



Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating Report



GAYRİMENKUL YATIRIM ORTAKLIĞI

18 April 2008

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Rating and Executive Summary

Y ve Y GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

 SAHA
Corporate Governance Rating:

8.16

Contacts:

S. Suhan Seçkin
suhan@saharating.com
Abbas Yüksel
ayuksel@saharating.com
Ali Perşembe
apersembe@saharating.com
Hıfzı Deveci
hdeveci@saharating.com

MAIN SECTIONS: Avg. 81.56

Shareholders: 82.73



Public Disclosure & Transparency: 87.37



Stakeholders: 71.75



Board of Directors: 78.14



0 10 20 30 40 50 60 70 80 90 100

EXECUTIVE SUMMARY

Y ve Y Gayrimenkul Yatırım Ortaklığı A.Ş., is rated with 8.16 as a result of the Corporate Governance study done by SAHA. Details of this study are presented in the following chapters as main sections and sub-sections. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles" (the Principles). Ratings of main sections and sub-sections are disclosed separately.

As a Real Estate Investment Trust (REIT); Y&Y is a portfolio management company that invests in real estate, real estate projects, real estate backed rights, and real estate backed capital market instruments within the framework of the principles, procedures and regulations set with the Communiqué Serial: VI, No: 11 on Principles regarding REITs of the CMB. These regulations rigorously govern corporate governance issues such as independent board members, qualification standards of board members, and public disclosure and transparency. Therefore, the corporate governance practices of the sector are deservedly above the country averages.

In the general meeting of 26 January 2007, the company's name was changed to "Y&Y Gayrimenkul Yatırım Ortaklığı A.Ş." and the new shareholder structure brought a new vision to the company, which is one of the 14 REITs of the sector. Since then, considerable distance in terms of organizational structure and compliance with the

corporate governance principles has been covered. Nevertheless, there is still room for improvements in order to fully comply with the CMB's CG Principles.

Under the **Shareholders** heading; having no limitations for voting rights, presence of an investor/shareholder relations department, conducting general shareholder meetings in compliance with the country's rules and regulations are positive aspects, whereas, the privilege of controlling shareholders in nominating the majority of board members and the lack of cumulative voting procedures are areas that need further improvement.

Y&Y performs well above the country average in terms of **Public Disclosure and Transparency**. Y&Y informs the investors about the future/ongoing projects in addition to the public announcements done in accordance with the CMB's and ISE's rules and regulations. The content of the "Investors' Corner" section of the company's web site, in this rating period, has been improved substantially to include comprehensive information for domestic and international investors.

Y&Y, to a fair degree, implements the principles regarding **Stakeholders** (namely; company policy regarding stakeholders, protection of company assets, human resources policy, social responsibility, and relations with the customers and suppliers). Y&Y is a member of Association of Real Estate Investment Companies (GYODER) and sponsors industry conferences.

From the perspective of the principles regarding the **Board of Directors**, Y&Y, on the whole, has established positive structures, procedures and mechanisms. The company mission and vision are efficiently communicated and the board consists of broadly experienced, competent, suitably educated individuals of high ethical standards. However, although permitted by the CMB's communiqué regarding the principles that govern REITs, the existing privileges of founding shareholders in the nomination of board members and the lack of cumulative voting system procedures remain to be potential risk factors for investors.

DISCLAIMER

This Corporate Governance Rating Report has been prepared by Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. (SAHA Corporate Governance and Credit Rating Services, Inc.) based on information made available by Y ve Y Gayrimenkul Yatırım Ortaklığı A.Ş. and according to the Corporate Governance Principles by the Turkish Capital Markets Board as amended on 2005.

This report, conducted by SAHA A.Ş. analysts and based on their best intentions, knowledge base and experience, is the product of an in depth study of the available information which is believed to be correct as of this date. It is a final opinion about the degree of sensitivity of a company to its shareholders' and stakeholders' rights, its commitment to public disclosure and transparency, and conduct and credibility of its board of directors.

The contents of this report and the final corporate governance rating should be interpreted neither as an offer, solicitation or advice to buy, sell or hold securities of any companies referred to in this report nor as a judgment about the suitability of that security to the conditions and preferences of investors. SAHA A.Ş. makes no warranty, regarding the accuracy, completeness, or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes.

SAHA A.Ş. has embraced and published on its web site (www.saharating.com) the IOSCO (International Organization of Securities Commissions) Code of Conduct for Credit Rating Agencies and operates on the basis of independence, objectivity, transparency, and analytic accuracy.

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Corporate Governance in Turkey

From the Turkish Republic's establishment until relatively recently, the state played a dominant role in Turkey's economic development. Although a pro-market philosophy started to develop in the mid-twentieth century, significant state involvement in the economy continued through the 1970s with the state often acting as a significant producer and/or subsidizing private enterprises. Beginning in the 1980s, a trend toward liberalization started to expose Turkish companies to global competition while providing some of them with opportunities to attract foreign investment. Following the establishment of a regulatory framework for the capital markets in the early 1980s, the ISE (Istanbul Stock Exchange) opened in 1985.

Responding to the economic crisis of 2000-01, the Turkish authorities implemented measures to address the causes of financial and fiscal instability, facilitate a quick recovery and establish the conditions for further integration with the EU. After contracting by almost 7.5% in 2001, real GDP has increased every year at an average rate of 7.1%. Consumer price inflation rate fell from 54% in 2001 to approximately 10% in 2006.

From the mid-1980s until after the economic crisis of 2000-01, economic conditions were difficult for companies. Thin markets, relatively few active institutional investors and an unpredictable macro-economic environment limited incentives for companies to adopt good corporate governance practices. More recently, however, the return of foreign investors, greater opportunities for Turkish companies to do business abroad and an increasing competition for foreign capital appear to be encouraging more companies to make good corporate governance practices a competitive advantage.

Turkey is a civil law country. The principal sources of general mandatory corporate governance standards are the joint stock companies' provisions in the TCC (Turkish Commercial Code), the CML (Capital Markets Law) and subordinate instruments published under the CML, generally in the form of CMB communiqués. The term "Capital Markets Law" is used to refer collectively to the CML and all of the compulsory subordinate instruments relating to the CML, including communiqués, regulations and CMB decisions of general application.

In late 2005, draft legislation based on a comprehensive package of reforms to the TCC developed by an expert Commission was tabled in Parliament. The parliament is considering the reforms and the amendments could come into force by mid 2008.

The corporate governance framework rests primarily upon a "public enforcement" model, with the Capital Markets Board (CMB) playing a leading role in setting corporate governance standards for publicly held companies, enforcing the applicable standards and fostering market integrity.

The ambitious, state-of-the-art and comprehensive CMB principles, adopted in 2003, are the principal source of non-binding corporate governance standards for publicly held companies. They were revised in 2005 to take into account revisions made to the OECD Principles in 2004. Listed companies must publish an annual Corporate

Governance Compliance statement, disclosing which CMB principles have not been adopted and the reasons for not doing so.

The corporate governance landscape in Turkey is characterized by concentrated ownership, often in the form of family-controlled, complex financial-industrial company groups such as holding structures and conglomerates, usually comprising both publicly held and privately held companies. State ownership has declined drastically thanks to the unwavering execution of a privatization policy.

Free floats are often low, pyramidal structures are common and there is a high degree of cross-ownership within the groups. Due to the limited free float, takeovers are rare. This obviously weakens the extent of corporate control over the market. Foreign institutional investors, however, are increasingly seen in the market, seeking to increase their share holdings in Turkish companies. Approximately 30% of ISE-listed companies have "floatation ratios" of less than 25% as of the end of 2006. This floatation ratio represents the percentage of a company's stock held by the Central Securities Depository (CSD) in Turkey.

Controlling shareholders often hold shares with nomination privileges and/or multiple voting rights. Family members often serve on the board and play a leading role in the daily management and strategic direction of publicly held companies. Preserving family control is the norm. A small number of families control a large number of the listed companies.

Turkish companies issue ordinary shares, preference shares, and non-voting shares. Golden shares only exist in few state-owned companies. Most of the shares traded at the ISE are bearer shares.

Shareholders who own at least 5% of the company's capital are granted minority rights. They can call an extraordinary General Meetings or propose agenda items. Shareholders must personally attend the General Meeting or they can be represented by a proxy.

The corporate environment in Turkey, however, is better positioned than many European countries to tackle corporate governance challenges ahead, because:

- the authorities have already adopted, or are introducing, high quality corporate governance standards (including audit standards);
- transparency has improved significantly, particularly in the area of financial reporting (listed companies are urged to adopt accounting standards which are almost identical to IFRS);
- a positive trend toward widespread implementation of a number of key corporate governance standards can be observed; and
- the authorities are now focusing their attention on monitoring implementation, identifying the remaining gaps and risk areas, focusing their resources on these risk areas and implementing institutional reforms as needed to strengthen supervisory, enforcement and remedial processes.

* Parts of this text uses the Pilot Study (Corporate Governance in Turkey) prepared and published by the OECD on 17 October 2006 as a resource. The full text of the study can be found at <http://www.sourceoecd.org/governance/9264028633>.

Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's Corporate Governance Principles released on July 2003, as revised on February 2005.

The CMB based these principles on the leading work of The World Bank, Organization of Economic Cooperation and Development (OECD) and the Global Corporate Governance Forum (GCGF), which has been established in cooperation with the representatives of these two organizations and private sector. Experts and representatives from the CMB, the Istanbul Securities Exchange and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose; additionally many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after the required evaluations. Accordingly, these Principles have been established as a product of contributions of all high-level bodies.

Within the Principles, "comply or explain" approach is valid. The implementation of the Principles is optional. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the company's governance practices in the future should all be included in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders and board of directors:

On the foundation of these Principles, SAHA Corporate Governance Rating methodology features over 350 code criteria. During the rating process, each criterion is evaluated on the basis of information provided by the company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.


SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.19).

In compliance with the CMB's directive and to reach an overall Corporate Governance Rating, SAHA allocates the following weights to the four main sections of the Principles:

Shareholders: **%25**
Disclosure and Transparency: **%35**
Stakeholders: **%15**
Board of Directors: **%25**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

Company Overview

Y ve Y Gayrimenkul Yatırım Ortaklığı A.Ş	
 <p>Y&Y GAYRİMENKUL YATIRIM ORTAKLIĞI</p>	<p>CHAIRMAN Tavit Köletavitoğlu CHIEF EXECUTIVE OFFICER Işık Gökkaya</p>
<p>Şaşmaz Plaza, Kat:12, D:25 Kozyatağı, Kadıköy, 34742 İstanbul www.ygygo.com</p>	<p>Corporate Governance and Shareholder Relations Manager Aslı Çağlayan Pekiyi Tel: (0216) 464 08 60 asli.caglayan@ygygo.com</p>

Y&Y Gayrimenkul Yatırım Ortaklığı A.Ş., headquartered in İstanbul, was established on 23 December 1997 with a capital of 2 million YTL (New Turkish Lira). The company, in accordance with the Capital Markets Board's (CMB) rules and regulations set out for Real Estate Investment Companies (REITs), invests in real estate, land development projects, real estate backed securities, and capital markets instruments.

The company's registered capital ceiling is 400 million YTL as of 29 December 2007. The two controlling shareholders are Yeşil İnşaat Gayrimenkul Yat. Hiz. Tic. A.Ş. and Rudolph Younes. Below is the capital structure of Y&Y:

Capital Structure and Shareholding		
Shareholder	Amount (YTL)	Percentage %
Yeşil İnşaat Gayrimenkul Yat. Hiz. Tic. A.Ş.	5,089,500	% 15.347
Rudolph Younes	5,089,500	% 15.347
Public Shares	22,983,530	% 69.306
	33,162,530	% 100

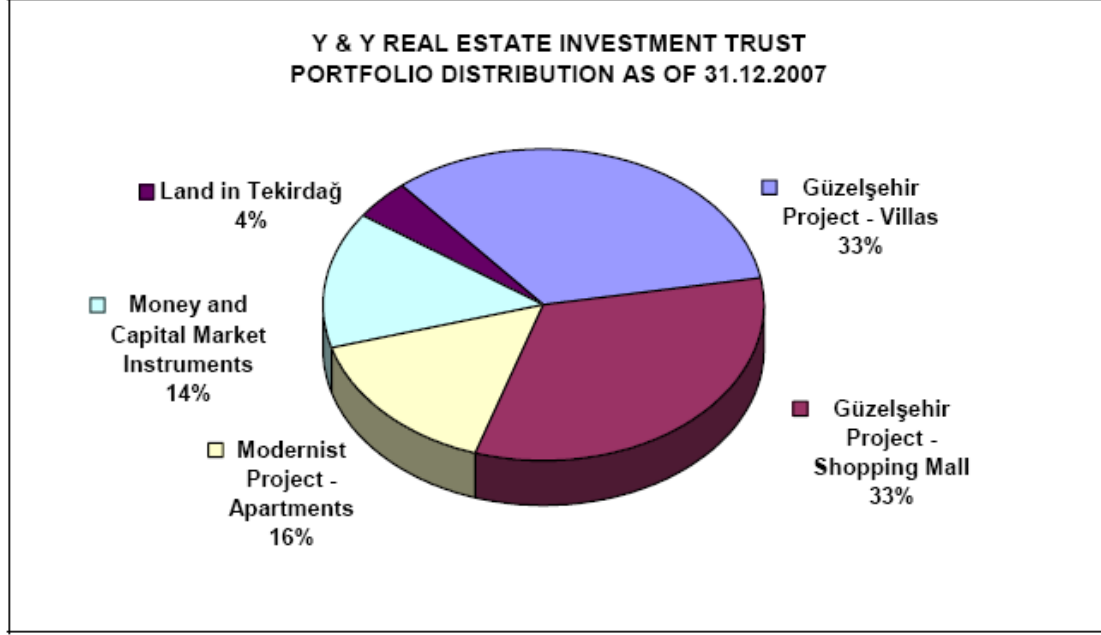
After the General meeting held on 20 March 2008, the new Board of Directors has formed as follows:

BOARD OF DIRECTORS	
Name	Title
Tavit KÖLETAVİTOĞLU	Chairman
Adnan BAŞKIR	Vice Chairman & Member of CG Committee
Işık GÖKKAYA	Member & CEO
Gülen BAŞKIR	Member
Prof. Dr. H. Fehim ÜÇİŞİK	Independent Member & Member of Audit Committee
Mehmet UĞURLU	Independent Member & Head of Audit Committee
Prof. Dr. Derin ORHON	Independent Member & Head of CG Committee

The paid-in capital of the company, which is listed on the İstanbul Stock Exchange (YGYO), is 33,162,530 YTL which is made up of 1,497,100 YTL worth of "A" class shares and 31,665,429.95 YTL worth of "B" class shares. Y&Y is a constituent of ISE National 100 (XU100), ISE Corporate Governance (XKURY), ISE National-Financials (XUMAL), and ISE REITs (XGMYO) indices.

In the last General Meeting held on 20 March 2008, it has been decided that the loss of 1.440.154 YTL for the year 2007, should be kept in the accrued loss account.

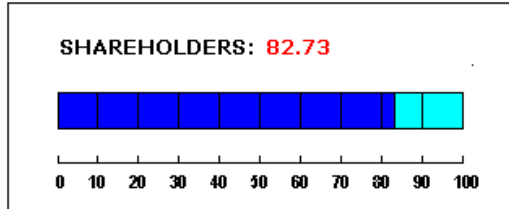
Y&Y's portfolio distribution as of 31.12.2007 is as follows: Land in Tekirdağ 4%; Cash and Capital Market Instruments 14%; Modernist Project Apartments 16%; Güzelşehir Project Shopping Center 33%; and Güzelşehir Project Villas 33%.



- The 12.000 m² property in Tekirdağ/Barbaros is worth 1,132,800 YTL (including VAT) according to the appraisal report given on 31 December 2007.
- The appraisal report of 31 December 2007 lists 23 villas in Güzelşehir project that are worth 9,800,000 YTL (including VAT and land shares).
- The appraisal report states that the shopping center in the Güzelşehir project is worth, when finished, 8,909,000 YTL (including VAT and land shares).
- The 26 apartments in the Modernist Project are worth 4,934,860 YTL when finished, according to the same report.
- A loan of US\$75,000 is used to finance car purchases. The remaining principal as of 31 December 2007 is US\$47,026. Loan payments will be completed on 25 December 2008.

Sales (2007) thousand YTL (UFRS)		
	2006	2007
Domestic	17,469,798	868,305

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	General shareholder meetings are conducted in compliance with the CMB's rules and regulations
+	Dividend policy is defined
+	Equal treatment of shareholders
+	Minutes of meetings are written and posted on the web site
+	Preparation and disclosure prior to general shareholder meetings are satisfactory
+	Voting rights are facilitated
=	Advanced dividend payment policy is included in the Articles of Association; however, there has been no execution up to date
-	Existence of voting privileges
-	Shareholders do not have the right to request appointment of special auditors from the general shareholder meeting
-	Minority rights are not defined
-	Lack of cumulative voting procedures

Summary:

The fact that Y&Y has a "Corporate Governance and Shareholder Relations Department" that facilitates relationships with the company and its shareholders is constructive particularly for small and corporate investors. A further sign of proper compliance with the CMB's "Corporate Governance Principles is that there are no provisions to apply certain ceilings

on the number of votes a shareholder might exercise. We participated in the latest General Shareholder Meeting held on 20 March 2008 and observed that the meeting was duly conducted in compliance with the CMB's rules and regulations and so as not to infringe upon the rights of shareholders.

Y&Y's new controlling partners (30.69% together), namely Yeşil İnşaat Gayrimenkul Yatırım Hizmetleri A.Ş. and Rudolph Younes have applied to the CMB on 16 March 2007 for a "buyback call", an obligatory procedure by the Series: IV, No: 8 act of the CMB. In accordance with the CMB regulations, this buyback call was implemented between 27 June 2007 and 11 July 2007, however, as declared by the company officials, this call remained unanswered and no changes in the capital structure and management of the company were affected.

Presently, public shares are transferred easily and without any limits. On the other hand, there are no provisions set out in the Articles of Association with regard to shareholders' right to receive information and minority rights; the majority of the Board members are nominated by the group "A" shareholders; shareholders are not able to appoint external auditors; and cumulative voting procedures are not embraced by the company. These evidently impose risks in terms of protection of shareholders in exercising their statutory rights.

The new Board of Directors is highly proactive and actively pursuing steps towards better corporate governance. This positive attitude and willingness to make the next move towards better

compliance are signs of progressive improvements to come in the future. Parallel to this, we have observed a number of improvements aiming for best practices in this second rating term.

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

The "Investor Relations and Corporate Governance Department" of the Company has been formed by the Board decision taken on 19 November 2003. The department manager is Aslı Çağlayan, working together with Seda Dünder. There is a Corporate Governance Committee within the Board and the president of the committee is Prof. Dr. Derin Orhon who is an independent member of the Board. The other member of the Corporate Governance Committee is Mr. Adnan Başkır. Prof. Dr. Orhon, who has a chair in the Environmental Engineering Faculty of Istanbul Technical University, released studies on environment and disposal management on national and international scale.

The General Meeting follows principles set out by the Articles of Association and laws; and records are kept appropriately. Information on agenda items and other relevant details are well posted on the web site and at the headquarters of the company prior to the General Meeting. Voting results and minutes are well documented and duly disclosed.

1.2. Shareholders' Right to Obtain and Evaluate Information:

Although there are no provisions about facilitating shareholder rights set out in the Articles of Association, all necessary information and documentation are available for and easily accessible by the shareholders. All channels of communications, such as internet, telephone, e-mail and

personal visits are open to shareholders and investors. During this rating period, Y&Y has also implemented a number of improvements and enriched the content of the company website. To this end, the "Investors' Corner" section of the website now includes comprehensive information and documentation and the English content of the website is enriched considerably to aid international investors. All pertinent information regarding the exercise of shareholders' statutory rights is displayed on the website without any restrictions and updated regularly.

Shareholders are not able to appoint external auditors. However, the *information policy* document includes procedures that outline the scope of disclosure and transparency with regard to information about relations with individuals and institutions that are directly or indirectly related to the company by capital, management or auditing.

1.3. Minority Rights:

On the positive front, there are no provisions to apply certain ceilings on the number of votes a shareholder might exercise and no obstacles to the implementation of voting rights of foreign investors are present. On the other front however, only holders of group "A" shares can nominate board members. Other shareholders are stripped of this right.

1.4. The Right to Participate in the General Shareholder Meeting:

The General Shareholder Meeting announcement is published in at least two nation wide newspapers. Y&Y Shareholder Relations department accepts requests of General Meeting participation in accordance with existing rules and regulations. Prior to the General Shareholder Meeting of

2007, proxy forms are announced for those who will appoint a proxy for the meeting and open to use of shareholders in compliance with regulations, published in two nation wide newspapers, and posted on the web site. The purpose and content of the information released prior to the General Meeting are clear, informative of and pertinent to the agenda items so as not to lead to any potential misinterpretations.

The board values shareholder views and opinions, and therefore endeavors to consider all requests about items to be placed on the agenda.

We participated in the latest General Shareholder Meeting held on 20 March 2008 and observed that the conduct and execution have been appropriate, fair, and efficient. In order to provide sufficient information to shareholders about the board members; background information that includes previous board experience, description of public posts held if any, and the level and nature of their relationship with the company is included in the 2007 annual report. Furthermore, "verbal" information about the candidates for the new board membership positions is given to the shareholders during the General Shareholders Meeting and minimum qualification standards for board members are incorporated in the company's Articles of Association.

The company is subject to external audit by the Capital Markets Law and the external audit firm has made the necessary presentation to the General Meeting. Moreover, the shareholders are informed about the developments in the sector and the Company's future prejections.

General Meetings are conducted on time and in compliance with rules and regulations and shareholders are provided with sufficient time and

information to make informed decisions. The flow of information before and after the General Meeting is seamless. Annual Reports, financial statements and dividend proposals are at the disposal of shareholders before the General Meeting. Invitation to the General Meeting is done well in advance and the meeting venue is easily accessible, comfortable and suitable for maximum attendance.

The General Meetings are executed according to the procedures and the chairman conducts the meeting efficiently on fair grounds. Shareholders are provided with equal opportunities to express their opinions, and raise any questions. The votes are counted and results are announced before the end of the General Meeting.

1.5. Voting Rights:

There are no ceilings applied on the number of votes that a shareholder may exercise during the General Shareholders Meeting. Each shareholder has one vote and is provided with the opportunity to exercise his/her voting right in the most appropriate and convenient way. The right to vote is automatically granted once the share is acquired. There are no obstacles on the voting of institutional and legal representatives. Procedures of voting are stated in the Articles of Association, announced to shareholders prior to the General Shareholders Meeting, and the conduct at the General Shareholders Meeting was according to the procedure.

Although the CMB legislation does not restrict minority shareholders nominating Board members, the lack of this application at Y&Y is a drawback in terms of good corporate governance.

1.6. Dividend Rights:

Y&Y has a clearly defined and consistent dividend policy which is in compliance with the Turkish Commercial Code, however did not distribute dividends for the year 2007.

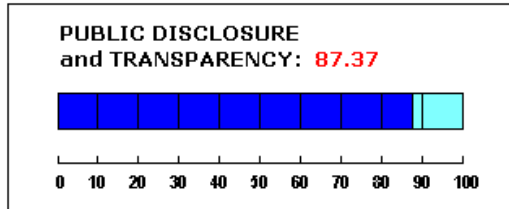
1.7. Transfer of Shares:

There are no obstacles for the free transfer of public shares (69.30% of the total) in the Articles of Association and in General Meeting decisions.

1.8. Equal Treatment of Shareholders:

As a result of our examinations of the conduct, execution and minutes of the General Meetings, the Articles of Association, pending litigations, and interviews with company officials, we have no reason to speak against the equitable treatment of shareholders.

SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS

+	Comprehensive web site, actively used in public disclosure
+	Dividends policy is made public in the annual report
+	A detailed trade secrecy definition is covered in the company's internal procedures
+	The list of staff members possessing insider trading critical information is made public
+	Information on significant events and developments disclosed to the public within regulations
+	The web site includes general shareholder's meeting minutes and list of participant shareholders
=	A written public disclosure policy is prepared but not yet brought to the general shareholder's assembly
=	Social and cultural activity reports are available, yet no significant environmental activities are in effect
-	The corporate governance compliance report does not include the grounds for non-compliance for related cases
-	The company's direct and indirect private shareholder's have not been disclosed to the public
-	The public disclosure document does not include disclosure procedures regarding parties in direct and indirect relation with the company

Summary:

Y&Y Gayrimenkul Yatırım Ortaklığı A.Ş. is performing well above the country averages in terms of public disclosure and transparency. Creating a Corporate Governance and Shareholders/Investor Relations Department is an important and positive step towards better governance. Furthermore, the company has a well arranged, easy to access and informative web site and tries to inform the public by any means available. The scope and content of the information disclosed are in compliance with the rules and regulations of the CMB and the ISE (Istanbul Stock Exchange). The English content of the web site, an important issue with respect to foreign investors, has also been completed and put in action within this rating period.

Both the annual report and the periodical financial statements and reports of the company are signed by the responsible board members and executives indicating that the current periodical financial statements completely reflect the true financial status of the company and that the company acts in accordance with the related legislation. The external audit firm chosen by the company is an independent and international audit company accredited by the CMB. There has been no legal conflict between the company and the external audit firm. At the 2007 Regular General Assembly, the Board of Directors, complying with the Capital Markets Independent External Auditing Act published by the CMB, formally proposed to the shareholders to retain the services of Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali

Müşavirlik A.Ş. for a period of one year and the proposal was accepted.

On the other hand, the annual report does not include the Audit firm's opinion about the internal control system which has been noted as a shortcoming under this topic.

2.1. Principles and Means for Public Disclosure:

The task of public disclosure is executed by the Board of Directors and for KAP (Public Disclosure Platform) disclosures; Mr. Işık Gökkaya (CEO) is designated as the authorized user and signatory.

Y&Y has a collective set of written principles in effect regarding public disclosure and information policy of the company and has presented these to the shareholders and disclosed the same to the public. Public disclosure is in general carried out at general assembly meetings, via the press and through the internet. Additional information is provided to the CMB and the ISE as required. Furthermore, the information policy of the company is published as a separate document in the annual report of the company as well as the company's web site. The web site includes the announcement of the planned general shareholder meeting, agenda items, voting procedures and informative documents thereof, minutes of the meeting, and proxy voting forms. During this rating period, the web site's Frequently Asked Questions section has been completed and includes queries and responses to frequently asked questions and information on recent developments in the domestic and global real estate business.

Any developments that may affect the value of the company's capital market instruments are disclosed to the public without any delay and within the time period required by the current

legislation. The scope, form, frequency and methods of disclosure are observed to comply with the requirements of the relevant legislation

Further developments to the web site have been made during this period and rendered more comprehensive in terms of information and documentation made available to the public. The English version of the site has also been completed.

Y&Y is a founding member of the Association of Real Estate Investment Companies (GYODER) a fact reflecting an earnest effort towards social responsibility. GYODER is established on 2 August 1999 by the representatives of existing and founding Real Estate Investment Companies (REITs), to promote and represent the promising real estate industry that leads the economy as a locomotive, to encourage the development of the industry, to provide, improve and protect standards for quality, control and education within the sector. The company CEO, Mr. Işık Gökkaya serves as a board member of GYODER.

2.2. Public Disclosure of Relations Between the Company and Its Shareholders, The Board of Directors and Executives:

The capital structure of the company comprises of 69.30% public shares, 15,35% owned by Yeşil İnşaat Gayrimenkul Yatırım Hizmetleri Ticaret A.Ş. and 15,35% owned by Rudolph Youness

No transactions that involved 5% or more of the total number of shares has been recorded, however company officials formally declared that they will duly disclose such information in accordance with the existing company procedures. The company's public

disclosure policy is in accordance with current CMB and ISE legislations.

In addition, commercial and non-commercial transactions between the company and companies, where board members, executives and shareholders, who either directly or indirectly own at least 5% of the company's capital, possess at least 5% and more of shareholding or having the control of the latter are disclosed to the public as per the CMB legislation.

2.3. Periodical Financial Statement and Reports in Public Disclosure:

As part of its listing requirements in the ISE, Y&Y duly discloses information that is not included in the periodical financial statements or footnotes, such as significant investment decisions, in the "special situations communiqué" published by the Istanbul Stock Exchange (ISE).

Both the annual report and the periodical financial statements and reports of the company are signed by the responsible board members and executives indicating that the current periodical financial statements completely reflect the true financial status of the company and that the company acts in accordance with the related legislation. The annual report incorporates the scope of activities of the company, the information about the sector in which the company operates and the company's status within this sector, the foreseeable risks in operations as per the systematic and non-systematic risks sections of the corporate governance compliance report. It has been observed that the audit report includes information about transactions of commercial and non-commercial nature between the board members, executives and substantial shareholders with companies in direct or indirect relation with the company. An independent opinion by the audit

firm about the internal control system is not available. Similarly, the rights and benefits extended to staff members and corporate training activities have not been adequately covered in the annual report.

The financial reports have been prepared and issued in accordance with the accounting and reporting principles issued by CMB.

2.4. Functions of External Audit:

The external audit firm chosen by the company (Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a PriceWaterhouseCoopers member company) is an independent and international audit company accredited by the CMB. The operations of the audit firm and the contents of the contract signed with them are in compliance with the legislation. The audit firm, auditors and other related staff working for the audit firm are not providing consultancy services to the company. There has been no legal conflict between the company and the external audit firm. The nomination and election of the audit firm is implemented by the Audit Committee and presented to the Board of Directors for approval.

2.5. The Concept of Trade Secret and Insider Trading:

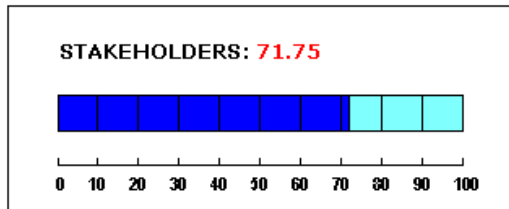
Y&Y acts in accordance with the rules of accuracy, reliability and good faith and attains a good balance between the protection of trade secrets of the company and the stakeholders' right to obtain information. A list of the names of executives and other persons/institutions who provide services to the company, and who can potentially possess price-sensitive information are prepared and disclosed to public in accordance with the information policy.

In this second rating period, Y&Y has defined what measures and precautions are taken to prevent insider trading and published these in the annual report. Furthermore, the concept of trade secret has been defined clearly in the internal book of rules and regulations.

2.6. Significant Events and Developments That Must Be Disclosed to the Public:

Y&Y shows first-rate care and sensitivity in the timely and comprehensive disclosure to public of all important development and events and their possible implications on the financial status and operational results of the company. Our analysis of 18 sub-titles shows that Y&Y complies with the rules and regulations of the CMB (also listed in article II.6 of the Principles) and the ISE.

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Ethical Rules issued by the Board of Directors and presented to the General Assembly
+	Written procedures regarding human resources rewarding systems and career plans in action
+	Utmost care towards protection of company assets
-	No mechanisms or models promoting stakeholders' participation to company management are in effect.

Summary:

With regard to relations between the company and all related public and private parties (stakeholders) other than shareholders and the board of directors, over 40 sub-sections covered in our methodology have been analyzed under the following headings:

- Company policy,
- Participation to management
- Protection of company assets,
- Human resources policy,
- Relations with customers and suppliers,
- Ethical rules and
- Social responsibility

Although certain improvements remain to be implemented, our conclusions are generally favorable with respect to company policy about stakeholders,

protection of company assets, human resources policy, relations with customers and suppliers, and social responsibility.

Notable factors that influenced our positive deductions have been the existence of an efficient law department and the existence of comprehensive, fair and accurate content and scope of contracts with related parties.

3.1. Company Policy Regarding Stakeholders:

The company is attentively monitoring the changing market conditions in the industry. In order to actively collaborate with international investors in the global arena, Y&Y became a member of NAREIT (National Association of Real Estate Investment Trusts) in August 1999 and ULI (Urban Land Institute) in February 2000. Furthermore, Y&Y continues to sponsor conferences and industry events organized by the Association of Real Estate Investment Companies (GYODER).

During the rating process, we did not detect any evidence of a significant conflict or dispute between the company and the stakeholders. However, we observed that improvements in written company policy and procedures to solidify corporate governance practices that guarantee and preserve stakeholders' rights, either regulated or not regulated by the legislation, are needed.

3.2. Stakeholders' Participation in the Company Management:

Mechanisms or models developed to encourage the participation of stakeholders to company management are not in effect. No clauses to this effect are to be found in the articles of association either. The sole practice observed in this direction is the registry of small minority shareholders' and other stakeholders' addresses and the periodical communication of company news to this list.

3.3. Protection of Company Assets:

Due to Y&Y's prominent position as a listed ISE company, the utmost care is shown to protect the value of company assets and we have detected no sign in the opposite direction.

3.4. Company Policy on Human Resources:

Working conditions of the company's personnel are safe and secure and are observed to be maintained and improved in time. In order to establish a collaborative working environment, the company conducts regular (bi-monthly) informative meetings with the staff to discuss company issues and to improve career planning, training and health conditions. The employment criteria and job descriptions are clearly stated in writing in the internal book of rules and regulations, however, further improvements are required to solidify employment policies, career plans, and training practice.

3.5. Relations with Customers and Suppliers:

Company officials have formally declared that client requests are meticulously met and they are informed of potential delays before such delays materialize. These claims

are confirmed by written clauses in the agreements signed by both parties. During the rating process, we did not encounter any occurrence and hence any records regarding major conflicts or disputes between the company and its clients.

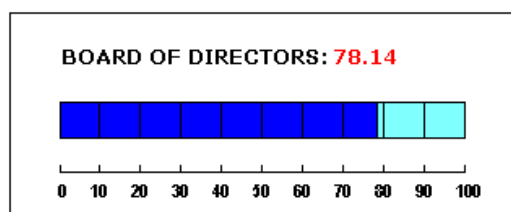
3.6. Ethical Rules:

The ethical rules of the company have been prepared by the Board, submitted to the general shareholder meeting for information and disclosed to the public. The operations of the company are duly carried out in accordance with the company's ethical rules.

3.7. Social Responsibility:

Y&Y is an active participator in industry forums and organizations. The company supported a number of conferences during 2006. Amongst those organizations that Y&Y participated as a main sponsor are the Turkish Real Estate Summit - VI, Cross-Border Investments and Globalization of REITs (*Real Estate Gurus in Istanbul*), and Housing Finance and Turkey 3, (all organized by the Association of Real Estate Investment Companies - GYODER). Y&Y is the centennial sponsor of *Forum Istanbul*, a Civil Society Organization (CSO) whose mission is to direct the academic, business and bureaucratic circles to generate solutions for the country's economic, administrative, and legal issues on national and international platforms. The company has also sponsored the book (*"The Culture of Life in Anatolia from Tradition to the Future"*) published by The Foundation for the Promotion and Protection of the Environment and Cultural Heritage (ÇEKÜL). Apart from these sponsorships, no other social initiatives in social and environmental platforms have been taken.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	The Company's vision, mission and strategic goals are clearly defined
+	The board is staffed with effective and highly qualified members
+	The board meeting and decision quorum is included in the Articles of Association
+	CEO and Chairman positions are separately chaired
+	Board members have in writing declared and signed that they will be jointly liable should they fail to properly perform
+	Procedures and methods of compensation in case of any harm caused due to executives' failure to perform are defined
=	The board's duties and responsibilities are clearly defined in the annual report, but not in the Articles of Association
-	Cumulative voting rights not in effect
-	Activities of the Corporate Governance Committee need to be more comprehensive and efficient
-	No provisions in the Articles of Association defining procedures for shareholders or stakeholders to invite the board to convene

Summary:

A well defined company mission/vision; articles of association of the company describing the general rules of eligibility for board members who are all individuals of highest levels of integrity and ethical values meeting the requirements set out in the CMB Principles regarding their knowledge base, skills and experience; ethical rules of the company containing provisions that prohibit members of the board from disclosing company information that is confidential and/or trade secret; existence of audit and corporate governance committees; and existence of independent board members who have academic backgrounds with significant capital markets experience are distinctively positive steps toward good governance.

On the other hand, there are areas where improvements are required. Lack of more comprehensive corporate governance committee meetings, privileged voting rights of "A" type shares and the fact that the cumulative voting system has not been adopted are drawbacks.

Company officials stated that a written declaration by the board members that they would be jointly liable should they intentionally or unintentionally fail to properly perform their duties assigned to them by legislation, the articles of association and the general assembly is obtained during the last rating period.

Board remuneration is reasonably sufficient.

4.1. Fundamental Functions of the Board of Directors:

The mission/vision of the company is defined by the board and disclosed to the public. The board also fulfils its basic functions such as approving the strategic goals constituted by the executives and closely monitoring and supervising whether or not the company's operations comply with the relevant legislation, articles of association, in-house regulations and policies.

An audit committee and a corporate governance committee are established to support the board operations and the executives. Also, means and procedures about resolving and settling disputes that may arise between the company and shareholders have been defined and described.

4.2. Principles of Activity and Duties and Responsibilities of the Board of Directors:

The board's duties and responsibilities as well as authorities and responsibilities of individual board members, are defined in the articles of association of the company and posted on its web site. The board duly fulfils its basic function of appointing and dismissing executives. During the rating process, we did not come across to any evidence of board Members exploiting confidential and publicly unavailable information in favor of himself/herself or others; providing information or extending news or making comments that are false, untrue, misleading, and unfounded information about the company.

The board duly fulfils responsibilities such as preparing the annual report, carefully examining the periodical financial statements and footnotes thereto, finalizing the same for presentation at the general

shareholder meeting, and disclosing the same to the public. Each member is entitled to a single vote at the board meeting and board members are not granted with weighted voting rights or positive/negative veto rights. The board and the executive committee convene on a regular basis at sufficient intervals and number. Members of the board do not disclose company information that is confidential and/or trade secret and this matter of confidentiality is incorporated in the ethical rules of the company.

The principle that members of the board should not indulge in pressures that would serve against the interests of the shareholders and not accept any material gains, is incorporated in the ethical rules of the company during this rating period. Furthermore, before commencing work, members of the board have declared in writing that they will comply with the legislation, articles of association, in-house regulations and policies, and in case of incompliance, that they would be jointly liable to compensate the loss accrued to the shareholders and stakeholders.

The means for delivering the documents and information about the agenda items of the board meeting are not incorporated in the company's internal regulations in writing. Provisions regarding the procedures for invitation of the board members for a meeting by shareholders and stakeholders also are not incorporated in the articles of association. Although the Corporate Governance and Shareholders Relations Department is responsible for keeping the documents related to the board meetings in order, a secretariat under the responsibility of the board chairman in order to serve the board is established recently.

4.3. Formation and Election of the Board of Directors:

There are no board members who have been convicted of non-conformity with any kind of legislation or who have sentenced in any way. All members are individuals of highest levels of integrity and ethical values; and they meet the requirements set out in the CMB Principles regarding their knowledge base, skills and experience.

With respect to the required level of knowledge, skills, experience and background that the board members should have acquired, general rules defining their eligibility are incorporated in the articles of association of the company. On the other hand, however, the fact that the cumulative voting system has not been adopted is a drawback on the way to better corporate governance.

4.4. Remuneration of the Board of Directors:

Members of the board of directors have not borrowed or obtained warranties of any kind from the company to this date.

There is no incentive remuneration method in application for the board members in connection with the performance of the company. There is also no clearly communicated and written mechanism for the board and the members thereof to conduct a self-assessment and performance evaluation procedure. A remuneration committee does not exist to facilitate this function.

4.5. Number, Structure and Independence of the Committees Established by the Board of Directors:

An audit committee in charge of supervision of the financial and

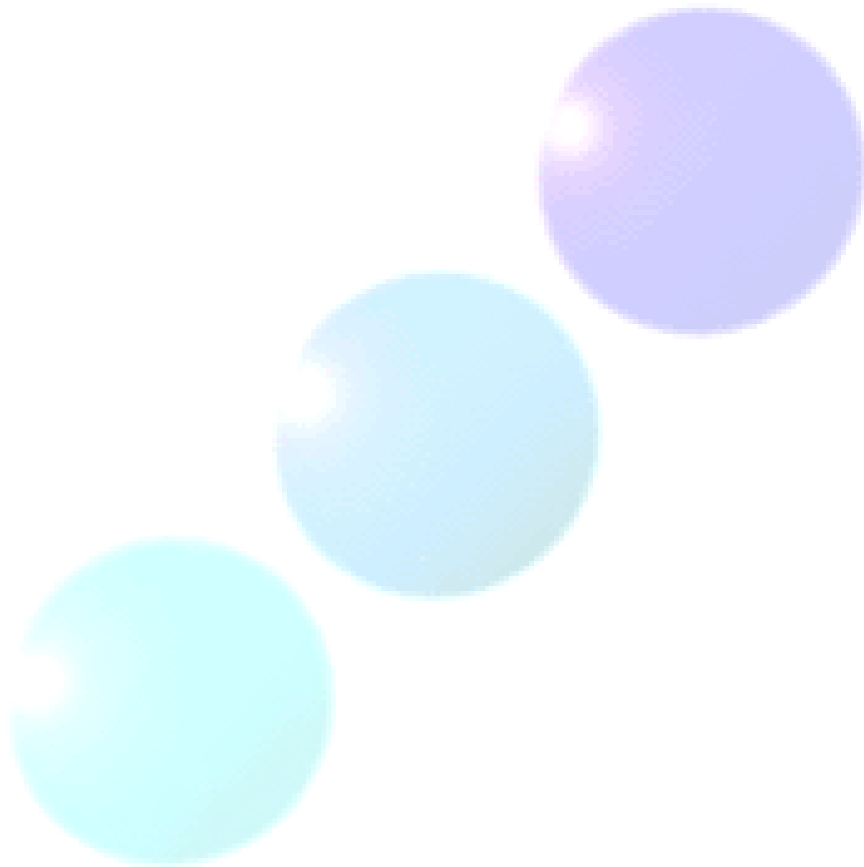
operational activities of the company and a corporate governance committee responsible for monitoring the company's compliance with the corporate governance Principles, performing improvement studies and offering any possible suggestions to the board are established. Each committee comprises of two non-executive board members. Chairman for each committee are elected from among independent members of the board. The fact that the audit committee is made up of two independent members is a significant step towards better governance. It appears that the audit committee manages the relations with the external auditors and oversees the level of compliance to accounting standards.

4.6. Executives:

Company executives conduct their business within the framework of company mission, vision, goals, policies and strategy and act in accordance with the financial and operational plans of the company as approved by the board each year. They are sufficiently authorized to perform their duties and have the required professional qualifications in order to perform the assigned duties. There are no executives who have attempted to exploit confidential information or obtain unjust benefits. Company officials we interviewed also confirmed that all meet the eligibility requirements set down in CMB Principle 6.11 regarding conviction for misconduct. Furthermore, all employment agreements clearly indicate that the executives are not permitted to work for a competitor for certain period of time in case they renounce from their duties.

Company officials confirmed that all executives submit a report regarding the conformity of the performed works with the legislation, articles of

association, in-house regulations and policies while performing their duties to the board each month. Company officials we interviewed have also confirmed that the company's personnel codes include a clause that requires executives compensate the losses incurred by the company and third persons as a result of not performing their duties duly.



Rating Definitions

Rating	Definition
9 - 10	The company performs very good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated.
7 - 8	The company performs good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated.
6	The company performs fair in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The company performs weakly as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs very weakly and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.