODIFICATIONS TO TERMS OF REFERENCE AND DEFINITIONS

N/A

2. ADDITIONAL ASSUMPTIONS

We assume:

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c) are subject to reliable and verifiable valuation on a daily basis and, at the initiative of the collective investment scheme, may be sold, liquidated or closed by an offsetting transaction at any time at fair value;
9. money market instruments other than those traded on a regulated market and referred to in § 1, item 6 of the supplementary provisions, if supervision is exercised over the issue or the issuer of such instruments, for the purpose of protecting investors or savings, provided that they are:
a) issued or guaranteed by central, regional or local authorities in the Republic of Bulgaria or in another Member State, by the Bulgarian National Bank, by the central bank of another Member State, by the European Central Bank, by the European Union or the European Investment Bank, by a third country, and in the cases of a Federal State, by one or more of the members of the Federal State, by a public international organisation to which one or more Member States belong;
b) issued by an issuer whose issue of securities is traded on a regulated market under items 1 - 3;
c) issued or guaranteed by a person subject to prudential supervision, in accordance with criteria defined by Community law, or by a person which is subject to and complies with rules adopted by the relevant competent authority, which are at least as stringent as those defined by Community law;
d) issued by issuers other than those referred to in letters "a", "b" and "c", meeting criteria approved by the Deputy Chairperson and ensuring that:
aa) investments in such instruments are subject to investor protection equivalent to that laid down in letters "a", "b" and "c";
bb) the issuer is a company whose capital and reserves amount to at least the lev equivalent of EUR 10,000,000, which presents and publishes annual financial statements in accordance with Fourth Council Directive of 25 July 1978, based on Article 54, § 3, "g" of the Treaty on the annual accounts of certain types of companies (78/660/EEC) or Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of the International Accounting Standards, and is an entity dedicated to financing a group of companies which includes one or several companies admitted to trading on a regulated market, or is an entity dedicated to financing securitisation vehicles which benefit from banking liquidity line.

2.1. that a Counterparty which is an UCITs, a management company or a close ended investment company holds a license as investment company or authorization as a common (contractual) fund registered in the register maintained by the Financial Supervision Commission.

2.2. that a Counterparty which is an UCITs a management company or a close ended investment company has complied with the restrictions on transactions set out in ACIESOUCI and that the Transactions contemplated in the Agreements are not made in violation of the said restrictions. Any such transactions would not be void *ab initio*. However, in the event of deviation from the investment restrictions for reasons beyond the control of the UCITS and Close-Ended Investment Companies or as a result of exercising subscription rights, the collective investment scheme shall with priority, but not later than two months from occurrence of the deviation, bring its assets in line with the investment limits through sale transactions, taking into account the interests of the unit-holders, subject to further regulatory implications resulting form the incompliance.

3. MODIFICATIONS TO OPINIONS

N/A

4. ADDITIONAL QUALIFICATIONS

The opinions in this opinion letter are subject to the following additional qualifications.

4.1. So far as Bulgarian law is concerned, UCITs and close ended companies as well as special investment purposes companies under the SIPCA's have restrictions on their activity which may result in a Transaction in securities of a certain type which are or not fully paid in being invalidated including the Collateral under the Agreements, insofar as these refer to specific cash or securities assets

4.2. A Counterparty which is an UCITs a management company or a close ended investment company within the sense given thereto in the Bulgarian ACIESOUCI needs to comply with all major regulatory requirements applicable to it in order to secure that there will be no proceedings or similar constraints which would affect its capacity and authority to enter into or perform the Agreements.

4.3. The collective investment scheme may not engage in activities other than those set out in its license and Article 38, Paragraph 1 of the ACIESOUCI (as set out in the annotation number 1) ,unless these are necessary for the pursuit of the UCITs activity.

4.4. Certain transactions which can be qualified as borrowing funds or assumption of guarantee obligations as security of third party obligations, as well as investments in transferable securities (other than those prescribed by the law) in amounts and under terms in deviation of the rules and limitations of the ACIESOUCI may be declared null and void vis-à-vis unit holders. We tend to believe, however, that unless the Security Interest and the transactions contemplated in the Agreements do not qualify as third party guarantee or investments in excess of the limits set out in the law it is quite unlikely that such Security Interest or related transactions will be affected by the said relative invalidity.

4.5. An UCIT may be forcefully terminated upon withdrawal of its license or if within three months from withdrawal of the licence, winding-up or declaring in bankruptcy of the management company the investment company has not appointed a new management company or has not restructured itself by consolidation or merger.

A common fund shall be wound up forcefully upon withdrawal of the authorisation for the common fund's organisation and management or where within three months from withdrawal of the licence, winding-up or declaring in bankruptcy of the management company the common fund has not appointed a new management company or the fund is not restructured by consolidation or merger.

After entry into force of the decision on withdrawal of the licence of the investment company, the FSC shall send it to the Registry Agency for registration in the Commercial Register and for appointment of a liquidator.

The FSC (Deputy Chairperson in charge) may order the conduct of inspection and may enforce coercive measures until deregistration of the investment company from the Commercial Register and until final settlement of the relationships with the unit-holders.
The terms and procedure for winding-up of an investment company and a common fund shall be set out in a special ordinance.

Under the circumstances above, the performance and enforceability of a transaction under the Agreements may happen to be restricted and subject to special rules or challenged as being made in violation of the requirements of the law.

5. MODIFICATIONS TO QUALIFICATIONS

Furthermore, the qualifications at paragraph 4 are deemed modified as follows.

N/A

SCHEDULE 6

Sovereign and Public Entities

Subject to the modifications and additions set out in this Schedule 6 (*Sovereign and Public entities*), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are Sovereign and Public Entities.

Individual legal definitions, requirements and procedures are set out in de Constitution of the Republic of Bulgaria, The Government Debt Act, the International Treaties of the Republic of Bulgaria Act, the Bulgarian National Bank Act, Local Self-Government and Local Administration Act, the State Ownership Act, the Municipal Ownership Act and other special pieces of legislation on the establishment of authorities and public entities providing public services as set out in details in Section 4.

All such sovereign and public entities are also budgetary institutions to which special rules apply despite the absence of a single and express legal definition of this term.

MODIFICATION TO OPINIONS Below.

1. MODIFICATIONS TO TERMS OF REFERENCE AND DEFINITIONS

N/A

2. ADDITIONAL ASSUMPTIONS

We assume:

2.1. that a Counterparty which is a sovereign or public entity has complied with the special provisions of law and applicable legal procedures authorizing the valid entry into and performance of the Agreements.

2.2. that a Counterparty which is a sovereign or public entity has complied with the budgetary restrictions on transactions set out in the relevant pieces of legislation and that the Transactions contemplated in the Agreements are not made in violation of the said restrictions.

2.3 that a Counterparty which is a sovereign or public entity - Budgetary Institution has provided for in its budget pursuant to the mandatory budgetary rules the funds necessary to perform the obligations under the Agreements.

3. MODIFICATIONS TO OPINIONS

N/A

4. ADDITIONAL QUALIFICATIONS

The opinions in this opinion letter are subject to the following additional qualifications:

4.1. So far as Bulgarian law is concerned, to the extent the Agreements fall in the scope of competence of a Government Authority and are subject to approval of a Ratification Act under Art.85 of the Constitution, their validity and enforceability, including the Collateral thereunder will be dependent on the conduct of the respective parliamentary approval procedures referred to herein.

4.2. Pursuant to Art. 3, para 1 of the Financial Collateral Contracts Act only the following public and sovereign entities are entitled to enter into and become Counterparties to financial collateral arrangements:

1. public, central government and local government authority, including public sector bodies charged with or intervening in the management of government or municipal debt, and public sector bodies authorised to hold accounts for customers; and
2. a central bank;

4.3. A Counterparty which is a sovereign or public entity - budgetary institution needs to comply with all major regulatory requirements applicable to its activity in order to secure that there are no proceedings or similar constraints which would affect its capacity and authority to enter into or perform the Agreements.

4. 4. The State and other state and municipal bodies
Pursuant to the Constitution the Republic of Bulgaria is a parliamentary Republic. No part of the people, political party or any other organization, institution of state, or individual may usurp the exercise of the people's sovereignty. It is a unitary state with local self-government with no autonomous territorial formations. State power shall be divided between a legislative, an executive, and a judicial branch of government.

4.4.1. State and Government Authorities (the Council of Ministers, the Ministers, others established by the Constitution of the Republic of Bulgaria)

The Republic of Bulgaria may enter into international treaties creating financial obligations or providing for international arbitrage or foreign jurisdiction as well as on other matters set out in Art.85, para 1 of the

Constitution[1] , subject to approval by the Parliament of Ratification Acts and in conformity with the provisions of the Constitution and the International Treaties of the Republic of Bulgaria Act[2] .
On a separate note governmental debt may be assumed only pursuant to the Government Debt Act[3] .
Therefore, to the extent the Agreements fall in the scope of competence of a Government Authority and are subject to approval of a Ratification Act under Art.85 of the Constitution, their validity and enforceability, including the Collateral thereunder will be dependent on the conduct of the respective Parliamentary procedures referred to above.
The regime applying to the ownership of state and municipal property is established by special pieces of law and in particular the State Ownership Act and the Municipal Ownership Act.

4.4.2. Municipalities and Municipal Authorities (Councils and Mayors)

The municipality is the basic territorial unit subject to local self-government by Municipal Councils and Mayors whose competence is established in the Local Self-Government and Local Administration Act[4].
Municipal debt may be assumed only pursuant to the provisions and subject to the procedures set out in the Municipal Debt Act[5]
A large number of other public bodies and institutions exist as well which are established pursuant to special pieces of legislation. All of the above entities and institutions ("**Budgetary Institutions**") operate on the basis budgets, subject to specific budgetary procedures and are bound to comply with mandatory budgetary laws and regulations.
Assumption of obligations and enforcement of creditors' rights under the various transactions entered into with Budgetary Institutions may be restricted given the express provisions of the Bulgarian Civil Procedure Code[6] which do not admit enforcement actions vis-à-vis public Budgetary institutions. The said provisions have been challenged before the Constitutional court with respect to the enforcement immunity particularly of Municipalities.

Thus, pursuant to Art. 519 (1) of the Civil Procedure Code enforcement of monetary obligations against government institutions are not admissible. These shall be paid out of the budget designated for the purpose. To this end, the writ of execution shall be presented to the financial authority of the relevant institution. If there are no funds designated in the budget for the payments under the writ of execution, the

[1] Article 85. (1) The National Assembly shall ratify or denounce by statute the international treaties which:
1. are of a political or military nature;
2. concern the participation of the Republic of Bulgaria in international organizations;
3. provide for a modification of the border of the Republic of Bulgaria;
4. impose financial obligations on the State;
5. provide for participation of the State in arbitration or judicial settlement of international disputes;
6. affect fundamental human rights;
7. affect the operation of the law or require measures of a legislative nature for the performance thereof;
8. expressly require ratification;
9. (new, SG No. 18/2005) grant the European Union powers arising from this Constitution.

[2] Promulgated in SG, Issue No 97/13.11.2001
[3] Promulgated in SG, Issue No. 93/1.10.2002
[4] Promulgated in SG, Issue No. 77/17.09.1991, effective 17.09.1991, as amended and supplemented
[5] Promulgated in SG No 34/19.04.2005, as amended and supplemented
[6] Promulgated in State Gazette, Issue No. 59/20.07.2007, effective 1.03.2008,as amended and supplemented

superior budgetary institution shall undertake the measures necessary for a provision funds in the next budget at the latest.

Similarly, the enforcement against budget-subsidized establishments, and more precisely against any resources on the bank accounts of the establishments subsidized by the budget, which have accrued as a subsidy from the central government budget, shall be inadmissible.

Therefore, to the extent the Agreements fall in the scope of competence of a Municipal Authority their validity and enforceability, including the Collateral thereunder will be dependent on the conduct of the respective municipal and budgetary procedures referred to above.

4.4.3. With view of the foregoing, so far as Bulgarian law is concerned although the sovereign and public institution (defined above as Budgetary Institutions) have general capacity to enter into the Collateral Agreements, both the validity of the entry into the Agreements and the enforcement of the rights thereunder may be prejudiced by the violation of the mandatory procedures of the laws applicable to such institutions, the limitations of their activity, the approval of the entry into the Agreements and the enforcement under the Civil Procedure Code (as set out in Art.519 and 520 thereof).

4.5. Bulgarian National Bank

4.5.1. Pursuant to the Bulgarian National Bank Act, the Bulgarian National Bank ("**BNB**") is the central bank in Bulgaria. It is a legal person which reports on its activity to the Bulgarian National Assembly (the "**Parliament**") .The Bulgarian National Bank shall have the right to carry on:
1. collateralized lending operations;
2. transactions in precious metals;
3. transactions in foreign currencies;
4. transactions in deposit and financial investments;
5. operations related to the turnover of payments;
6. commission transactions;
7. cross-border bank transactions.

The Bulgarian National Bank may also: 1. buy and sell gold specie and bullion or other precious metals; 2. buy, sell or contract transactions in foreign currencies, using to this end all customary means; 3. open and maintain accounts with international financial institutions, central banks and other financial institutions outside Bulgaria; 4. open and maintain accounts or act as a representative or correspondent of international institutions, central banks and other financial institutions outside Bulgaria.
The Bulgarian National Bank shall act as a fiscal agent and depository of the State pursuant to contracts concluded and under market conditions and at market prices of services.

The BNB is the **fiscal agent and depositary of the State.** In this capacity the BNB:
1. shall execute bank servicing of accounts and payments included in the single account system, in the name and for the account of the Ministry of Finance;

2. shall collect and submit to the Ministry of Finance regular information about the accounts of public-financed enterprises with banks in Bulgaria;
3. shall act as a government debts agent and a government guaranteed debts agent;
4. may perform other activities agreed with the Minister of Finance.

In its capacity as a **government debts agent**, the Bulgarian National Bank shall keep government securities accounts, which shall be registered according to debt transferees. The Bulgarian National Bank may act as an authorized representative of the Council of Ministers for purposes and under conditions established thereby and by the Council of Ministers.

The Bulgarian National Bank **may not extend credits and guarantees** in any form whatsoever, including through **acquisition of debt instruments**, to the Council of Ministers, to any municipalities, as well as to other state and municipal institutions, organizations and enterprises. By way of exception it may provide credits to state owned and municipal-owned banks.

Although as part of its **monetary function** the Bulgarian National Bank may take any action necessary in connection with the acquisition, possession and sale of gross international foreign exchange reserves it shall invest its gross international foreign-exchange reserves in accordance with the principles and practices of prudent investment, with investments in securities limited to liquid debt instruments satisfying the requirements of the law[7].

The total amount of the liabilities on loans drawn by the Bulgarian National Bank, which are denominated and payable in a foreign currency, shall not be increased if this increase would result in an amount exceeding 10 per cent of the assets of the Bulgarian National Bank at the date of the last balance sheet.
An importation legal protection for the BNB is the provision of the Bulgarian National Bank's Act pursuant to which:

4.5.2. Distraints, enforcements and establishment of a pledge on any money and securities deposited with the Bulgarian National Bank shall be allowed only if they do not infringe the rights of the Bank related to the said property. Also pursuant to the express provision of Art.56 of the Bulgarian National Bank's Act, except in the cases expressly provided for by this law, the Bulgarian National Bank may not:
1. extend credits or buy securities or any other negotiable instruments;
2. maintain any deposits denominated or payable in leva;
3. maintain any deposits whatsoever with residents.

As a summary of the above the BNB may enter into the above restricted transactions only in performance of its monetary function in relation to the acquisition and maintenance of the state reserves and the obligations as fiscal and debt agent for public debt.

[7] i.e. in debt instruments held by it and issued by foreign States, central banks, other foreign financial institutions or international financial organisations, whose obligations are assigned one of the two highest ratings by two internationally recognised credit rating agencies and which are payable in freely convertible foreign currency with the exception of debt instruments given or received as collatera

4.6. State – owned and municipal owned companies

Most of the state-owned and municipal owned commercial entities are registered as commercial companies under the Commerce Act. However, there are also state-owned and municipal enterprises which are not commercial companies under the Commerce Act. The above entities are public spenders and as such are obliged to comply with numerous special and restrictive rules when entering into transactions and in particular with the provisions of the Bulgarian Public Procurement Act[8].

Although pursuant to the express provision of Art. 4 item 3 of the Public Procurement Act the financial services in connection with the issue and transfer of securities or other financial instruments; the services provided by the Bulgarian National Bank; the services provided in connection with the management of the government debt; the services provided in connection with the management of the assets of the State Fund for Guaranteeing the Stability of the State Pension System (upon purchase and certification of produce, approval of warehouses for storage and conduct of auctions for sale with intervention on the farm) are excluded from the public procurement regulation and exempt from the necessity to conduct public procurement procedures, the circumstances related to such services will need to be examined on a case by case basis in order to asses whether the respective transaction will not be captures by such proceedings.

4.7. So far as Bulgarian law is concerned although the sovereign and public institution (defined above as Budgetary Institutions) have general capacity to enter into the Collateral Agreements, both the validity of the entry into the Agreements and the enforcement of the rights thereunder may be prejudiced by the violation of the mandatory procedures of the laws applicable to such institutions, the limitations of their activity, the approval of the entry into the Agreements and the enforcement under the Civil Procedure Code (as set out in Art.519 and 520 thereof).

5. MODIFICATIONS TO QUALIFICATIONS

Furthermore, the qualifications at paragraph 4 are deemed modified as follows.

N/A

[8] Promulgated, SG No. 28/ 6.04.2004, effective 1.10.2004, as amended and supplemented.

SCHEDULE 7

Pension Insurance Companies

Subject to the modifications and additions set out in this Schedule 7 (*Pension Insurance Companies*), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are Pension Insurance Companies.

1. Definitions

For the purposes of this Schedule 7(*Pension Insurance Companies)*,

"**Pension Insurance Company**" means a shall be a joint-stock company licensed in accordance the Social Security Code and registered under the Commerce Act and licensed in accordance the Social Security Code. The scope of business of a Pension Insurance Company shall be limited to supplementary retirement insurance. A Pension Insurance Company may not undertake commercial transactions which are not directly related to its licensed activity. It may establish not-for-profit associations for representation of common interests and for implementation of joint projects.

A Pension Insurance Company shall pursue its activity according to the provisions of Social Security Code and in accordance with its articles of association and the rules of organization and operation of the supplementary retirement insurance fund managed thereby.

1. MODIFICATIONS TO TERMS OF REFERENCE AND DEFINITIONS

N/A

2. ADDITIONAL ASSUMPTIONS

We assume:

2.1. that a Counterparty which is a Pension Insurance Company holds a license and all management authorizations for management of the respective insurance funds by the Financial Supervision Commission.

2.2. that a Counterparty which is a Pension Insurance Company has complied with the restrictions on transactions set out in Social Security Code and that the Transactions contemplated in the Agreements are not made in violation of the said restrictions.

N/A

2.3 that the cash and securities subject to Collateral under the Agreements are not used as coverage of the technical reserves of the Pension Insurance Company and are used only in compliance with the Social Security Code.

3. MODIFICATIONS TO OPINIONS

1. N/A

4. ADDITIONAL QUALIFICATIONS

The opinions in this opinion letter are subject to the following additional qualifications.

4.1 Pledge agreements, including financial collateral agreements with respect to assets designated for and serving as coverage for the mandatory technical reserves of a Counterparty which is Pension Insurance Company or fund shall be null and void due to violation of the express prohibition set out in the Social Security Code.

4.2 A Counterparty which is a Pension Insurance Company needs to comply with all major regulatory requirements applicable to them in order to secure that there will be no proceedings or similar constraints which would affect its capacity and authority to enter into or perform the Agreements.

4.2. So far as Bulgarian law is concerned, the imposition of compulsory measures by the FSC, including the appointment of a 'questor' or the withdrawal of the license of a Counterparty- Pension Insurance Company or fund **before** the establishment of the financial collateral may limit the capacity of the Counterparty - Pension Insurance Company or fund to enter into the Agreements. In such a case the secured Counterparty to the Agreements would not be able to benefit of the protective provisions applicable to financial collateral arrangements.

4.3. Depending on the particular circumstances in case the establishment of the Collateral is made after an insolvency event has already occurred and an Insolvency Proceeding is already initiated, the validity of transactions contemplated in the Agreements may be affected by the Insolvency event and clawed back in conformity with the general claw-back rules of the Bulgarian Commerce Act.

On the basis of the terms of reference and assumptions and subject to the qualifications (in each case set out in this opinion letter as modified, or added to, by this Schedule), we are of the following opinion.

4.4. Assets and Investments

The resources of universal and occupational pension funds managed by the Pension Insurance Companies shall be invested observing the principles of reliability, liquidity, profitability and diversification.
The details rules on transactions and investments of such assets are set out in Chapter XIV of the Social Security Code.
Investment of resources of a supplementary compulsory retirement insurance fund is permitted solely in:
1. securities issued or guaranteed by the Bulgarian State, the obligations whereunder constitute government or government-guaranteed debt;

2. shares other than such referred to in Items 3 and 10, which have been admitted to trading on a regulated securities market, as well as in rights referred to in Item 3 of § 1 of the Supplementary Provisions of the Public Offering of Securities Act;
3. shares in any special purpose investment company licensed according to the procedure established by the Special Purpose Investment Companies Act, as well as in rights referred to in Item 3 of § 1 of the Supplementary Provisions of the Public Offering of Securities Act , issued upon an increase of the capital of the company;
4. municipal securities issued by Bulgarian municipalities according to the Municipal Debt Act;
5. bank deposits with banks which are assigned a credit rating and which have been granted authorization to carry on banking business within the territory of the Republic of Bulgaria;
6. mortgage bonds issued according to the Mortgage Bonds Act , which have been admitted to trading on a regulated securities market;
7. corporate bonds issued or underwritten by certain banks, whereby the resolution of the Shareholders' General Meeting and the offer to contract a bond loan contain an obligation to require admittance of the said bonds to trading on a regulated market and to have the bonds admitted to trading on a regulated market within a period not exceeding six months after the issuing of the said bonds; the aforementioned banks shall be institutions in which the stake held by the state exceeds 50 per cent and which have obtained approval to carry out banking activities according to the legislation of the Republic of Bulgaria, or another EU Member State, with a view to funding long-term and short-term infrastructure and development projects.
8. corporate bonds other than those referred to in Items 6 and 7, which have been admitted to trading on a Bulgarian regulated market;
9. secured corporate bonds in respect of which the resolution of the Shareholders' General Meeting and the offer to contract a bond loan contain an obligation to require admittance of the said bonds to trading on a regulated market, as well as to have the bonds admitted to trading on a regulated market within a period not exceeding six months after the issuing of the said bonds, and where it is stipulated that the provisions of the Public Offering of Securities Act regarding the bondholders' trustee and the securing a public bond issue will apply, mutatis mutandis, to the said bonds.
10. shares and/or units issued by collective investment schemes according to the procedure established by the Collective Investment Schemes and Other Undertakings for Collective Investments Act;
11debt securities issued or guaranteed by:
(a) member states or the central banks thereof;
(b) states specified in an ordinance of the Commission, or the central banks thereof;
(c) the European Central Bank or by the European Investment Bank;
12.securities admitted to trading on regulated securities markets in Member States:
(a) debt securities issued by foreign municipalities;
(b) debt securities other than such referred to in Littera (a) and Item 11;
(c) shares included in indexes on regulated securities markets;
13.securities admitted to trading on regulated securities markets in States specified in an ordinance of the Commission:
(a) rated debt securities, issued by foreign municipalities;
(b) rated debt securities other than such referred to in Littera (a) and Item 11;

(c) shares included in indexes on regulated securities markets;
14. shares and/or units of a collective investment scheme which invests the assets thereof only in securities and deposits referred to in Items 1 to 9, 11, 12, 13 and 15 and which has its registered office or whose management company has its registered office in a Member State, or in a State specified in an ordinance of the FSC as the case may be;
15. bank deposits with banks which are assigned a credit rating and which have been granted authorization to carry on banking business according to the legislation of a Member State, or of a State specified in an ordinance of the FSC;
16. investment estate in Bulgaria, in a Member State.

4.5. The Bulgarian FSC determines in an ordinance:
1. the minimum level of the ratings referred to in Items 5 and 15 above and the rating agencies which assign the said ratings;
2. the States referred to in Item 11 (b), Items 13, 14 and 15 above and the regulated markets in the said States, on which the securities referred to in Item 13 above are traded;
3. the indexes referred to in Item 12 (c) and Item 13 above.

The managing body of the Pension Insurance Company shall endorse internal rules for the procedures to monitor, measure and manage the risk associated with the investments of a supplementary compulsory retirement insurance fund, and shall submit the said rules to the Deputy Chairperson of the Commission within seven days after the said rules are endorsed or, respectively, amended and supplemented.

4.6. Limitations on certain transactions
4.6.1. Investment prohibitions

A Pension Insurance Company may not invest the financial resources of a supplementary compulsory retirement insurance fund in:
1. any securities which are not fully paid up;
2. any securities issued by the Pension Insurance Company which manages the said fund or by persons connected with the said company;
3. any securities issued by the custodian bank of the fund, by any investment intermediary acting for the Pension Insurance Company or by persons connected therewith.

The assets of a supplementary compulsory retirement insurance fund may not be acquired by:
1. the Pension Insurance Company which manages the said fund, except as otherwise expressly provided for in the Social Security Code;
2. any supplementary retirement insurance fund managed by the Pension Insurance Company;
3. any member of a managing or supervisory body of the Pension Insurance Company;
4. any investment adviser of the Pension Insurance Company or any member of a managing or supervisory body of any such person;
5. any persons connected with the persons above.

A supplementary compulsory retirement insurance fund may not acquire any assets of the persons above.

The prohibition on acquisition referred to above shall not apply in the cases of trade in securities on a regulated market. Acting on behalf and for the account of a supplementary compulsory retirement insurance fund managed thereby, a Pension Insurance Company may not acquire or transfer any securities on a regulated securities market by means of cross trades or by means of transactions which, according to the trading rules of the relevant regulated securities market, are subject only to registration on the said market.

The Pension Insurance Companies may not extend loans or become guarantors to third parties.

A Pension Insurance company may contract a loan amounting to up to 10 per cent of its equity capital (capital base) if the loan is intended for acquisition of tangible fixed assets which are directly necessary for the performance of the activity of the company and the term of the loan is not longer than three months. It cannot issue bonds.

All transactions in securities involving the asset management of supplementary pension insurance funds, with the exception of any transactions outside a regulated market referred to in Items 1 and 11 of Article 176 (1) herei[1]n, shall be executed by an investment intermediary on the basis of a contract concluded with the company.

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[1] 1. securities issued or guaranteed by the Bulgarian State, the obligations whereunder constitute government or government-guaranteed debt;
2. shares other than such referred to in Items 3 and 10, which have been admitted to trading on a regulated securities market, as well as in rights referred to in Item 3 of § 1 of the Supplementary Provisions of the Public Offering of Securities Act;
3. shares in any special purpose investment company licensed according to the procedure established by the Special Purpose Investment Companies Act, as well as in rights referred to in Item 3 of § 1 of the Supplementary Provisions of the Public Offering of Securities Act , issued upon an increase of the capital of the company;
4. municipal securities issued by Bulgarian municipalities according to the Municipal Debt Act;
5. bank deposits with banks which are assigned a credit rating and which have been granted authorization to carry on banking business within the territory of the Republic of Bulgaria;
6. mortgage bonds issued according to the Mortgage Bonds Act , which have been admitted to trading on a regulated securities market;
7. corporate bonds issued or underwritten by certain banks, whereby the resolution of the Shareholders' General Meeting and the offer to contract a bond loan contain an obligation to require admittance of the said bonds to trading on a regulated market and to have the bonds admitted to trading on a regulated market within a period not exceeding six months after the issuing of the said bonds; the aforementioned banks shall be institutions in which the stake held by the state exceeds 50 per cent and which have obtained approval to carry out banking activities according to the legislation of the Republic of Bulgaria, or another EU Member State, with a view to funding long-term and short-term infrastructure and development projects.
8. corporate bonds other than those referred to in Items 6 and 7, which have been admitted to trading on a Bulgarian regulated market;
9. secured corporate bonds in respect of which the resolution of the Shareholders' General Meeting and the offer to contract a bond loan contain an obligation to require admittance of the said bonds to trading on a regulated market, as well as to have the bonds admitted to trading on a regulated market within a period not exceeding six months after the issuing of the said bonds, and where it is stipulated that the provisions of the Public Offering of Securities Act regarding the bondholders' trustee and the securing a public bond issue will apply, mutatis mutandis, to the said bonds.

The Pension Insurance Company may not conclude a contract with an investment intermediary if the said intermediary is a person connected to it.

The choice of an investment intermediary shall be approved by the managing bodies of the company.
The Pension Insurance Company shall mandatorily conclude a contract for investment advice concerning financial instruments with an investment adviser meeting the requirements of the Markets in Financial Instruments Act or the Collective Investment Schemes and Other Undertakings for Collective Investments Act.

4.6.2. The assets serving as coverage to the mandatory technical reserves shall only invested in the manner prescribed the Social Security Code and the Ordinances thereunder.
Such assets cannot be pledged, mortgaged or otherwise encumbered.
Therefore, a transaction under the Agreements with respect to assets serving as coverage to the technical reserves shall be invalid.

4.7. Termination and Insolvency
Special rules apply for the termination and insolvency of the various Pension Insurance Companies.
Voluntary termination is subject to special permit issued by the FSC.
Forceful termination for violations of the law and the rules of the Social Security Code triggers a special procedure thereunder.
Following withdrawal of the license a quaestor is appointed and an insolvency procedure initiated.
The failure of a Pension Insurance Company to perform a payment obligation within a 7 days term shall represent an Insolvency Event (together with the overindebtedness) would trigger the company insolvency of the company.
The FSC is the sole authority entitled to initiate the court bankruptcy proceedings and to seek from the court to declare the bankruptcy.
The insolvency rules of the Commerce Act apply accordingly where no special rule applies.
The performance, enforceability and validity of a transaction under the Agreements may be affected by the termination and insolvency events referred to above.

4.8. Compulsory administrative measures
Among others, the FSC is entitled the following compulsory administrative measures which may affect the capacity and authority and the activity of a Counterparty – Pension Insurance Company and performance of its obligations under the Agreements:

2. Oblige a Pension Insurance Company which is a supplementary social insurance company to terminate its contractual relationships thereof with a custodian bank, with an investment or with a

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10. shares and/or units issued by collective investment schemes according to the procedure established by the Collective Investment Schemes and Other Undertakings for Collective Investments Act;
11. debt securities issued or guaranteed by:
(a) member states or the central banks thereof;
(b) states specified in an ordinance of the Commission, or the central banks thereof;
(c) the European Central Bank or by the European Investment Bank;

social insurance intermediary if they do not satisfy the eligibility requirements provided for in this Code;

3. revoke a supplementary social insurance fund management authorization;
4. prohibit or restrict an activity of a Pension Insurance Company;

prohibit or restrict the cross-border activities of the Pension Insurance Company.

With view of the foregoing a transaction undertaken after the imposition of the compulsory administrative measures, or subject to performance after the said events may happen to be either invalid or unenforceable.

5. MODIFICATIONS TO QUALIFICATIONS

Furthermore, the qualifications at paragraph 4 are deemed modified as follows.

N/A

SCHEDULE 8

Non-Profit Legal Entities

Subject to the modifications and additions set out in this Schedule 8 (*Non-profit legal entities*), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are Non-Profit Legal Entities.

For the purposes of this Schedule 8 (*Non-profit legal entities*),

"**Non-profit Legal Entities**" shall mean an entity that does not generate and/or distribute profits which freely determines its goals that can be either of public or private interest. The Non-profit Legal Persons Act[1] (the "**Act**") provides for specific provisions applicable to Non-profit Legal Entities carrying out public interest activity. The law provides for two types of Non-profit Legal Entities – **associations** and **foundations**. The Non-profit Legal Entities can carry out a business activity to the extent where such activity is in connection to the scope of activity of the entity. The Act does not pose any limitations as to the type of business activity to be carried out.

1. MODIFICATIONS TO TERMS OF REFERENCE AND DEFINITIONS

N/A

2. ADDITIONAL ASSUMPTIONS

We assume:

2.1. that a Counterparty which is a Non-profit Legal Entity has a proper registration as such with the relevant Bulgarian regional court where is located its seat, and also has where required a registration with the central register of the non-profit legal entities carrying out public interest activity maintained by the Ministry of Justice;

2.2. that a Counterparty which is a Non-profit Legal Entity has included the subject of its business activity in its Statutes (for associations) or Incorporation Deed (for Foundations), and such business activity is carried out in compliance with the terms and procedures stipulated by the laws regulating the respective business activities;

2.3. that a Counterparty which is a Non-profit Legal Entity has the obligation to re-invest any profit generated by the business activity in its principal non-profit activity, no profit is allowed to be distributed by Non-profit Legal Entity.

[1] Promulgated in State Gazette (SG) No. 81/06.10.2000 as further amended and supplemented

2.4. that a Counterparty which is a Non-profit Legal Entity has a valid registration under the BULSTAT Register Act[2].

3. MODIFICATIONS TO OPINIONS

On the basis of the terms of reference and assumptions and subject to the qualifications (in each case set out in this opinion letter as modified, or added to, by this Schedule), we are of the following opinion.

N/A

4. ADDITIONAL QUALIFICATIONS

The opinions in this opinion letter are subject to the following additional qualifications.

4.1. Assets and Investments

As a rule the assets owned by the Non-profit Legal Entities shall serve the carrying out of the main non-profit activity. In view of this the Non-profit Legal Entities' assets may be involved in its business activity and thus will promote the main non-profit activity of the organization. There are specific provisions relevant of the Associations and the Foundations.

1. With respect to the Associations there are no specific provisions regarding the management of their assets and investments. Due to his/her membership in the Association every member has to make pecuniary installments. But any such obligation has to be expressly provided in the Statutes. Therefore the Association has no mandatory obligation to collect any assets from its members. However in practice the membership in Association is connected to certain pecuniary involvement by its members. For the purposes of carrying out its non-profit activity the Associations the Act sets forth no limitation as to the nature of the assets owned. Furthermore the Corporate Income Tax Act[3] provides for corporate taxation of Non-profit Legal Entities, for any transactions covered under Article 1 of the Commerce Act[4] (this provision covers the transactions having exclusive commercial nature which amongst other include purchasing securities for the purpose of reselling them), as well as from letting movable and immovable property;

2. The Foundations have specific nature because these are established in the lifetime or in the event of death by unilateral deed of incorporation granting without consideration assets for the fulfillment of non-profit objective. The assets provided with the deed of incorporation shall be considered property of the foundation upon its incorporation as of the date of execution of the deed of incorporation in the lifetime or upon entrance on inheritance in the event of death. The Act poses no limitation as to the nature of the assets granted to the Foundation. Thus we may conclude it concerns any type of assets

[2] Promulgated in SG No. 39/10.05.2005 as further amended and supplemented
[3] Promulgated in SG No.105/22.12.2006 and as further amended and supplemented
[4] Promulgated in SG No. 48/18.06.1991 and as further amended and supplemented

(movable and/or immovable). Identically as for the Associations for the purposes of their taxation the Foundations may carry out also transactions of purchasing of securities.

The law does not impede the participation of Non-profit Legal Entity in business companies. Thus any Association/Foundation may own as single shareholder or simply as shareholder an equity share in a business company. As such the ownership of shares in business company is not regarded as business activity. This is rather a form of investing and management of the financial resources of the Non-profit Legal Entity.

On a separate note the participation in business company will allow the Non-profit Legal Entity to carry out business activity which is not consistent with its non-profit activity. Thus the Non-profit Legal Entity will be entitled to perform business transactions which have nothing to do with the main non-profit activity. However any such business activity has to comply with the regulatory regime applicable to it – any regulatory clearances, capital requirements etc.

4.2. Limitations on certain transactions

4.2.1. Investment Prohibitions

As noted the Non-profit Legal Entity either Association or Foundation may directly invest only in business activities that are connected with the main non-profit activity (this can be social, educational, scientific etc.). However the Non-profit Legal Entity can indirectly through the incorporation of subsidiary business company carry out a business activity not connected with its non-profit activity.

The above is valid either for Non-profit Legal Entities acting for the fulfillment of public or private interest. However a public interest Non-profit Legal Entity has certain limitations as to the type of activities that can be carried out. Hence the public interest Non-profit Legal Entity shall use its assets for:

1. development and strengthening of spiritual values, the civil society, health care, education, science, culture, engineering, technology or physical culture;
2. assistance to the socially disadvantaged, the disabled or the persons in need of care;
3. support of social integration and personal realization;
4. protection of human rights or the environment;
5. other objectives such as may be determined by law.

The Act contains special provisions regarding the disposal with the assets of the Non-profit Legal Entity of public interest. It may dispose with no consideration with the assets in order to perform the activity aimed at fulfillment of the public interest goals.

For the purpose of disposing the assets with no consideration the supreme body of the public interest Non-profit Legal Entity shall take motivated decision by majority of 2/3 of all its members, where such disposal is to the benefit of:

1. persons who are members of other bodies of the legal person and their spouses, relatives of direct descent - without limit, collateral relatives - to the fourth branch, inclusive, or in-laws - to the second branch, inclusive;
2. persons who have been members of the managing bodies within 2 years prior to the date of taking such decision;

3. legal persons that have financed the organization within 3 years prior to the date of taking such decision;
4. legal persons in which the persons under Items 1 and 2 are managers or may impose decisions or hinder decision making.
5. political parties, the managing and control bodies of which include members of the managing and control bodies of non-profit legal entities.

The Act provides for that the public interest Non-profit Legal Entity may **not** enter into transactions with the persons under paragraph Item 1 above, as well as with legal persons in which the said persons are managers or may impose decisions or hinder decision making, unless the transactions are of obvious benefit to the public interest Non-profit Legal Entity, or where such transactions are concluded under general terms notified to the public. In principle the Bulgarian State may assist and encourage for the purposes of conducting activities of public interest the Non-profit Legal Entities recorded as such in the central register, through tax, credit-interest, customs and other financial and economic preferences, as well as with funding under terms and procedure set forth in the relevant special laws.

4.4. Termination and Insolvency

The Act set forth exhaustively the cases where a Non-profit Legal Entity shall be dissolved.

1. upon expiry of the term for which it has been established;
2. by decision of its supreme body;
3. by decision of the district court at the seat of the non-profit legal person, where:
    a. it has not been established in compliance with the legal procedure;
    b. it pursues activities contrary to the Constitution, the laws and good morals;
    c. it has been declared bankrupt.
4. The court decision under Items 1 to 3 shall be issued following a claim of any interested party or the public prosecutor.

The court shall set a term of up to 6 months for the removal of the reason for dissolution and the consequences thereof.

The dissolution of Non-profit Legal Entity shall entail the procedure of liquidation. The relevant provisions of the Commerce Act shall apply to insolvency, bankruptcy, the liquidation procedure and the authority of the liquidator, respectively. As regards the non-profit legal persons the acts of the bankruptcy court to be entered into the Commercial Register shall be entered into the non-profit legal persons register and promulgated in the State Gazette.

4.5. Specific requirements applicable to Non-profit Legal Entities

The organizations pursuing political, trade union and activities that are appropriate to a religious faith as well as and the '*chitalishte*' are governed by a separate Act.

5. MODIFICATIONS TO QUALIFICATIONS

Furthermore, the qualifications at paragraph 4 are deemed modified as follows.

N/A

SCHEDULE 9

Civil and Commercial Partnerships

Subject to the modifications and additions set out in this Schedule 9 (*Civil and Commercial Partnerships*), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of a Parties which are Civil Partnerships (*Grazhdansko druzhestvo)* and Commercial companies (*Sabiratelno druzhestvo*).

For the purposes of this Schedule 8 (*Civil and Commercial Partnerships)*, shall mean:

1. A "**Civil Partnership**" means as defined in the Obligations and Contracts Act[1] ("**OCA**") a contract of civil partnership between two or more persons where they agree to unite their activities for achieving a common business objective. The Civil Partnership is not a legal entity. Any rights and obligations arisen are assumed by the partners themselves. The partners contribute in cash or other assets which are owned jointly by them;
2. A "**Commercial Partnership**" as defined and provided for in the Commerce Act is a company formed by two or more persons for the purpose of effecting commercial transactions by occupation under a joint trade name. The partners shall be liable jointly and severally and their liability shall be unlimited. This type of partnership has a legal identity and shall be register in the Commercial Register.

1. MODIFICATIONS TO TERMS OF REFERENCE AND DEFINITIONS

2. ADDITIONAL ASSUMPTIONS

We assume:

2.1. that a Counterparty which is a Civil Partnership has a proper registration as such with the relevant register (BULSTAT register for the partnerships created under the Obligations and Contracts Act)

2.2. that a Counterparty which is a Commercial Partnership has registration the Commercial Register to the Registry Agency as a commercial company;

3. MODIFICATIONS TO OPINIONS

N/A

4. ADDITIONAL QUALIFICATIONS

4.1. Civil and commercial Partnerships cannot be party to collateral arrangements within the sense of the Financial Collateral Contracts Act unless the other party is a party falling in the scope of persons authorized to enter into financial collateral arrangements under the Financial Collateral Contracts Act.

[1] Promulgated in SG No. 275/22.11.1950, effective on 01.01.1951 as further amended and supplemented

5. MODIFICATIONS TO QUALIFICATIONS

A partnership created under the OCA shall be dissolved:

a) with achieving of the partnership's objective or if the achievement of this objective has become impossible;

b) with the expiration of the time period for which the partnership was set up;

c) with the death or placing under judicial interdiction of one of partners, unless otherwise agreed;

d) by notice from one of the partners made in good faith and in good time if the partnership was established for an unspecified term, if it was not agreed that the partnership would continue with the remaining partners, and

e) upon a court ruling if there exist grounds for that, when the partnership was set up for a specified term.

Because of its nature no insolvency procedure applies to the partnership created under the OCA.

Furthermore, the qualifications at paragraph 4 are deemed modified as follows.

N/A