

# Plzeň Urban Infrastructure II

## **Finance Contract** *between the*

**European Investment Bank**

*and*

**Statutární město Plzeň**

Plzeň, 7 December 2009

THIS CONTRACT IS MADE BETWEEN:

The European Investment Bank having its seat at 100 blvd Konrad Adenauer, Luxembourg, L-2950 Luxembourg, represented by Mr. Jean Vřla, the Head of Division and Mr. Emeram Binder, the Head of Division,

(the "Bank")

of the first part, and

Statutární město Plzeň, having its address at Nám. Republiky 1,306 32 Plzeň, Czech Republic, represented by Mr. Pavel Rodl, the Mayor,

(the "Borrower")

of the second part.

WHEREAS:

(1) The Borrower has stated that it is undertaking an operation that aims at responding to the need for urban regeneration prioritised in the Plzeň City's 2004 Development Plan which set the strategic framework for the following 15 years and comprises eligible sub-projects from Plzeň's Capital Investment Programme for 2007-2013 located in the City of Plzeň (each hereafter called a "Sub-Project" and together, the "Project") as more particularly described in the technical description (hereafter called the "Technical Description") set out in Schedule A hereto.

The total cost of the Project is estimated by the Bank to be CZK 6 107 million (six billion one hundred and seven million Czech koruna) and the Borrower has stated that it intends to finance the Project as follows:

Source	Amount (M CZK)
Credit from the Bank	2 000 4 107
EU grants and own funds	6 107
TOTAL	

(3) In order to fulfil the financing plan set out in Recital (2), the Borrower has requested from the Bank a credit of CZK 2 billion (two billion Czech koruna).

(4) The Bank considering that the financing of the Project falls within the scope of its functions, and having regard to the statements and facts cited in these Recitals, has decided to give effect to the Borrower's request providing to it a credit in an amount of CZK 2 billion (two billion Czech koruna) under this Finance Contract (the "Contract"); provided that the amount of the Bank loan shall not, in any case, exceed 50% (fifty per cent) of the total cost of the Project set out in Recital (2).

(5) The City Assembly of the Borrower has authorised the borrowing of the sum of CZK 2 billion (two billion Czech koruna) represented by this credit on the terms and conditions set out in this Contract; the authorisation referred to in this Recital is attached as Annex I.

(6) On 8 August 2003, the Minister of Finance of the Czech Republic issued a letter of awareness regarding the Bank's unsecured financing of municipalities in the Czech Republic, covering, inter alia, this operation.

(7) On 9 October 2008, the Czech Republic confirmed in writing that the present operation is submitted to the Bank with its agreement.

(8) The Statute of the Bank provides that the Bank shall ensure that its funds are used as rationally as possible in the interests of the Community; and, accordingly, the terms and conditions of the Bank's loan operations must be consistent with relevant Community policies.

(9) The financing of the Project includes or will include certain state subsidies or grants and the provision of such funds has been or will be duly authorised and will be provided in compliance with all relevant EU law.

(10) References in this Contract to Articles, Recitals, Schedules and Annexes are, save if explicitly stipulated otherwise, references respectively to articles of, and recitals, schedules and annexes to this Contract.

(11) In this Contract:

"Acceptance Deadline" for a notice means:

- (i) 16h00 Luxembourg time on the day of delivery, if the notice is delivered by 14h00 Luxembourg time on a Business Day; or
- (ii) 11 h00 Luxembourg time on the next following day which is a Business Day, if the notice is delivered after 14h00 Luxembourg time on any such day or is delivered on a day which is not a Business Day.

"Accepted Tranche" means a Tranche in respect of a Disbursement Offer which has been duly accepted by the Borrower in accordance with its terms on or before the Disbursement Acceptance Deadline.

"Accounting Date" means 31 December 2008.

“Allocation” or “Allocations” means applying the proceeds of the Bank's Loan to the financing of eligible Sub-Projects undertaken by the Borrower.

“Business Day” means a day (other than a Saturday or Sunday) on which the Bank and commercial banks are open for general business in Luxembourg.

“Change-of-Law Event” has the meaning given to it in Article 4.03A(3).

“Contract” has the meaning given to it in Recital (4).

“Credit” has the meaning given to it in Article 1.01.

“Disbursement Acceptance” means a copy of the Disbursement Offer duly countersigned by the Borrower.

“Disbursement Acceptance Deadline” means the date and time of expiry of a Disbursement Offer as specified therein.

“Disbursement Offer” means a letter substantially in the form set out in Schedule C.1. “Environment” means the following, in so far as they affect human well-being: (a) fauna and flora; (b) soil, water, air, climate and the landscape; and (c) cultural heritage and the built environment.

“Environmental Law” means EU law and the national laws and regulations of the Czech Republic, as well as applicable international treaties, of which a principal objective is the preservation, protection or improvement of the Environment.

“EURIBOR” has the meaning given to it in Schedule B.

“Final Availability Date” means 31 December 2013.

“Fixed Rate” means an annual interest rate determined by the Bank in accordance with the applicable principles from time to time laid down by the governing bodies of the Bank for loans made at a fixed rate of interest, denominated in the currency of the Tranche and bearing equivalent terms for the repayment of capital and the payment of interest.

“Fixed Rate Tranche” means a Tranche disbursed on a Fixed Rate basis.

“Floating Rate” means a fixed-spread floating interest rate, that is to say an annual interest rate equal to the Relevant Interbank Rate plus or minus the Spread, determined by the Bank for each successive Floating Rate Reference Period.

“Floating Rate Reference Period” means each period from one Payment Date to the next relevant Payment Date and the first Floating Rate Reference Period shall commence on the date of disbursement of the Tranche.

“Floating Rate Tranche” means a Tranche disbursed on a Floating Rate basis.

“Indemnifiable Prepayment Event” means a prepayment event under Article 4.03A other than paragraphs 4.03A(1) and 4.03A(2).

“Interest Revision/Conversion” means the determination of new financial conditions relative to the interest rate, specifically the same interest rate basis (“revision”) or a different interest rate basis (“conversion”) which can be offered for the remaining term of a Tranche or until a next Interest Revision/Conversion Date, if any.

“Interest Revision/Conversion Date” means the date, being a Payment Date, specified by the Bank pursuant to Article 1.02B in the Disbursement Offer or pursuant to Article 3 and Schedule D.

“Interest Revision/Conversion Proposal” means a proposal made by the Bank under Schedule D, for an amount which, at the proposed Interest Revision/Conversion Date, is not less than EUR 10 000 000 (ten million euros) or the equivalent thereof.

“Interest Revision/Conversion Request” means a written notice from the Borrower, delivered at least 75 (seventy-five) days before an Interest Revision/Conversion Date, requesting the Bank to submit to it an Interest Revision/Conversion Proposal. The Interest Revision/Conversion Request shall also specify:

- (i) Payment Dates chosen in accordance with the provisions of Article 3.01;
- (ii) the preferred repayment schedule chosen in accordance with Article 4.01; and



(iii) any further Interest Revision/Conversion Date chosen in accordance with Article 3.01.

“LIBOR” has the meaning given to it in Schedule B.

“Loan” means the aggregate amount of Tranches disbursed from time to time by the Bank under this Contract.

“Market Disruption Event” has the meaning given to it in Article 1.06B.

“Material Adverse Change” means, in relation to the Borrower any event or change of condition affecting the Borrower, which, in the opinion of the Bank: (1) materially impairs the ability of the Borrower to perform its financial or any of its other obligations under this Contract; (2) materially impairs the business, prospects or financial condition of the Borrower; or (3) adversely affects any security provided by the Borrower.

“Maturity Date” means the last or sole repayment date of a Tranche specified pursuant to Article 4.01 A(b)(iii) or Article 4.01 B.

“Payment Date” means: the annual, semi-annual or quarterly dates specified in the Disbursement Offer until the Interest Revision/Conversion Date, if any, or the Maturity Date, save that, in case any such date is not a Relevant Business Day, it means:

- (i) for a Fixed Rate Tranche, the following Relevant Business Day, without adjustment to the interest due under Article 3.01 except for those cases where repayment is made in a single instalment according to Article 4.01 B, when the preceding Relevant Business Day shall apply instead; and
- (ii) for a Floating Rate Tranche, the next day, if any, of that calendar month that is a Relevant Business Day or, failing that, the nearest preceding day that is a Relevant Business Day, in all cases with corresponding adjustment to the interest due under Article 3.01.

“Prepayment Amount” means the amount of a Tranche to be prepaid by the Borrower in accordance with Article 4.02A.

“Prepayment Date” means the date, which shall be a Payment Date, on which the Borrower proposes to effect prepayment of a Prepayment Amount.

“Prepayment Notice” means a written notice from the Borrower specifying, amongst other things, the Prepayment Amount and the Prepayment Date in accordance with Article 4.02A.

“Project” has the meaning given to it in Recital (1).

“Redeployment Rate” means the Fixed Rate in effect on the day of the indemnity calculation for fixed-rate loans denominated in the same currency and which shall have the same terms for the payment of interest and the same repayment profile to the Interest Revision/Conversion Date, if any, or the Maturity Date as the Prepayment Amount.

“Relevant Business Day” means:

- (i) for EUR, a day which is a business day according to the TARGET2 operating days calendar; and
- (ii) for any other currency, a day on which banks are open for general business in the principal domestic financial centre of the relevant currency,

“Relevant Interbank Rate” means:

- (i) EURIBOR for a Tranche denominated in EUR;
- (ii) LIBOR for a Tranche denominated in GBP or USD; and
- (iii) the market rate and its definition chosen by the Bank and separately communicated to the Borrower, for a Tranche denominated in any other currency.

“Scheduled Disbursement Date” means the date on which a Tranche is scheduled to be disbursed in accordance with Article 1.02B.

“Security” and “Security Interest” means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having the effect of conferring security.

“Spread” means the fixed spread to the Relevant Interbank Rate (being either plus or minus) determined by the Bank and notified to the Borrower in the relevant Disbursement Offer or Interest Revision/Conversion Proposal.

“Sub-Project” has the meaning given to it in Recital (1).

“Technical Description” has the meaning given to it in Recital (1).

“Tranche” means each disbursement made or to be made under this Contract.

NOW THEREFORE it is hereby agreed as follows:

ARTICLE 1  
Credit and disbursement

Amount of Credit

By this Contract the Bank establishes in favour of the Borrower, and the Borrower accepts, the credit in an amount of CZK 2 000 000 000 (two billion Czech koruna) or the equivalent thereof for the financing of the Project (the "Credit").

Disbursement procedure Tranches

The Bank shall disburse the Credit in up to 8 (eight) Tranches. The amount of each Tranche, if not being the undrawn balance of the Credit, shall be in a minimum amount of CZK 250 000 000 (two hundred fifty million Czech koruna) or the equivalent thereof.

Disbursement Offer

From time to time up to 15 (fifteen) days before the Final Availability Date at the Borrower's request, the Bank shall send to the Borrower a Disbursement Offer for the disbursement of a Tranche. The Disbursement Offer shall specify:

- (a) the currency, amount and CZK equivalent of the Tranche;
- (b) the Scheduled Disbursement Date, which shall be a Relevant Business Day, falling at least 15 (fifteen) days after the date of the Disbursement Offer and on or before the Final Availability Date;
- (c) the interest rate basis of the Tranche, being: (i) a Fixed Rate Tranche; or (ii) a Floating Rate Tranche pursuant to the relevant provisions of Article 3.01;
- (d) the interest payment periodicity for the Tranche, in accordance with the provisions of Article 3.01;
- (e) the first Payment Date for the Tranche;
- (f) the terms for repayment of principal for the Tranche, in accordance with the provisions of Article 4.01;
- (g) the first and last repayment dates of principal for the Tranche;
- (h) the Interest Revision/Conversion Date, if any, for the Tranche;
- (i) for a Fixed Rate Tranche, the fixed interest rate and for a Floating Rate Tranche the Spread, applicable until the Maturity Date or until the Interest Revision/Conversion Date, if any; and
- (j) the Disbursement Acceptance Deadline.

1.02C Disbursement Acceptance

The Borrower may accept a Disbursement Offer by delivering a Disbursement Acceptance to the Bank no later than the Disbursement Acceptance Deadline. The Disbursement Acceptance shall be accompanied:

- (a) by the IBAN code (or appropriate format in line with local banking practice) and SWIFT BIC of the bank account to which disbursement of the Tranche should be made in accordance with Article 1.02D; and
- (b) by evidence of the authority of the person or persons authorised to sign the Disbursement Acceptance and the specimen signature of such person or persons.

If a Disbursement Offer is duly accepted by the Borrower in accordance with its terms on or before the Disbursement Acceptance Deadline, the Bank shall make the Accepted Tranche available to the Borrower in accordance with the relevant Disbursement Offer and subject to the terms and conditions of this Contract.

The Borrower shall be deemed to have refused any Disbursement Offer which has not been duly accepted in accordance with its terms on or before the Disbursement Acceptance Deadline.





## 1.02D Disbursement Account

Disbursement shall be made to the account of the Borrower as the Borrower shall notify In writing to the Bank not later than 15 (fifteen) days before the Scheduled Disbursement Date (with I BAN code or with the appropriate format in line with local banking practice).

Only one account may be specified for each Tranche.

### 1.3 Currency of disbursement

Subject to availability, disbursement of each Tranche shall be made in CZK, EUR or any other currency that is widely traded on the principal foreign exchange markets.

For the calculation of the sums available to be disbursed in currencies other than CZK, and to determine their equivalent in CZK, the Bank shall apply the rate published by the European Central Bank in Frankfurt, available on or shortly before submission of the Disbursement Offer as the Bank shall decide.

### 1.4 Conditions of disbursement

#### 1.04A First Tranche

The disbursement of the first Tranche under Article 1.02 is conditional upon receipt by the Bank in form and substance satisfactory to it, on or before the date falling 5 (five) Business Days before the Scheduled Disbursement Date, of the following documents or evidence:

- (a) evidence satisfactory to the Bank that the execution of this Contract by the Borrower has been duly authorised and that the person or persons signing the Contract on behalf of the Borrower is/are duly authorised to do so together with the specimen signature of each such person or persons;
- (b) a legal opinion in the English language from an internal legal advisor of the Borrower in form and substance satisfactory to the Bank on the due execution of this Contract by the Borrower and on its enforceability in the Czech Republic, such opinion substantially in the form annexed hereto as Annex II;
- (c) evidence that the Borrower has obtained all necessary consents, authorisations, licences or approvals of governmental or public bodies or authorities required in connection with this Contract; and
- (d) evidence of compliance by the Borrower with the financial covenants pursuant to Article 6.07.

#### 1.04B All Tranches

The disbursement of each Tranche under Article 1.02, including the first, is conditional upon:

- (a) receipt by the Bank in form and substance satisfactory to it, on or before the date falling 5 (five) Business Days before the Scheduled Disbursement Date for the proposed Tranche, of the following documents or evidence:
  - (i) the Bank being at all times satisfied that aggregated disbursements represent a reasonable proportion of Allocations it being understood that Allocations, at any time prior to the completion of the Project, may be reasonably lower than aggregated disbursements while at the time of the Project completion Allocations must coincide with aggregated disbursements;
  - (ii) a certificate from the Borrower in the form of Schedule C.2;
  - (iii) a statement from the Borrower that no Sub-Project expected to be financed by the relevant Tranche is subject to the Environmental Impact Assessment as set forth in the relevant EU and Czech legislation and/or, if applicable, that for each Sub-Project, all the required consents have been obtained and/or the required procedures followed. For each Sub-Project where an Environmental Impact Assessment was prepared, the Borrower shall provide to the Bank the nontechnical summary of the relevant Environmental Impact Study;
  - (iv) a statement from the Borrower that no Sub-Project expected to be financed by the relevant Tranche is subject to nature conservation attestation procedure as set forth in the relevant EU and Czech legislation or, where applicable, a satisfactory evidence by the competent authority, confirming either:

- (a) that the Sub-Project(s) expected to be financed by the relevant Tranche will have no significant effect on nature conservation sites, or
  - (b) that there are imperative reasons for proceeding with the relevant SubProjects) and that potential effects of the Sub-Project have been identified and adequate compensation or mitigation measures have been applied;
- (v) a completed Sub-Project Allocation Template in the form attached to this Contract as Schedule A.2.2 for the approval of Sub-Projects not listed in Schedule A. 1.1; and
- (vi) a copy of any other authorisation or other document, opinion or assurance, provided that such authorization, document, opinion or assurance can be issued under EU and Czech legislation, which the Bank has notified the Borrower is necessary or desirable in connection with the entry into and performance of, and the transactions contemplated by, the Contract or the validity and enforceability of the same.

(b) that on the Scheduled Disbursement Date for the proposed Tranche:

- (i) the representations and warranties which are repeated pursuant to Article 6.10 are correct in all material respects; and
- (ii) no event or circumstance which constitutes or would with the passage of time or giving of notice under this Contract constitute an event of default under Article 10.01 or a prepayment event under Article 4.03 has occurred and is continuing unremedied or unwaived or would result from the proposed Tranche.

#### 1.5 Deferment of disbursement

##### 1.05A Grounds for deferment

Upon the written request of the Borrower, the Bank shall defer the disbursement of any Accepted Tranche in whole or in part to a date specified by the Borrower being a date falling not later than 6 (six) months from its Scheduled Disbursement Date. In such case, the Borrower shall pay the deferment indemnity as determined pursuant to Article 1.05B below.

Any request for deferment shall have effect in respect of a T ranche only if it is made at least 5 (five) Business Days before its Scheduled Disbursement Date.

If any of the conditions referred to in Article 1.04 is not fulfilled as at the specified date and at the Scheduled Disbursement Date, and the Bank is of the opinion that it will not be satisfied, disbursement will be deferred to a date agreed between the Bank and the Borrower falling not earlier than 5 (five) Business Days following the fulfilment of all conditions of disbursement.

##### 1.05B Deferment indemnity

If the disbursement of any Accepted Tranche is deferred, whether at the request of the Borrower or by reason of non-fulfilment of the conditions of disbursement, the Borrower shall, upon demand by the Bank, pay an indemnity on the amount of disbursement deferred. Such indemnity shall accrue from the Scheduled Disbursement Date to the actual disbursement date or, as the case may be, until the date of cancellation of the Accepted Tranche in accordance with this Contract at a rate equal to R1 minus R2, where:

“R1” means the rate of interest that would have applied from time to time pursuant to Article 3.01 and, if the Tranche had been disbursed on the Scheduled Disbursement Date; and “R2” means the Relevant Interbank Rate less 0,125% (12.5 basis points); provided that for the purpose of determining the Relevant Interbank Rate in relation to this Article 1.05, the relevant periods provided for in Schedule B shall be successive periods of 1 (one) month commencing on the Scheduled Disbursement Date.

Furthermore, the indemnity:

- (a) if the deferment exceeds one (1) month in duration, shall accrue at the end of every month;
- (b) shall be calculated using the day count convention applicable to R1;
- (c) where R2 exceeds R1, shall be set at zero; and
- (d) shall be payable In accordance with Article 1.08.

##### 1.05C Cancellation of disbursement deferred by 6 (six) months

The Bank may, by notice in writing to the Borrower, cancel a disbursement which has been deferred under Article 1.05A by more than 6 (six) months in aggregate. The cancelled amount shall remain available for disbursement under Article 1.02.

## 1.6 Cancellation and suspension

### 1.06A Borrower's right to cancel

The Borrower may at any time by notice in writing to the Bank cancel, in whole or in part and with immediate effect, the undisbursed portion of the Credit. However, the notice shall have no effect in respect of an Accepted Tranche which has a Scheduled Disbursement Date falling within 5 (five) Business Days of the date of the notice.

### 1.06B Bank's right to suspend and cancel

- (a) The Bank may, by notice in writing to the Borrower, suspend and/or cancel the undisbursed portion of the Credit in whole or in part at any time and with immediate effect:
  - (i) upon the occurrence of an event or circumstance mentioned in Article 10.01 or an event or circumstance which would with the passage of time or giving of notice under this Contract constitute an event of default under Article 10.01;
  - (ii) if a Material Adverse Change occurs as compared with the Borrower's condition at the date of this Contract; or
  - (iii) if a Market Disruption Event has occurred and is continuing.
- (b) Furthermore, to the extent that the Bank may cancel the Credit under Article 4.03A, the Bank may also suspend it. Any suspension shall continue until the Bank ends the suspension or cancels the suspended amount.
- (c) For the purposes of this Article, "Market Disruption Event" means:
  - (i) the Bank determines that there are exceptional circumstances adversely affecting the Bank's access to its sources of funding;
  - (ii) in the opinion of the Bank, the cost to the Bank of obtaining funds from its sources of funding would be in excess of the applicable Relevant Interbank Rate for the relevant currency and period of a Tranche;
  - (iii) the Bank determines that by reason of circumstances affecting its sources of funding generally adequate and fair means do not exist for ascertaining the applicable Relevant Interbank Rate for the relevant currency and period of a Tranche;
  - (iv) in the opinion of the Bank, funds are not reasonably likely to be available to it in the ordinary course of business to fund a Tranche in the currency requested or for the relevant period, if applicable and appropriate to the specific lending operation; or
  - (v) it is not possible for the Bank to obtain funding in sufficient amounts for it to fund a disbursement, if applicable and appropriate to the specific lending operation, or there is a material upheaval in the international debt, money or capital markets.

### 1.06C Indemnity for suspension and cancellation of a Tranche

#### 1.06C(1) SUSPENSION

If the Bank suspends an Accepted Tranche, whether upon an Indemnifiable Prepayment Event or an event mentioned in Article 10.01, the Borrower shall Indemnify the Bank under Article 1.05B.

#### 1.06C(2) CANCELLATION

If pursuant to Article 1.06A, the Borrower cancels:

- (a) an Accepted Tranche, it shall indemnify the Bank under Article 4.02B;



(b) any part of the Credit other than an Accepted Tranche, no indemnity is payable.

If the Bank cancels an Accepted Tranche upon an Indemnifiable Prepayment Event or pursuant to Article 1.05C, the Borrower shall indemnify the Bank under Article 4.02B. If the Bank cancels an Accepted Tranche upon an event mentioned in Article 10.01, the Borrower shall indemnify the Bank under Article 10.03. Save in these cases, no indemnity is payable upon cancellation of a Tranche by the Bank.

An indemnity shall be calculated on the basis that the cancelled amount is deemed to have been disbursed and repaid on the Scheduled Disbursement Date or, to the extent that the disbursement of the Tranche is currently deferred or suspended, on the date of the cancellation notice.

1.7 Cancellation after expiry of the Credit

Any time following the expiry of a period of 4 (four) months after the Final Availability Date, the Bank may by notice to the Borrower and without liability arising on the part of either party, cancel any part of the Credit in respect of which no Disbursement Acceptance has been made in accordance with Article 1.02C.

1.8 Sums due under Article 1

Sums due under Articles 1.05 and 1.06 shall be payable in the currency of the Tranche concerned. They shall be payable within 7 (seven) days of the Borrower's receipt of the Bank's demand or within any longer period specified in the Bank's demand.

1.9 Allocation procedure

Between the date hereof and 31 December 2013, the Borrower may submit to the Bank a request for allocation (hereinafter referred to as an "Allocation Request"). The Loan may solely be allocated to Sub-Projects identified as eligible for financing in the Technical Description, annexed hereto as Schedule A.1. in order for a Sub-Project to qualify for financing hereunder, the Borrower must comply with the allocation undertakings under Article 1.10.

The Bank shall have full discretion whether or not to approve the Allocation Request so submitted following such examination of the Sub-Projects as it deems necessary and shall, in the event of approval, issue a letter of allocation (hereinafter referred to as a "Letter of Allocation"), informing the Borrower of its approval of the Sub-Projects submitted and of the amount in CZK, EUR or other currency of the Loan allocated to them. In the event the Bank does not approve a submitted Allocation Request, the Bank shall inform the Borrower thereof in writing.

The Borrower shall provide the Bank with any additional information regarding the SubProjects as the Bank, in its own discretion, may request.

In agreement with the Borrower, the Bank shall have full discretion to amend the allocation procedures as the Project develops, inter alia, to amend and/or simplify such allocation procedures in line with the Bank's policy on framework loans.

1.10 Allocation undertakings

Sub-Projects listed under Schedule A. 1.1 have been approved by the Bank and do not require that the Borrower submit an Allocation Request.

In relation to Allocation Requests for:

- (a) the water management Sub-Project (*Completion of the water management system: Phase III*), a further approval by the Bank shall be required upon the Borrower providing the Bank with more detailed information regarding the Sub-Project, to the satisfaction of the Bank;
- (b) the *European Capital of Culture 2015* preparation Sub-Project (no. 15), the Bank's funding of the preparation component shall be limited to studies only, and the amount of the Bank loan allocated to this Sub-Project shall not exceed 50% (fifty per cent) of the total cost of this Sub-Project, as described in Schedule A to this Contract;

- (c) for Sub-Projects not listed under Schedule A.1.1 or new Sub-Projects, if any, the Borrower shall provide the Bank an Allocation Template in form and substance provided for in Schedule A.2.2 to this Contract. The Bank shall evaluate the eligibility and compliance of the respective Sub-Projects with the operation;

provided, however, that all (new and previously approved) Sub-Projects in excess of EUR 25 million may be subject to supplementary appraisal if deemed necessary by the Bank's services.

#### 1.11 Reallocation

The Borrower may, by request to the Bank which shall include reasons therefor, and not later than 31 December 2015, propose to reallocate in accordance with Article 1.09 any part of the Loan which has been allocated but not spent by the Borrower on a Sub-Project or made available in full, directly or indirectly, by the Borrower to the relevant final beneficiaries. The Bank may, at its discretion, accept the Borrower's proposal for reallocation and reallocate any portion of the Loan in accordance with the provisions of Article 1.09.

If the reallocation is not possible or possible only in part, the Borrower shall prepay immediately to the Bank the part of the Loan which has been disbursed by the Bank subject to the original Allocation, together with accrued interest on the prepaid amount and compensation, if any, calculated in accordance with Article 4.02.

### ARTICLE 2 The Loan

#### 2.1 Amount of Loan

The Loan shall comprise the aggregate amount of Tranches disbursed by the Bank under the Credit, as confirmed by the Bank pursuant to Article 2.03.

#### 2.2 Currency of repayment, interest and other charges

Interest, repayments and other charges payable in respect of each Tranche shall be made by the Borrower in the currency of the Tranche.

Any other payment shall be made in the currency specified by the Bank having regard to the currency of the expenditure to be reimbursed by means of that payment.

#### 2.3 Confirmation by the Bank

Within 10 (ten) days after disbursement of each Tranche, the Bank shall deliver to the Borrower the amortisation table referred to in Article 4.01, if appropriate, showing the disbursement date, currency, the amount disbursed, the repayment terms and the interest rate of and for that Tranche.

### ARTICLE 3 Interest

#### 3.1 Rate of interest

Fixed Rates and Spreads are available for periods of not less than 4 (four) years or, in the absence of a repayment of principal during that period, not less than 3 (three) years.

##### 3.01A Fixed Rate Tranches

The Borrower shall pay interest on the outstanding balance of each Fixed Rate Tranche at the Fixed Rate quarterly, semi-annually or annually in arrears on the relevant Payment Dates as specified in the Disbursement Offer, commencing on the first such Payment Date following the date on which the disbursement of the Tranche was made. If the period from the date on which disbursement was made to the first Payment Date is 15 (fifteen) days or less then the payment of interest accrued during such period shall be postponed to the following Payment Date.

Interest shall be calculated on the basis of Article 5.01 (a) at an annual rate that is the Fixed Rate.

3.01 B Floating Rate Tranches

The Borrower shall pay interest on the outstanding balance of each Floating Rate Tranche at the Floating Rate quarterly, semi-annually or annually in arrears on the relevant Payment Dates, as specified in the Disbursement Offer commencing on the first such Payment Date following the date of disbursement of the Tranche. If the period from the date of disbursement to the first Payment Date is 15 (fifteen) days or less then the payment of interest accrued during such period shall be postponed to the following Payment Date.

The Bank shall notify the Floating Rate to the Borrower within 10 (ten) days following the commencement of each Floating Rate Reference Period.

If pursuant to Articles 1.05 and 1.06 disbursement of any Floating Rate Tranche takes place after the Scheduled Disbursement Date the interest rate applicable to the first Floating Rate Reference Period shall be determined as though disbursement had taken place on the Scheduled Disbursement Date.

Interest shall be calculated in respect of each Floating Rate Reference Period on the basis of Article 5.01(b).

3.01C Revision or Conversion of Tranches

Where the Borrower exercises an option to revise or convert the interest rate basis or the currency of a Tranche, it shall, from the effective Interest Revision/Conversion Date (in accordance with the procedure set out in Schedule D) pay interest at a rate determined in accordance with the provisions of Schedule D.

3.02 Interest on overdue sums

Without prejudice to Article 10 and by way of exception to Article 3.01, interest shall accrue on any overdue sum payable under the terms of this Contract from the due date to the date of payment at an annual rate equal to the Relevant Interbank Rate plus 2% (200 basis points) and shall be payable in accordance with the demand of the Bank. For the purpose of determining the Relevant Interbank Rate in relation to this Article 3.02, the relevant periods within the meaning of Schedule B shall be successive periods of one month commencing on the due date.

However, interest on a Fixed Rate Tranche shall be charged at the annual rate that is the sum of the rate defined in Article 3.01A plus 0.25% (25 basis points) if the annual rate referred to in the above paragraph does not adequately cover the loss suffered by the Bank as a result of the late payment for any given relevant period.

If the overdue sum is in a currency other than the currency of the Loan, the following rate per annum shall apply, namely the Relevant Interbank Rate that is generally retained by the Bank for transactions in that currency plus 2% (200 basis points), calculated in accordance with the market practice for such rate.

ARTICLE 4 Repayment

4.01

Normal repayment Repayment by instalments

- 4.01A
- (a) The Borrower shall repay each Tranche by instalments on the Payment Dates specified in the relevant Disbursement Offer in accordance with the terms of the amortisation table delivered pursuant to Article 2.03.
  - (b) Each amortisation table shall be drawn up on the basis that:
    - (i) in the case of a Fixed Rate Tranche without an Interest Revision/Conversion Date, repayment shall be made on a constant annuity basis or by equal annual, semi-annual or quarterly instalments of principal;

- (ii) in the case of a Fixed Rate Tranche with an Interest Revision/Conversion Date or a Floating Rate Tranche, repayment shall be made by equal annual, semi-annual or quarterly instalments of principal; and
- (iii) the first repayment date of each Tranche shall be a Payment Date falling not later than the first Payment Date immediately following the 6 (sixth) anniversary of the Scheduled Disbursement Date of the Tranche and the last repayment date shall be a Payment Date falling not earlier than 4 (four) years and not later than 25 (twenty-five) years from the Scheduled Disbursement Date.

#### 4.01B Single instalment

Alternatively, the Borrower may repay the Tranche in a single instalment on a Payment Date specified in the Disbursement Offer, being a date falling not less than 3 (three) years or more than 15 (fifteen) years from the Scheduled Disbursement Date.

#### 4.2 Voluntary prepayment

##### 4.02A Prepayment option

Subject to Articles 4.02B, 4.02C and 4.04, the Borrower may prepay all or part of any Tranche, together with accrued interest and indemnities if any, upon giving a Prepayment Notice with at least 1 (one) month's prior notice specifying the Prepayment Amount and the Prepayment Date.

Subject to Article 4.02C the Prepayment Notice shall be binding and irrevocable.

##### 4.02B Prepayment indemnity

###### 4.02B(1) FIXED RATE TRANCHE

- (a) Subject to paragraph (b) below, if the Borrower prepays a Fixed Rate Tranche the Borrower shall pay to the Bank on the Prepayment Date an indemnity equal to the present value (as of the Prepayment Date) of the excess, if any, of:
  - (i) the interest that would accrue thereafter on the Prepayment Amount over the period from the Prepayment Date to the Interest Revision/Conversion Date, if any, or the Maturity Date, if it were not prepaid; over
  - (ii) the interest that would so accrue over that period, if it were calculated at the Redeployment Rate, less 0.15% (fifteen basis points).

The said present value shall be calculated at a discount rate equal to the Redeployment Rate, applied as of each relevant Payment Date.

- (b) The Borrower may prepay a Fixed Rate Tranche without indemnity on the Interest Revision/Conversion Date in the event of the non-fulfilment of an Interest Revision/Conversion pursuant to Schedule D.

###### 4.02B(2) FLOATING RATE TRANCHE

The Borrower may prepay a Floating Rate Tranche without indemnity only on the Interest Revision/Conversion Date, if any. For a prepayment made on any other Payment Date the Borrower shall pay to the Bank on the Prepayment Date an indemnity equal to the present value (as of the Prepayment Date) of the interest that would have accrued on the Prepayment Amount over the period from the Prepayment Date to the Maturity Date or the next Interest Revision/Conversion Date, calculated at the higher of:

- (a) a rate equal to the Spread over the Relevant Interbank Rate that was applicable to the relevant Floating Rate Tranche pursuant to Article 3.01 from the Prepayment Date to the Maturity Date or the next Interest Revision/Conversion Date; or
- (b) 0.15% (fifteen basis points) per annum.

The said present value shall be calculated at a discount rate applied as of each Payment Date where repayments would have occurred had prepayment not taken place, on the basis of the swap market curve prevailing at the time of the calculation of the indemnity, in line with standard market practice as implemented by the Bank.



#### 4.02C Prepayment mechanics

The Bank shall notify the Borrower, not later than 15 (fifteen) days prior to the Prepayment Date, of the Prepayment Amount, of the accrued interest due thereon and of the Indemnity payable under Article 4.02B or, as the case may be, that no indemnity is due.

Not later than the Acceptance Deadline, the Borrower shall notify the Bank either:

(a) that it confirms the Prepayment Notice on the terms specified by the Bank; or

(b) that it withdraws the Prepayment Notice.

If the Borrower gives the confirmation under paragraph (a) above, it shall effect the prepayment. If the Borrower withdraws the Prepayment Notice or fails to confirm it in due time, it may not effect the prepayment. Save as aforesaid, the Prepayment Notice shall be binding and irrevocable.

The Borrower shall accompany the prepayment by the payment of accrued interest and indemnity, if any, due on the Prepayment Amount.

#### 4.3 Compulsory prepayment

##### 4.03A Grounds for prepayment

##### 4.03A(1) PROJECT COST REDUCTION

If the total cost of the Project should be reduced from the figure stated in Recital (2) to a level at which the amount of the Credit exceeds 50% (fifty per cent) of such cost, the Bank may in proportion to the reduction forthwith, by notice to the Borrower, cancel the Credit and/or demand prepayment of the Loan.

##### 4.03A(2) PARI PASSU TO ANOTHER TERM LOAN

If the Borrower voluntarily prepays a part or the whole of any other loan originally granted to it for a term of more than 5 (five) years (a "Term Loan") otherwise than out of the proceeds of a loan having a term at least equal to the unexpired term of the Term Loan prepaid, the Bank may, by notice to the Borrower, cancel the Credit and demand prepayment of the Loan, in such proportion as the prepaid amount of the Term Loan bears to the aggregate outstanding amount of all Term Loans.

The Bank shall address its notice to the Borrower within 30 (thirty) days of receipt of notice under Article 8.02(g)(ii).

For the purposes of this Article, "loan" includes any loan, bond or other form of financial indebtedness or any obligation for the payment or repayment of money.

##### 4.03A(3) CHANGE OF LAW

The Borrower shall promptly inform the Bank if a Change-of-Law Event has occurred or is imminent in respect to the Borrower. In such case, or if the Bank has reasonable cause to believe that a Change-of-Law Event has occurred or is about to occur, the Bank may request that the Borrower consult with it. Such consultation shall take place within 30 (thirty) days from the date of the Bank's request. If, after the earlier of (a) the lapse of 30 (thirty) days from the date of such request for consultation or (b) the occurrence of the anticipated Change-of-Law Event, the Bank may, by notice to the Borrower, cancel the Credit and demand prepayment of the Loan, together with accrued interest and all other amounts accrued and outstanding under this Contract. The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

For the purposes of this Article "Change-of-Law Event" means the enactment, promulgation, execution or ratification of or any change in or amendment to any law, rule or regulation (or in the application or official interpretation of any law, rule or regulation) that occurs after the date of this Contract which results or is reasonably likely to result in a Material Adverse Change.

#### 4.03B Prepayment mechanics

Any sum demanded by the Bank pursuant to Article 4.03A, together with any interest or other amounts accrued and outstanding and any indemnity due under Article 4.03C, shall be paid on the date indicated by the Bank which date shall fall not less than 30 (thirty) days from the date of the Bank's notice of demand and shall be applied in accordance with Article 10.05.

#### 4.03C Prepayment indemnity

In the case of an Indemnifiable Prepayment Event, the indemnity, if any, shall be determined in accordance with Article 4.02B(1) for a Fixed Rate Tranche and Article 4.02B(2) for a Floating Rate Tranche.

If, moreover, pursuant to any provision of Article 4.03A the Borrower prepays a Tranche on a date other than a relevant Payment Date, the Borrower shall indemnify the Bank in such amount as the Bank shall certify is required to compensate it for receipt of funds otherwise than on a relevant Payment Date.

#### 4.4 Application of partial prepayments

If the Borrower partially prepays a Tranche, the Prepayment Amount shall be applied pro rata to each outstanding instalment.

A prepaid amount may not be reborrowed. This Article 4 shall not prejudice Article 10.

### ARTICLE 5 Payments

#### 5.1 Day count convention

Any amount due by way of interest, indemnity or fee from the Borrower under this Contract, and calculated in respect of a fraction of a year, shall be determined on the following respective conventions:

- (a) for a Fixed Rate Tranche, a year of 360 (three hundred and sixty) days and a month of 30 (thirty) days; and
- (b) for a Floating Rate Tranche, a year of 360 (three hundred and sixty) days (but 365 (three hundred and sixty five) days (invariable) for GBP, PLN and ZAR) and the number of days elapsed.

#### 5.2 Time and place of payment

Unless otherwise specified, all sums other than sums of interest, indemnity and principal are payable within 7 (seven) days of the Borrower's receipt of the Bank's demand.

Each sum payable by the Borrower under this Contract shall be paid to the respective account notified by the Bank to the Borrower. The Bank shall indicate the account not less than 15 (fifteen) days before the due date for the first payment by the Borrower and shall notify any change of account not less than 15 (fifteen) days before the date of the first payment to which the change applies. This period of notice does not apply in the case of payment under Article 10.

A sum due from the Borrower shall be deemed paid when the Bank receives it.

#### 5.3 Set-off

The Bank may set off any matured obligation due from the Borrower under this Contract (to the extent beneficially owned by the Bank) against any obligation (whether or not matured) owed by the Bank to the Borrower regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Bank may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. If either obligation is unliquidated or unascertained, the Bank may set off in an amount estimated by it in good faith to be the amount of that obligation.



ARTICLE 6  
Borrower undertakings and representations

The undertakings in this Article 6 remain in force from the date of this Contract for so long as any amount is outstanding under this Contract or the Credit is in force.

6.01 Use of Loan and availability of other funds

The Borrower shall use the proceeds of the Loan exclusively for the execution of the Project. The Borrower shall ensure that it has available to it the other funds listed in Recital (2) and that such funds are expended, to the extent required, on the financing of the Project.

Completion of Project

6.02 The Borrower shall carry out the Project in accordance with the Technical Description as may be modified from time to time with the approval of the Bank, and complete it by the final date specified therein.

6.03 Increased cost of Project

If the total cost of the Project exceeds the estimated figure set out in shall obtain the finance to fund the excess cost without recourse to the Project Recital (2), the Borrower Bank, so as to enable the to be completed in accordance with the Technical Description. excess Bank, so as to enable the cost shall be communicated to the Bank without delay. The plans for funding the

6.04 Procurement procedure

The Borrower undertakes to purchase equipment, secure services and order works for the Project (a) in so far as they apply to it or to the Project, in accordance with EU law in general and in particular with the relevant EU Directives and (b) in so far as EU Directives do not apply, by procurement procedures which, to the satisfaction of the Bank, respect the criteria of economy and efficiency.

Continuing Project undertakings

6.05 The Borrower shall:

- (a) Maintenance: maintain, repair, overhaul and renew all property forming part of the Project as required to keep it in good working order;
- (b) Project assets: unless the Bank shall have given its prior consent in writing, retain title to and possession of all or substantially all the assets comprising the Project or, as appropriate, replace and renew such assets and maintain the Project in substantially continuous operation in accordance with its original purpose; provided that the Bank may withhold its consent only where the proposed action would prejudice the Bank's interests as lender to the Borrower or would render the Project ineligible for financing by the Bank under its Statute or under Article 267 of the Treaty of Rome;
- (c) Insurance: insure all works and property forming part of the Project with first class insurance companies in accordance with the relevant industry practice;
- (d) Rights and Permits: maintain in force all rights of way or use and all permits necessary for the execution and operation of the Project; and
- (e) Environment: implement and operate the Project in conformity with Environmental Law Disposal

of assets

6.06 (a) The Borrower shall not, without the prior written consent of the Bank, either in a single transaction or in a series of transactions whether related or not dispose of all or any part of its business, undertaking or assets.







- (b) Paragraph (a) above does not apply to the disposal of assets, other than assets forming part of the Project, for fair market value and at arm's length, provided that, during the life of the Loan, the aggregate book value of the assets disposed of by the Borrower shall not exceed 10% (ten per cent) of the Borrower's total consolidated assets as reflected in the latest consolidated balance sheet of the Borrower prior to signature of this Contract.

For the purposes of this Article, "dispose" and "disposal" includes any act effecting sale, transfer, lease or other disposal.

#### 6.7 Financial Covenants

So long as the Loan is outstanding, the Borrower shall maintain a sound financial situation, and in particular, shall maintain each financial year:

- (i) a ratio of no more than 100% of Total Debt to Annual Operating Revenues ;
- (ii) a ratio of no more than 15% of Total Debt Service Obligations to Annual Operating Revenues;  
and
- (iii) a ratio of no less than 150% of Gross Operating Surplus to Interest payments.

The ratios under (i) to (iii) above shall be calculated based on the budget statements delivered by the Borrower to the Bank pursuant to Article 8.02 (a) and (b).

The definitions included in this Article 6.07 shall have the following meaning:

"Annual Operating Revenues" means the aggregate of the Borrower's: (i) tax and fee revenues, (ii) non-tax revenues and (iii) received non-investment transfers.

"Total Debt" means the aggregate of the total outstanding financial indebtedness of the Borrower including any guarantee granted by the Borrower in relation to the financial indebtedness of any third party.

"Total Debt Service Obligations" means the aggregate amount of the Borrower's: (i) total principal repayments on the Borrower's Total Debt; and (ii) interest payments and other similar charges on the Borrower's Total Debt.

"Gross Operating Surplus" means the aggregate of the Borrower's Annual Operating Revenues minus the Borrower's operating expenditures net of interest payments and other similar charges on financial indebtedness.

#### 6.8 Financial projections model

The Borrower shall establish, in agreement with the Bank and for the purpose of monitoring future fulfilment of the financial covenants under Article 6.07, a financial projections model which shall be based on its historical annual budget statements, the budget for the current financial year and the annual budget projections for the following three financial years (as provided by the Borrower to the Bank under Article 8.02).

So long as the Loan is outstanding, the Borrower shall provide to the Bank annually, without undue delay after the approval of its budget for the following financial year but in any case by 30 June of such following year, the relevant financial projections derived from such model. The Borrower shall update the relevant financial projections every time when any of the ratios under Article 6.07 indent (i) to (iii) threaten to be materially deteriorated and provide such up-dated financial projections to the Bank without undue delay.

#### 6.9 Compliance with laws

The Borrower shall comply in all respects with all laws to which it or the Project is subject where failure to do so results or is reasonably likely to result in a Material Adverse Change.

#### 6.10 General Representations and Warranties

The Borrower represents and warrants to the Bank that:

- (a) it is validly existing as a *statutární město* under the laws of the Czech Republic and it has power to carry on its business as it is now being conducted and to own its property and other assets;
- (b) it has the power to execute, deliver and perform its obligations under this Contract and all necessary action has been taken to authorise the execution, delivery and performance of the same by it;
- (c) this Contract constitutes its legally valid, binding and enforceable obligations;
- (d) the execution and delivery of, the performance of its obligations under and compliance with the provisions of this Contract do not and will not:
  - (i) contravene or conflict with any applicable law, statute, rule or regulation, or any judgement, decree or permit to which it is subject;

- (ii) contravene or conflict with any agreement or other instrument binding upon it which might reasonably be expected to have a material adverse effect on its ability to perform its obligations under this Contract;
- (e) the consolidated audited accounts of the Borrower for the year ending on the Accounting Date have been prepared on a basis consistent with previous years and have been approved by its auditors as representing a true and fair view of the results of its operations for that year and accurately disclose or reserve against all the liabilities (actual or contingent) of the Borrower;
- (f) there has been no Material Adverse Change since the Accounting Date;
- (g) no event or circumstance which constitutes an event of default under Article 10.01 has occurred and is continuing unremedied or unwaived;
- (h) no litigation, arbitration, administrative proceedings or investigation is current or to its knowledge is threatened or pending before any court, arbitral body or agency which has resulted or if adversely determined is reasonably likely to result in a Material Adverse Change, nor is there subsisting against it any unsatisfied judgement or award which has resulted or is reasonably likely to result in a Material Adverse Change;
- (i) it has obtained all necessary consents, authorisations, licences or approvals of governmental or public bodies or authorities in connection with this Contract and all such consents, authorisations, licences or approvals are in full force and effect and admissible in evidence;
- (j) it has obtained or will obtain, at the time they are required, all necessary consents, authorisations, licences or approvals of governmental or public bodies or authorities in connection with the Project and all such consents, authorisations, licences or approvals are or, at the time they are required, will be in full force and effect and admissible in evidence;
- (k) at the date of this Contract, no Security Interest exists over its assets save as listed in Schedule E;
- (l) its payment obligations under this Contract rank not less than *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations under any of its debt instruments except for obligations mandatorily preferred by law.

The representations and warranties set out above shall survive the execution of this Contract and are, except paragraph (f) above, deemed repeated on each Scheduled Disbursement Date and each Payment Date.

## ARTICLE 7 Security

The undertakings in this Article 7 remain in force from the date of this Contract for so long as any amount is outstanding under this Contract or the Credit is in force.

### 7.1 Negative pledge

The Borrower shall not, without the prior written consent of the Bank, create or permit to subsist any Security Interest on, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital), provided however that the foregoing shall not apply to:

- (a) Security Interests securing financial indebtedness up to the amount of 2/1000 (0.2%) of the Borrower's consolidated total assets (for the avoidance of doubt, the Borrower's consolidated total assets do not include assets of the Borrower's contributory organizations); and



- (b) Security Interests securing obligations relating to the provision of subsidies or grants from public resources, including the State budget, State funds, other sub-sovereign budgets or the European Union funds, up to a maximum aggregate amount outstanding of EUR 30 000 000 (thirty million euros) or the equivalent thereof in another currency

For the avoidance of doubt, the amount under indent (a) above shall not include any Security Interest under indent (b) nor any Security Interest listed in Schedule E.

The Borrower represents that at the date of this Contract no such Security Interest exists, except for the Security Interests listed in Schedule E annexed hereto.

7.2 Pari passu ranking

The Borrower shall ensure that its payment obligations under this Contract rank, and will rank, not less than *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations under any of its debt instruments except for obligations mandatorily preferred by law.

Clauses by inclusion

7.3

If the Borrower concludes with any other medium or long-term financial creditor a financing agreement that includes a loss-of-rating clause or a covenant or other provision regarding its financial ratios, if applicable, that is stricter than any equivalent provision of this Contract, the Borrower shall inform the Bank and shall, at the request of the Bank, execute an agreement to amend this Contract so as to provide for an equivalent provision in favour of the Bank.

Cash collateral and substitution \_\_\_\_\_ with \_\_\_\_\_ guarantee

Alternative Security

7.4

7.04A

If, at any time while the Loan is outstanding, the Borrower is in breach of Article 6.07, then the Bank may request the Borrower to consult it within fifteen days from the date of the Bank's request at the venue specified in the request.

By a notice delivered to the Borrower not earlier than sixteen or later than thirty days from the date of such request, the Bank may demand that, within a reasonable period specified in such notice, the Borrower:

- (a) shall provide the Bank with a duly issued guarantee (herein the "Guarantee") whereby the guarantor (the "Guarantor") or guarantors (the "Guarantors") unconditionally guarantee the due performance of the Borrower's financial obligations under this Contract. Any such Guarantor shall be a Qualifying Guarantor; or
- (b) shall make, with a bank approved by the Bank, a cash collateral deposit in CZK or EUR, as specified by the Bank in its notice, charged in favour of the Bank on such terms as the Bank may reasonably require, as security for the Borrower's financial obligations under this Contract; or
- (c) shall execute other security offering protection in manner, form and substance acceptable to the Bank.

If none of the foregoing actions is taken within the period specified by the Bank in its relevant notice and to its satisfaction, the Borrower shall, upon demand by the Bank, immediately prepay to the Bank the outstanding Loan together with all unpaid interest accrued to the date of prepayment on the amount prepaid, a compensation, if any, calculated in accordance with Article 4.02B and any other sums then payable under this Contract on the amount prepaid.

The provisions of this Article 7.04A shall not in any way limit or restrict the right of the Bank to demand prepayment of the Loan pursuant to Article 10.

The non-exercise by the Bank of the right to demand the issuance of the Guarantee, or to demand the making of a cash collateral deposit or the execution of other securities shall not be deemed to be a waiver of the Bank's right hereunder.

#### 7.04B Qualifying Guarantor

For the purpose of this Article 7.04, "Qualifying Guarantor" means a bank or other financial institution which satisfies one of the following conditions:

- (a) at the time of issue of the Guarantee Agreement, or, as the case may be, at the time it accedes to the Guarantee, and during the life of the Loan, each credit rating that it holds, in respect of its most recent unsecured and unsubordinated long-term issue on any capital market, is not lower than: BBB+ if the rating is assigned by Standard and Poor's Corporation or its successor; Baal if the rating is assigned by Moody's Investors Services Inc. or its successor; and BBB+ if the rating is assigned by Fitch Ratings Limited or its successor; and that such bank or other financial institution is otherwise acceptable to the Bank; or
- (b) is accepted by the Bank by notice in writing, with copy to the Borrower, subject to the conditions the Bank may in its discretion deem appropriate, and to the acceptance thereof by the relevant Guarantor and acknowledgement by the Borrower.

#### 7.04C Substitution of Guarantor

If an event of the nature described in Article 10.01(A)(c) to (i) inclusive occurs to any Guarantor or any rating specified in Article 7.04B falls below the specified threshold, the Borrower shall replace such Guarantor with a Qualifying Guarantor. If the Borrower fails to demonstrate to the Bank, promptly upon the latter's request, that it has a reasonable prospect of replacing such Guarantor or if, in any case, the Borrower does not, following demand by the Bank, replace the Guarantor, within 30 days of the date when the said event occurred, the Bank may require the Borrower to prepay immediately all or part of the Loan outstanding, together with all unpaid interest accrued to the date of prepayment on the amount prepaid, as well as an indemnity calculated on the amount to be prepaid in accordance with Article 4.02B and all other sums accrued payable under this Contract on the amount prepaid.

### ARTICLE 8 Information and visits

#### 8.1 Information concerning the Project

The Borrower shall:

- (a) deliver to the Bank:
  - (i) the information in content and in form, and at the times, specified in Schedule A.2 or otherwise as agreed from time to time by the parties to this Contract; and
  - (ii) any such information or further document concerning the financing, procurement, implementation, operation and environmental impact of or for the Project as the Bank may reasonably require within a reasonable time; provided always that if such information or document is not delivered to the Bank on time, and the Borrower does not rectify the omission within a reasonable time set by the Bank in writing, the Bank may remedy the deficiency, to the extent feasible, by employing its own staff or a consultant or any other third party, at the Borrower's expense and the Borrower shall provide such persons with all assistance necessary for the purpose;
- (b) submit for the approval of the Bank without delay any material change to the Project, including, inter alia, in respect of the price, design, plans, timetable or to the expenditure programme or financing plan for the Project, in relation to the disclosures made to the Bank prior to the signing of this Contract;
- (c) promptly inform the Bank of:
  - (i) any material action or protest initiated or any material objection raised by any third party or any genuine complaint received by the Borrower or any material litigation that is commenced or threatened against it with regard to environmental or other matters affecting the Project; and

- (ii) any fact or event known to the Borrower, which may substantially prejudice or affect the conditions of execution or operation of the Project; and
- (d) deliver to the Bank in form and substance satisfactory to the Bank:
  - (i) annual Project progress reports during Project implementation in the form attached to this Contract as Schedule A.2.2; and
  - (ii) a Project completion report.

## 8.2 Information concerning the Borrower

The Borrower shall:

- (a) deliver to the Bank in the English language or with English translation:
  - (i) each year as soon as available and in any event within seven months after the end of each of financial year, a copy of a summary of the executed consolidated budget statement, consolidated balance sheet and profit and loss account at the end of and for that financial year, together with the related external auditors' report, of the Borrower, and a summary balance sheet and profit and loss account, at the end of and for that financial year, for the Borrower's contributory organisations; and
  - (ii) at the Bank's request, a copy of the full version of said annual budget statement;
- (b) deliver to the Bank in the English language or with English translation, as soon as available and in any event prior to 28 February of the relevant financial year, a copy of the consolidated annual budget for such financial year, as approved by the Borrower's Assembly or, if not approved, deliver to the Bank, prior to 28 February of the relevant financial year, a copy of a pro-forma annual budget for that financial year and a copy of the approved annual budget prior to 30 June of the relevant financial year;
- (c) deliver to the Bank in the English language or with English translation no later than 30 September each year, its annual budget projections including capital expenditures for each of the following three years;
- (d) submit (x) with each budget statement delivered under Article 8.02 (a) a certificate from the Borrower's external auditors and (y) with each budget delivered under Article 8.1 (b) a certificate signed by a person or persons duly authorised to act on behalf of the Borrower declaring compliance by the Borrower with Financial Covenants pursuant to Article 6.07; each such certificate, in a form satisfactory to the Bank, shall include the computations necessary to demonstrate the said compliance;
- (e) deliver to the Bank, from time to time, such further information on its general financial situation as the Bank may reasonably require;
- (f) ensure that its accounting records fully reflect the operations relating to the financing, execution and operation of the Project; and
- (g) inform the Bank immediately of:
  - (i) any fact which obliges it to prepay any financial indebtedness or any EU funding;
  - (ii) any event or decision that constitutes or may result in the events described in Article 4.03A(2) and 4.03A(3);
  - (iii) any intention on its part to grant any security over any of its assets in favour of a third party;
  - (iv) any event under Article 7.03;
  - (v) any intention on its part to relinquish ownership of any material component of the Project;
  - (vi) any fact or event that is reasonably likely to prevent the substantial fulfilment of any obligation of the Borrower under this Contract;
  - (vii) any event listed in Article 10.01 having occurred or being threatened or anticipated;

- (viii) any litigation, arbitration or administrative proceedings or investigation which is current, threatened or pending which might if adversely determined result in a Material Adverse Change; or
- (ix) the incurrence of financial indebtedness exceeding CZK 100 million by any of the contributory organizations of the Borrower.

8.2 Visits by the Bank

The Borrower shall allow persons designated by the Bank, as well as persons designated by other European Community institutions or bodies when so required by the relevant mandatory provisions of European Community law, to visit the sites, installations and works comprising the Project and to conduct such checks as they may wish, and shall provide them, or ensure that they are provided, with all necessary assistance for this purpose.

The Borrower acknowledges that the Bank may be obliged to divulge such information relating to the Borrower and the Project to any competent European Community institution or body in accordance with the relevant mandatory provisions of European Community law.

ARTICLE 9  
Charges and expenses

9.1 Taxes, duties and fees

The Borrower shall pay all taxes, duties, fees and other impositions of whatsoever nature, including stamp duty and registration fees, arising out of the execution or implementation of this Contract or any related document and in the creation, perfection, registration or enforcement of any security for the Loan to the extent applicable.

The Borrower shall pay all principal, interest, indemnity and other amounts due under this Contract gross without deduction of any national or local impositions whatsoever; provided that, if the Borrower is obliged to make any such deduction, it will gross up the payment to the Bank so that after deduction, the net amount received by the Bank is equivalent to the sum due.

9.2 Other charges

The Borrower shall bear all charges and expenses, including professional, banking or exchange charges incurred in connection with the preparation, execution, implementation, and termination of this Contract or any related document, any amendment, supplement or waiver in respect of this Contract or any related document, and in the amendment, creation, management and realisation of any security for the Loan.

ARTICLE 10  
Events of default

10.1 Right to demand repayment

The Borrower shall repay all or part of the Loan forthwith, together with accrued interest and other outstanding amounts, upon written demand being made by the Bank in accordance with the following provisions.

10.01A Immediate demand

The Bank may make such demand immediately:

- (a) if the Borrower fails on the due date to repay any part of the Loan, to pay interest thereon or to make any other payment to the Bank as provided in this Contract;
- (b) if any information or document given to the Bank by or on behalf of the Borrower or any representation or statement made or deemed to be made by the Borrower in this Contract or in connection with the negotiation of this Contract is or proves to have been incorrect or misleading in any material respect;



- (c) if, following any default in relation thereto, the Borrower is required or is capable of being required or will, following expiry of any applicable contractual grace period, be required or be capable of being required to prepay, discharge, close out or terminate ahead of maturity any other loan or obligation arising out of any financial transaction or any commitment for any other loan or obligation arising out of any financial transaction Is cancelled or suspended;
- (d) if the Borrower is unable to pay Its debts as they fall due, or suspends its debts, or makes or, without prior written notice to the Bank, seeks to make a composition with its creditors;
- (e) if any action, legal proceedings or other procedure or step is taken in relation to or an order is made or an effective resolution is passed for the winding up of the Borrower, or if the Borrower takes steps towards a substantial reduction in its capital, Is declared insolvent or ceases or resolves to cease to carry on the whole or any substantial part of its business or activities;
- (f) if an encumbrancer takes possession of, or a receiver, liquidator, administrator, administrative receiver or similar officer Is appointed, whether by a court of competent jurisdiction or by any competent administrative authority or by any person, of or over, any part of the business or assets of the Borrower or any property forming part of the Project;
- (g) if the Borrower defaults in the performance of any obligation in respect of any other loan or financial instrument granted by the Bank or to the Bank;
- (h) if any distress, execution, sequestration or other process is levied or enforced upon the property of the Borrower or any property forming part of the Project and is not discharged or stayed within 21 (twenty-one) Business Days;
- (i) if a Material Adverse Change occurs, as compared with the Borrower's condition at the date of this Contract; or
- (j) if it is or becomes unlawful for the Borrower to perform any of its obligations under this Contract or this Contract is not effective in accordance with its terms or is alleged by the Borrower to be ineffective in accordance with its terms.

#### **10.1 B Demand after notice to remedy**

The Bank may also make such demand:

- (a) if the Borrower fails to comply with any obligation under this Contract not being an obligation mentioned in Article 10.01 A; or
- (b) If any fact stated in the Recitals materially alters and Is not materially restored and if the alteration either prejudices the interests of the Bank as lender to the Borrower or adversely affects the implementation or operation of the Project, unless the non-compliance or circumstance giving rise to the non-compliance is capable of remedy and Is remedied within a reasonable period of time specified in a notice served by the Bank on the Borrower.

#### **10.02**

##### Other rights at law

Article 10.01 shall not restrict any other right of the Bank at law to require prepayment of the Loan.

#### **10.2 \_\_\_\_\_ Indemnity**

##### **10.03A Fixed Rate Tranches**

In case of demand under Article 10.01 in respect of any Fixed Rate Tranche, the Borrower shall pay to the Bank the amount demanded together with a sum calculated in accordance with Article 4.02B on any amount that has become due and payable. Such sum shall accrue from the due date for payment specified in the Bank's notice of demand and be calculated on the basis that prepayment is effected on the date so specified.

10.03B Floating Rate Tranches

In case of demand under Article 10.01 in respect of any Floating Rate Tranche, the Borrower shall pay to the Bank the amount demanded together with a sum calculated in accordance with Article 4.02B(2) on any amount that has become due and payable. Such sum shall accrue from the due date for payment specified in the Bank's notice of demand and be calculated on the basis that prepayment is effected on the date so specified.

10.03C General

Amounts due by the Borrower pursuant to this Article 10.03 shall be payable on the date of prepayment specified in the Bank's demand.

10.3 Non-Waiver

No failure or delay or single or partial exercise by the Bank in exercising any of its rights or remedies under this Contract shall be construed as a waiver of such right or remedy. The rights and remedies provided in this Contract are cumulative and not exclusive of any rights or remedies provided by law.

10.4 Application of sums received

Sums received by the Bank following a demand under Article 10.01 shall be applied first in payment of expenses, interest and indemnities and secondly in reduction of the outstanding instalments in inverse order of maturity. The Bank may apply sums received between Tranches at its discretion.

ARTICLE 11  
Law and jurisdiction

11.1 Governing Law

This Contract shall be governed by the laws of the Grand Duchy of Luxembourg.

11.2 Jurisdiction

The parties hereby submit to the jurisdiction of Luxembourg courts.

A decision of such courts given pursuant to this Article 11.02 shall be binding on the parties. The Borrower hereby waives any immunity it may enjoy from the execution of such decision.

11.3 Evidence of sums due

In any legal action arising out of this Contract the certificate of the Bank as to any amount or rate due to the Bank under this Contract shall in the absence of manifest error be prima facie evidence of such amount or rate.

11.4 Compliance with the Municipalities Act

Pursuant to Section 41 of the Municipalities Act No. 128/2000 Coll., as amended (the "Municipalities Act"), the Borrower confirms that with regard to the lawful acts of this Contract, it has complied with all conditions, approval of or consent to the execution of this Contract, compliance with the Municipalities Act and other mandatory provisions of law, in order for this Contract to be valid. The City Assembly of the Borrower has approved the acceptance of the Credit and the execution of this Contract by decision No. 666 dated 12 November 2009.

ARTICLE 12  
Final clauses

12.1 Notices to either party

Notices and other communications given under this Contract addressed to either party to this Contract shall be made to the address or facsimile number as set out below, or to such other address or facsimile number as a party previously notifies to the other in writing:

10.03B Floating Rate Tranches

100 boulevard Konrad Adenauer L-2950  
Luxembourg

For the Borrower

Facsimile no.:  
Attention: Head of Department of Finance  
Nám. Republiky 1 306 32 Plzeň Česká  
republika  
Facsimile no.:

12.2 Form of notice

Any notice or other communication given under this Contract must be in writing. Notices and other communications for which fixed periods are laid down in this Contract or which themselves fix periods binding on the addressee may be made by hand delivery, registered letter or facsimile. The date of delivery, registration or, as the case may be, the stated date of receipt of transmission shall be conclusive for the determination of a period.

Other notices and communications may be made by hand delivery, registered letter or facsimile.

Without affecting the validity of any notice delivered by facsimile according to the paragraphs above, a copy of each notice delivered by facsimile shall also be sent by letter to the relevant party on the next following Business Day at the latest.

Notices issued by the Borrower pursuant to any provision of this Contract shall, where required by the Bank, be delivered to the Bank together with satisfactory evidence of the authority of the person or persons authorised to sign such notice on behalf of the Borrower and the authenticated specimen signature of such person or persons

12.3 Changes to parties

The Borrower may not assign or transfer any of its rights or obligations under this Contract without the prior written consent of the Bank.

The Bank may assign all or part of its rights and benefits or transfer (by way of novation, sub-participation or otherwise) all or part of its rights, benefits and obligations under this Contract.

12.4 Recitals, Schedules and Annexes

	The Recitals and following Schedules form part of this Contract:
Schedule A	Technical Description and Reporting
Schedule B	Definition of EURIBOR and LIBOR
	Schedule C                      Forms for Borrower
Schedule D	Interest Rate Revision and Conversion
Schedule E	List of Existing Security Interests

The following Annexes are attached hereto:

Annex I	Resolution of Assembly of Borrower and Authorisation of Signatory
Annex II	Form of Legal Opinion





IN WITNESS WHEREOF the parties hereto have caused this Contract to be executed in 3 (three) originals in the English language and have respectively caused Ms Dita Sole, Legal Counsel, and Mr. Dominik Tomášek, Head of the Legal and Legislation Department, to initial each page of this Contract on their behalf.

Plzeň, 7 December 2009

Signed for and on behalf of  
EUROPEAN INVESTMENT BANK

Signed for and on behalf of  
STATUTÁRNÍ MĚSTO PLZEN

J. Vrla E.Binder

P.Rödl

(4 December 2009)



**A. 1 Technical Description (Article 6.02)**

**Purpose, Location**

The proposed framework facility concerns the improvement, rehabilitation, upgrading and extension of municipal infrastructure and facilities in Plzen, the fourth largest city in the Czech Republic with a population of some 170 000 inhabitants.

The operation aims at responding to the need for urban regeneration prioritised in the City's 2004 Development Plan and comprises eligible sub-projects from Plzen's Capital Investment Programme for 2007-2013 that have been prioritised for implementation. The majority of these sub-projects are expected to be complemented by EU grant support from the Structural Funds in the 2007-2013 programming period as they comply with the conditions of applicable Operational Programmes for the region under the Convergence Objective.

**Description**

The operation comprises mostly small and medium sized sub-projects contributing to the improvement, rehabilitation, upgrading and extension of municipal infrastructure and facilities in the fields of urban infrastructure, public transport, environmental protection, water management, education, cultural heritage, cultural and recreational facilities (e.g. a theatre replacement linked to the European Capital of Culture 2015 application) and facilities for the provision of community services. Out of the selected sub-projects, 15 sub-projects were identified, listed under Annex A. 1.1, that are acceptable for the Bank and do not require further appraisal.

Given the framework nature of this operation, the identified as well as the already approved sub- projects may be replaced by the Borrower by new ones, which would be subject to the Bank's approval under the usual allocation procedure.

**Calendar**

The sub-projects are scheduled for the operational planning period 2007-2013. Construction shall be completed by the end of 2015.

A. 1. **1. Plzen Urban Infrastructure 2008-0027: List of multi-sector sub-projects identified and approved**

**Sub-projects identified and approved at appraisal stage**

	Project	Potential co-financing	EU	City co-financing	Total costs	Priority axis under which application could be submitted	implementation period
1	Construction of technical park in Plzen - 2nd stage	300,000		100,000	400,000	OPPI 4.2	2009-2012
2	Trolley-bus track pole (connection of University Campus)	120,000		27,000	147,000	ROPJZ, 1.2	2009-2010
3	Tram track Porska pole (connection of University Campus)	180,000		270,000	450,000	ROP JZ, 1.2	2012-2013
4	Improvement of management in Plzen (monitoring of position, intelligent stops)	63,750		11,250	75,000	ROP JZ, 1.2	2009-
5	projects of primorv schools	170,000		152,000	322,000	ROPJZ, 2.4	2009-2011
6	Projects of primary schools - energy savings	100,000		100,000	200,000	OPZP 3 .2	2009-2014
7	city infrastructure for Western city bypass (implemented by region)			250,000	250,000		2009-2010
8	Zoo refurbishment and extension of infrastructure	112,000		37,500	149,500		2008-2010
9	improving of City centre urban infrastructure and public spaces	40,000		60,000	100,000	ROP JZ, 2.1 or	2009-2013

10	upgrading of Mikulášském public park	3,640	40,070	43,710		2009-2012
1 1	reconstruction of Koterovska-Habrmannova crossroads	5,049	49,515	54,564		
1 2	Struncovy sady park B + A (public sports park Roudná)	182,750	32,250	215,000	ROP JZ, 2.1 or	2009-2010
1 3	Struncovy sady park C (promenades, foot bridges, Gambrinus park)	149,760	49,760	199,520	ROP JZ, 2.1 or	2009-2010
14	creation of paths in river flood-plains (foot bridges, cyclopaths, equipment) and connection to city	127500	22,500	150,000	ROP JZ, 2.1 or	2009-2010
15	Plzeň - European City Culture 2015 preparation	45,000	105,000	150,000	ROP JZ, 2.1 or	2008-2015
	<b>Total</b>	<b>1,471,949</b>	<b>1,306,845</b>	<b>2,778,794</b>		

**A. 2 Information Duties under Article 8.01(a)**

1. Dispatch of information: designation of the person responsible  
 The information below has to be sent to the Bank under the responsibility of:

Company	City of Plzeň
Contact person	Mr. Pavel RödI
Title	Lord Mayor
Function / Department	
Address	namesti Republiky 1,306 32 Plzeň
Phone	
Fax	
Email	

The above-mentioned contact person(s) is (are) the responsible contact(s) for the time being. The Borrower shall inform the Bank immediately In case of any change.

2. Information on specific subjects

The Borrower shall deliver to the Bank the following information at the latest by the deadline indicated below.

Document / information	Deadline
A completed Allocation Template for the approval of sub-projects not identified under Annex A.1.1	Prior to disbursement
EIAs and Forms A or B - if applicable	Prior to disbursement

3. Information on the project's Implementation

The

the

the

Document / information	Deadline	Frequency of reporting
Project Progress Report <i>A brief update on the technical description, explaining the reasons for significant changes vs. initial scope;                      Update on the date of completion of each of the main project's components, explaining reasons for any possible delay;                      Update on the cost of the project, explaining reasons for any possible cost increases vs. initial budgeted cost;                      A description of any major issue with impact on the environment;                      Update on the project's demand or usage and comments;                      Any significant issue that has occurred and any significant risk that may affect the project's operation;                      Any legal action concerning the project that may be ongoing.</i>	31 December	annually

indicated

operation at the latest by the deadline indicated below.

Borrower shall deliver to the Bank following information on project progress during implementation at latest by the deadline

4. Information on the end of works and first year of operation  
 The Borrower shall deliver to the Bank the following information on project completion and initial

Document / information	Date of delivery to the Bank
<p>Project Completion Report, including:</p> <p><i>A brief description of the technical characteristics of the project as completed, explaining the reasons for any significant change;</i></p> <p><i>The date of completion of each of the main project's components, explaining reasons for any possible delay;</i></p> <p><i>The final cost of the project, explaining reasons for any possible cost increases <b>vs.</b> initial budgeted cost;</i></p> <p><i>The number of new jobs created by the project: both jobs during implementation and permanent new jobs created;</i></p> <p><i>A description of any major issue with impact on the environment;</i></p> <p><i>Update on the project's demand or usage and comments; Any significant issue that has occurred and any significant risk that may affect the project's operation;</i></p> <p><i>Any legal action concerning the project that may be ongoing.</i></p>	<p>31 March 2017</p>

<b>Language of reports</b>	English
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**Definitions of EURIBOR and LIBOR****A**

**EURIBOR "EURIBOR"** means:

- (a) in respect of a relevant period of less than one month, the rate of interest for deposits in EUR for a term of one month;
- (b) in respect of a relevant period of one or more whole months, the rate of interest for deposits in EUR for a term for the corresponding number of whole months; and
- (c) in respect of a relevant period of more than one month (but not whole months), the rate resulting from a linear interpolation by reference to two rates for deposits in EUR, one of which is applicable

for a period of whole months next shorter and the other for a period of whole months next longer than the length of the relevant period,

(the period for which the rate is taken or from which the rates are interpolated being the "**Representative Period**"), as published at 11 hOO Brussels time or at a later time acceptable to the Bank on the day (the "**Reset Date**") which falls 2 (two) Relevant Business Days prior to the first day of the relevant period, on Reuters page EURIBOR 01 or its successor page or, failing which, by any other means of publication chosen for this purpose by the Bank. If such rate is not so published, the Bank shall request the principal euro-zone offices of four major banks in the euro-zone, selected by the Bank, to quote the rate at which EUR deposits in a comparable amount are offered by each of them as at approximately 11 hOO, Brussels time, on the Reset Date to prime banks in the euro-zone interbank market for a period equal to the Representative Period. If at least 2 (two) quotations are provided, the rate for that Reset Date will be the arithmetic mean of the quotations.

If fewer than 2 (two) quotations are provided as requested, the rate for that Reset Date will be the arithmetic mean of the rates quoted by major banks in the euro-zone, selected by the Bank, at approximately 11 hOO Brussels time on the day which falls 2 (two) Relevant Business Days after the Reset Date, for loans in EUR in a comparable amount to leading European Banks for a period equal to the Representative Period.

**LIBOR USD**

**"LIBOR"** means, in respect of USD:

- B.** in respect of a relevant period of less than one month, the rate of interest for deposits in USD for a term of one month;
- (a) in respect of a relevant period of one or more whole months, the rate of interest for deposits in USD for a term for the corresponding number of whole months; and
- (b) in respect of a relevant period of more than one month (but not whole months), the rate resulting from a linear interpolation by reference to two rates for deposits in USD, one of which is applicable for a period of whole months next shorter and the other for a period of whole months next longer than the length of the relevant period,
- (c)

(the period for which the rate is taken or from which the rates are interpolated being the "**Representative Period**"), as set by the British Bankers Association and released by financial news providers at 11 hOO London time or at a later time acceptable to the Bank on the day (the "**Reset Date**") which falls 2 (two) London Business Days prior to the first day of the relevant period.

If such rate is not so released by any financial news provider acceptable to the Bank, the Bank shall request the principal London offices of 4 (four) major banks in the London interbank market selected by the Bank to quote the rate at which USD deposits in a comparable amount are offered by each of them at approximately 11 hOO London time on the Reset Date, to prime banks in the London interbank market for a period equal to the Representative Period. If at least 2 (two) such quotations are provided, the rate will be the arithmetic mean of the quotations provided.

If fewer than 2 (two) quotations are provided as requested, the Bank shall request the principal New York City offices of 4 (four) major banks in the New York City interbank market, selected by the Bank, to quote the rate at which USD deposits in a comparable amount are offered by each of them at approximately 11h00 New York City time on the day falling 2 (two) New York Business Days after the Reset Date, to prime banks in the European market for a period equal to the Representative Period. If at least 2 (two) such quotations are provided, the rate will be the arithmetic mean of the quotations provided.

### C. LIBOR GBP

**"LIBOR"** means, in respect of **GBP**:

- (a) in respect of a relevant period of less than one month, the rate of interest for deposits in GBP for a term of one month;
- (b) in respect of a relevant period of one or more whole months, the rate of interest for deposits in GBP for a term for the corresponding number of whole months; and
- (c) in respect of a relevant period of more than one month (but not whole months), the rate resulting from a linear interpolation by reference to two rates for deposits in GBP, one of which is applicable for a period of whole months next shorter and the other for a period of whole months next longer than the length of the relevant period,

(the period for which the rate is taken or from which the rates are interpolated being the **"Representative Period"**),

as set by the British Bankers Association and released by financial news providers at 11 hOO London time or at a later time acceptable to the Bank on the day (the **"Reset Date"**) on which the relevant period starts or, if that day is not a Business Day in London, on the next following day which is such a Business Day.

If such rate is not so released by any financial news provider acceptable to the Bank, the Bank shall request the principal London offices of 4 (four) major banks in the London interbank market, selected by the Bank (the **"Reference Banks"**), to quote the rate at which GBP deposits in a comparable amount are offered by each of them at approximately 11 hOO London time on the Reset Date, to prime banks in the London interbank market for a period equal to the Representative Period. If at least 2 (two) such quotations are provided, the rate will be the arithmetic mean of the quotations provided.

If fewer than 2 (two) quotations are provided as requested, the rate will be the arithmetic mean of the rates quoted at approximately 11 hOO London time on the Reset Date by major banks in London (selected by the Bank) for loans in GBP in a comparable amount to leading European banks for a period equal to the Representative Period.

### D. General

For the purposes of the foregoing definitions:

- (a) **"London Business Day"** means a day on which banks are open for normal business in London and **"New York Business Day"** means a day on which banks are open for normal business in New York.
- (b) All percentages resulting from any calculations referred to in this Schedule will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with halves being rounded up.
- (c) The Bank shall inform the Borrower without delay of the quotations received by the Bank.
- (d) If any of the foregoing provisions becomes inconsistent with provisions adopted under the aegis of EuRiBOR FBE and EURIBOR ACI in respect of EURIBOR or of the British Bankers Association in respect of LIBOR, the Bank may by notice to the Borrower amend the provision to bring it into line with such other provisions.

**Schedule C**

### C.1 Form of Disbursement Offer/Acceptance (Articles 1.02B and 1.02C)

To: Statutární město Plzeň  
From: European Investment Bank  
Plzeň dated..... 2009 (the "Finance Contract")  
FI number..... Serapis number 2008 0027  
Date:  
Subject: Finance Contract between European Investment Bank and Statutární město

Dear Sirs,

We refer to the Finance Contract. Terms defined in the Finance Contract have the same meaning when used in this letter.

Following your request for a Disbursement Offer from the Bank, in accordance with Article 1. 02B of the Finance Contract, we hereby offer to make available to you the following Tranche:

- (a) Currency and amount to be disbursed and its EUR equivalent:
- (b) Scheduled Disbursement Date:
- (c) Interest rate basis:
- (d) Interest payment periodicity:
- (e) Payment Dates:
- (f) Terms for repayment of principal:
- (g) The first and last principal repayment dates:
- (h) The Interest Revision/Conversion Date, if any:
- (i) The Fixed Rate or Spread, applicable until Maturity Date or until the Interest Revision/Conversion Date, if any.

To make the Tranche available subject to the terms and conditions of the Finance Contract, the Bank must receive a Disbursement Acceptance in the form of a copy of this Disbursement Offer duly signed on your behalf, to the following fax number [ \_\_\_\_ ] no later than the Disbursement Acceptance Deadline of [time] Luxembourg time on [date].

The Disbursement Acceptance must be accompanied (if it has not been previously supplied) by:

- (i) the indication of the bank account (with IBAN code in case of disbursements in EUR or the appropriate format for the relevant currency) where disbursement of the Tranche should be made; and
- (ii) evidence of the authority of the person or persons authorised to sign it on behalf of the Borrower and the specimen signature of such person or persons.

If not accepted by the above stated time, the offer contained in this document shall be deemed to have been refused and shall automatically lapse.

If you do accept the Tranche as described in this Disbursement Offer, all the related terms and conditions of the Finance Contract shall apply, in particular, the provisions of Article 1. 04.

Yours faithfully,

EUROPEAN INVESTMENT BANK

We hereby accept the above Disbursement Offer:

For and behalf of Statutární město Plzeň Date:

**C.2 Form of Certificate from Borrower (Article 1.04B)**

To: European Investment Bank From:

Statutární město Plzeň

Plzeň dated ..... 2009 (the "Finance Contract")

FI number ..... Serapis number 2008 0027

Date:

Subject: Finance Contract between European Investment Bank and Statutární město

Dear Sirs,

Terms defined in the Finance Contract have the same meaning when used in this letter.

For the purposes of Article 1.04 of the Finance Contract we hereby certify to you as follows:

- (a) we are in compliance with the financial covenants pursuant to Article 6.07 and attached is evidence of such compliance;
- (b) no security of the type prohibited under Article 7.01 has been created or is in existence;
- (c) there has been no material change to any aspect of the Project or in respect of which we are obliged to report under Article 8.01, save as previously communicated by us;
- (d) no event or circumstance which constitutes or would with the passage of time or giving of notice under the Finance Contract constitute an event of default under Article 10.01 has occurred and is continuing unremedied or unwaived;
- (e) no litigation, arbitration administrative proceedings or investigation is current or to our knowledge is threatened or pending before any court, arbitral body or agency which has resulted or if adversely determined is reasonably likely to result in a Material Adverse Change, nor is there subsisting against us any unsatisfied judgement or award which has resulted or is reasonably likely to result in Material Adverse Change;
- (f) the representations and warranties to be made or repeated by us under Article 6.10 are true in all respects; and
- (g) no Material Adverse Change has occurred, as compared with our condition at the date of the Finance Contract.

Yours faithfully,

For and on behalf of Statutární město Plzeň

Date:

**Interest Rate Revision and Conversion**

If an Interest Revision/Conversion Date has been included in the Disbursement Offer for a Tranche, the following provisions shall apply.

**A. Mechanics of Interest Revision/Conversion**

Upon receiving an Interest Revision/Conversion Request the Bank shall, during the period commencing 60 (sixty) days and ending 30 (thirty) days before the Interest Revision/Conversion Date, deliver to the Borrower an Interest Revision/Conversion Proposal stating:

- (a) the interest rate and/or Spread that would apply to the Tranche, or the part thereof indicated in the Interest Revision/Conversion Request pursuant to Article 3.01; and
- (b) that such rate shall apply until the Maturity Date or until a new Interest Revision/Conversion Date, if any, and that interest is payable quarterly, semi-annually or annually in arrears on designated Payment Dates.

The Borrower may accept in writing an Interest Revision/Conversion Proposal by the deadline specified therein.

Any amendment to the Contract requested by the Bank in this connection shall be effected by an agreement to be concluded not later than 15 (fifteen) days prior to the relevant Interest Revision/Conversion Date.

**B. Effects of Interest Revision/Conversion**

If the Borrower duly accepts in writing a Fixed Rate or a Spread in respect of an Interest Revision/Conversion Proposal, the Borrower shall pay accrued interest on the Interest Revision/Conversion Date and thereafter on the designated Payment Dates.

Prior to the Interest Revision/Conversion Date, the relevant provisions of the Contract and Disbursement Offer and Disbursement Acceptance shall apply to the entire Tranche. From and including the Interest Revision/Conversion Date onwards, the provisions contained in the Interest Revision/Conversion Proposal relating to the new interest rate or Spread shall apply to the Tranche (or part thereof) until the new Interest Revision/Conversion Date, if any, or until the Maturity Date.

**C. Non-fulfillment of Interest Revision/Conversion**

If the Borrower does not submit an Interest Revision/Conversion Request or does not accept in writing the Interest Revision/Conversion Proposal for the Tranche or if the parties fail to effect an amendment requested by the Bank pursuant to Paragraph A above, the Borrower shall repay the Tranche (or part thereof) on the Interest Revision/Conversion Date, without indemnity. The Borrower will repay on the Interest Revision/Conversion Date any part of a Tranche which is unaffected by the Interest Revision/Conversion.

## Summary of pledges of property of the City of Pilsen according to the extract from the Land Registry

Order	Subject to Pledge	Title No.	Cadastral area	Amount of financial obligations in CZK	Reason for Pledge	Pledgee	Location	Duration of the Pledge till
1.	building No. 1864,situated on the plot No.3976	1	Plzeň	1,280,000	subsidy-tenement apartments.	MMR	Francouzská 20	May 25, 2019
2.	building No. 1863,situated on the plot No.3977	1	Plzeň	1,280,000	subsidy-tenement apartments	MMR	Francouzská 18	May 25, 2019
3.	building No. 1862, situated on the plot No.3978	1	Plzeň	960,000	subsidy-tenement apartments	MMR	Francouzská 16	May 25, 2019
4.	building No. 1865,situated on the plot No.3975	1	Plzeň	960,000	subsidy-tenement apartments	MMR	Francouzská 22	May 25, 2019
5.	building No. 2773,situated on the plot No.9358	1	Plzeň	5,450,000	subsidy-tenement apartments	MMR	Rybářská 3	January 23, 2022
6.	building No. 1157,situated on the plot No. 11102/581	1	Plzeň	8,000,000	subsidy-tenement apartments	MMR	Slupská 3	December 28, 2022
7.	building No. 131,situated on the plot No. 10018	1	Plzeň	2,400,000	subsidy-tenement apartments	MMR	Klatovská 26	February 20, 2023
8.	building No. 1197 situated on the plot No.11102/646 and No. 1196 situated on the plot No.11102/649	1	Plzeň	15,680,000	subsidy-tenement apartments	MMR	Sedlecká 5,6	August 25, 2023
9.	building No. 347situated on the plot No.213	1	Plzeň	1,200,000	subsidy-tenement apartments	SFŽP	sady Pětaticátníků 20	May 2, 2023
10.	building No. 1878, 1877 situated on the plot No.9708	1	Plzeň	4,400,000	subsidy-tenement apartments	MMR	Plachého ul.50,52	September 6, 2017
11.	apartment units No. 2602/1-27,situated on the plot 1424/2	23727	Plzeň	8,640,000	subsidy-tenement apartments	MMR	Sladkovského 61	November 14, 2021
12.	South suburb building No.2756, situated on the plot No.8547/12 Pledge of co-ownership share 4/9	10597	Plzeň	13,120,000	subsidy-tenement apartments	MMR	Borská 53A	August 26, 2019
13.	building Doubravka No. 5, situated on the plot No.2200/1	1	Doubravka	6,000,000	subsidy-tenement apartments	MF	Zábělská 43	September 6, 2015
14.	building No. 2565,situated on the plot No. 1593	1	Plzeň	9,273,903	subsidy - House with community care services community care services	MMR	Plzenecká 21	June 29, 2043
15.	building No 1277,situated on the plot No.11102/834 building No 1278,situated on the plot No.11102/834 building No 1247situated on the plot No.11102/834 building No 1 279situated on the plot No.11102/834 building No 1280situated on the plot No. 11102/834	1	Plzeň	16,000,000	subsidy-tenement apartments	MMR	Sedlecká 7	December 22,2024
16.		1	Plzeň				Sedlecká 9	December 22,2024
17.		1	Plzeň				Brněnská65/Znojemská 46	December 22,2024
15.		1	Plzeň				Brněnská 63	December 22,2024
16.		1	Plzeň				Brněnská 61	December 22,2024
20.	building No 1294 on the plot No 11102/910 building No 1295 on the plot No 11102/911 building No 1296 on the plot No 11102/912	1	Plzeň	24,320,000	subsidy-tenement apartments	MMR	Mutěnická 5	October 21,2025
21.		1	Plzeň				Mutěnická 7	
22.		1	Plzeň				Slupská 6	
Total				118,963,903				

Title No. - number of the title of ownership (certificate of ownership)

SFZP - "State Fund of Environmental Protection" Duration of pledges remains until liabilities based on the contract on subsidies are fulfilled MMR -

Ministry of Regional Development MF- Ministry of Finance





*Pilsen City Council Resolution*

*City Council Meeting No.: 033  
Date of meeting: 12 November 2009*

*Draft Resolution Ref: REU/2*

No. 666

The Pilsen City Council:

**I. Acknowledges**

1. Pilsen City Council Resolution No 116 dated 10 April 2008, which approved the list of city projects to be prepared for implementation and co-funding in the EU grant programming period 2007-2013;
2. Pilsen City Council Resolution No. 958 dated 21 August 2008, which confirmed the city's interest in negotiating with the European Investment Bank to secure a credit facility to co-fund the City of Pilsen's projects supported by the EU in the programming period 2007-2013;
3. the fact that the European Investment Bank approved for the City of Pilsen a credit of CZK 2 billion to co-fund the Pilsen Urban Infrastructure II project, which will facilitate the improvement, renewal, upgrading and extension of the municipal infrastructure;
4. the information contained in the explanatory report.

**II. Approves**

the execution of Finance Contract by and between the Chartered City of Pilsen and the European Investment Bank, having its seat at 100 blvd Konrad Adenauer, Luxembourg, L-2950 Luxembourg; the subject matter of the Contract shall be the provision of a credit facility in the amount of CZK 2 billion, to co-finance the renewal of the City of Pilsen's infrastructure, which is attached in Annex 1 hereto.

**III. Imposes**

on the Pilsen City Board

an obligation to make arrangements for the execution of the Finance Contract in accordance with part II of this Resolution.

To be completed by: 31 December 2009

Responsible: Pavel Rodl

Vladimir  
Duchek Hana  
Kuglerova

*Marcela Krájsová Deputy Mayor*

*Pavel Rodl Mayor,  
City of Pilsen*

## Usnesení Zastupitelstva města Plzně

č. 666

### I. B e r e n a v ě d o m í

1. Usnesení ZMP č. 116 ze dne 10. 4. 2008, kterým byl schválen seznam projektů města připravovaných pro realizaci a dofinancování v rámci dotačního programového období Evropské unie 2007 -2013.
2. Usnesení RMP č. 958 ze dne 21. 8. 2008, kterým byl potvrzen zájem města jednat s Evropskou investiční bankou o úvěrovém rámci na spolufinancování projektů města Plzně podporovaných z EU v programovém období 2007 - 2013.
3. Skutečnost, že Evropská investiční banka schválila pro město Plzeň úvěrový rámec 2 mld. Kč na spolufinancování projektu Plzeňská městská infrastruktura II, který přispěje ke zlepšení, obnově, modernizaci a rozšíření městské infrastruktury.
4. Informace uvedené v důvodové zprávě.

II. S c h v a l u j e uzavření Finanční smlouvy mezi statutárním městem Plzeň a Evropskou investiční bankou se sídlem 100 blvd Konrád Adenauer, Lučemburk, L-2950 Lucembursko, jejímž předmětem je poskytnutí úvěrového rámce ve výši 2 mld. Kč na spolufinancování akcí na obnovu infrastruktury města Plzně, která tvoří přílohu č. 1 tohoto usnesení.

### III. U k l á d á

Radě města Plzně

zajistit realizaci uzavření Finanční smlouvy v souladu s bodem II. tohoto usnesení Termín:

Ing. Duchek,  
Ph.D Ing.  
Kuglerová

Za správnost

31. 12. 2009  
15-11-2009

Zodpovídá: Ing. Rodl

V  
Plzni  
dne:

*Ing. Pavel Růdl*  
primátor města Plzně



*JUDr. Marcela Krájsová*  
náměstkyně primátora

## *Pilsen City Council Resolution*

*City Council Meeting No.: 01*

*Date of meeting: 2 November 2006*

*Draft Resolution Ref: PRIW1*

No. 630.

The Pilsen City Council:

### **I. A c k n o w l e d g e s**

1. the fact that the Election and Mandate Commission verified the validity of the election of Pilsen City Council members by checking the certificate of election issued by the registration office;
2. the resignation of Mr. Petr Domanický from his mandate as Pilsen City Council member;
3. the inception of mandate as City Council member for Mr. Miroslav Zábanský as the first substitute for the vacant mandate;
4. the fact that incompatibility of functions occurred in the case of Pilsen City Council member Ms. Helena Matoušová as at the date of her election, pursuant to Section 5(2) of Act No. 491/2001 Coll, on Election to Municipal Councils; Ms. Matoušová's notice that she made a legal act pursuant to Section 55(6) of Act No. 491/2001 on Election to Municipal Councils;
5. the fact that all present members of the Pilsen City Council made and signed the oath as required by law.

### **II. A p p r o v e s**

1. the Pilsen City Board consisting of nine members, of which one is the full-time function of the Mayor of Pilsen, four full-time functions of Deputy Mayors of Pilsen and four other full-time positions of City Board Members.
2. The full-time function of a City Council member - Chairman of the Pilsen City Council Audit Committee.

### **III. E l e c t s**

1. the following full-time members of the Pilsen City Board, by an absolute majority of all votes of the Pilsen City Council members:

- |                                      |                          |
|--------------------------------------|--------------------------|
| • Mayor of the City of Pilsen        | Mr. Jiří Uhlík           |
| • First Deputy Mayor, City of Pilsen | Ms. Marcela Krejsová Mr. |
| • Statutory Vice-Mayor               | Vladimír Duchek Mr.      |
| • Deputy Mayor of the City of Pilsen | Petr Náhlík Mr.          |
| • Deputy Mayor of the City of Pilsen |                          |
| • Deputy Mayor of the City of Pilsen |                          |
| • Pilsen City Board Member           |                          |

Mr. Pavel Rodl

Miroslav Charvát

*Ing. Pavel Rodl  
Mayor, City of Pilsen*

*Jiří Uhlík  
Deputy Mayor*

*Pilsen City Council  
Resolution*

*C06 Council Meeting No.: 01  
Date of meeting: 2 November*

*Draft Resolution Ref: PRLM/1  
Resolution No. 630 continued*

Pilsen City Board Member	Ms. Petra Fischerová
Pilsen City Board Member	Mr. Petr Rund Mr.
Pilsen City Board Member	Vladimír Tichý

2. Mr. Milan Chovanec Chair of the Audit Committee, by an absolute majority of all votes of the Pilsen City Council members.

**IV. I m p o s e s**

1. on the Pilsen City Board an obligation to:
- a) convene its first regular City Council Meeting to be held on 16 November 2006.  
To be completed by: 16 November 2006 Responsible: Mayor Rodl  
\* Mr. Kšanda
  - b) organise a training session for Pilsen City Council members concerning the principles of budgeting for the City of Pilsen for 2007 or, as the case may be, concerning other legislation necessary to execute the functions of a municipal council member, to be held on 23 November 2006 at 2 p.m. in the Meeting Room of the Pilsen City Hall.  
To be completed by: 23 November 2006 Responsible: Mayor Rfidl  
Mr. Kšanda Mr.
  - c) convene the first regular City Board Meeting to be held on TONnviekber 2006.  
To be completed by: 9 November 2006 Responsible: Mayor Rodl  
Mr. Ksanda
2. on the chairs of the political clubs of the Pilsen City Council an obligation to: submit proposals of candidates for Pilsen City Council committees and to submit them at the Pilsen City Council Meeting on 16 November 2006.  
To be completed by: 16 November 2006 Responsible: Mayor Rodl  
chairs of political clubs Mr.  
Kšanda

*Ing. Pavel Rö dl Mayor, City of Pilsen <sup>1</sup>*

*Jiří U h l í k  
Deputy Mayor*

Usnesení Zastupitelstva města  
Plzně

Číslo ZMP: 01

Datum koňmi ZMP: 2. H. 200(5)

Označení návrhu usnesení: PRIM/1

č. 630

1. Skutečnost, že volební a mandátová komise provedla ověření platnosti voleb členů

1. B e r e n a v ě d o m í

Zastupitelstva města Plzně formou kontroly osvědčení o zvolení vydaného registračním úřadem.

2. Rezignaci Ing. Arch. Petra Domanického na mandát člena Zastupitelstva města Plzně.

3. Vznik mandátu člena ZMP pro Ing. Miroslava Zábranského jako prvního náhradníka na uvolněný mandát.

4. Skutečnost, že u členky Zastupitelstva města Plzně pí Heleny Matoušové nastala ke dni zvolení neslučitelnost funkcí podle § 5, odst. 2, zák. č. 491/2001 Sb. O volbách do zastupitelstev obcí a oznámení pí zastupitelky, že učinila právní úkon v souladu s ustanovením § 55, odst. 6, zák. č. 491/2001 Sb. O volbách do zastupitelstev obcí.

5. Skutečnost, že všichni přítomní členové Zastupitelstva města Plzně složili a podepsali zákonem předepsaný slib.

II. S c h v a l u j e

1. Devítičlennou Radu města Plzně, z toho uvolněnou funkci primátora města Plzně, čtyři uvolněné členy RMP - náměstkyně primátora města Plzně a další čtyři uvolněné členy RMP.

2. Funkci uvolněného člena ZMP - předsedy kontrolního výboru ZMP.

III. V o l í

1. Nadpoloviční většinou hlasů všech členů Zastupitelstva města Plzně tyto uvolněné členy Rady města Plzně:

primátor města Plzně

Rodí Pavel, Ing.

• první náměstek primátora města Plzně

Uhlík Jiří

statutární zástupce primátora

Krejsová Marcela, JUDr.

• náměstek primátora města Plzně

Duchek Vladimír, Ing. Ph.D.

• náměstek primátora města Plzně

Náhlík Petr, Ing.

• náměstek primátora města Plzně

Charvát Miroslav, Mgr. Ing.

• člen Rady města Plzně

Fischerová Petra, Mgr.

• člen Rady města Plzně

Rund Petr, Ing.

Tichý Vladimír, Ing.

**2 1 8 - I I - 2 0 0 9**

Ing. Pavel Rodí  
primátor města Plzně



• člen Rady

města Plzně

• člen Rady

města Plzně

Za správnost

Jiří

náměstík primátora



Statutární město Plzeň

V Plzni dne 24. listopadu 2009

Č.j.: MMP/107704/09

## ***Podpisový vzor***

*Já, Ing. Pavel Ródl, narozen dne            a bytem            , jako primátor Statutárního města Plzně, zvolený usnesením Zastupitelstva města Plzně č. 630 ze dne 2. 11. 2006, se při právních úkonech činěných jménem Statutárního města Plzně ve vztahu k Evropské investiční bance budu podepisovat následovně:*

**Ing. Pavel R o d l**  
primátor města Plzně



*Pilsen, Date: 24.11. 2009*

## ***Specimen Signature***

*I, Pavel Rödl, born on            and residing in            , as the Mayor of the Chartered City of Pilsen, elected in Resolution No. 630 passed by the Pilsen City Council on 2 November 2006, will sign my name as follows in legal acts carried out in the name of the Chartered City of Pilsen in relation to the European Investment Bank:*

## Form of Legal Opinion

ANNEX II

European Investment Bank 100 Bd. Konrad Adenauer L-2950  
Luxembourg Grand Duchy of Luxembourg To the attention of  
the Legal Department - Operations

</> , </>

### R e : Finance Contract for Plzen Urban Infrastructure II

Dear Sirs,

I am acting as internal counsel to Statutární město Plzeň (the "Borrower") in connection with the finance contract (the "Finance Contract") for Plzen Urban Infrastructure II in an amount of CZK 2 billion, made on < / > between the European Investment Bank (the "Bank") and the Borrower. I am giving this opinion pursuant to Article 1.04A of the Finance Contract. All terms used herein and not otherwise defined shall have the same meaning as in the Finance Contract.

I have examined an original of the Finance Contract and I have examined such laws, documents and other matters as I have deemed necessary or appropriate for the purpose of giving this opinion.

This opinion is confined to matters of Czech law and no opinion is expressed as to the laws of any other jurisdiction. Subject to the foregoing, I am of the opinion that:

1. The Borrower is a statutární město validly existing under the laws of the Czech Republic and has full powers to own the properties which it owns and to carry out the business which it carries out.
2. The Borrower has the corporate power to enter into and perform the Finance Contract.
3. Pursuant to </>, the </> is the competent organ to authorise the Borrower to enter into the Finance Contract and such organ has authorised the execution of the Finance Contract.
4. The Finance Contract has been duly executed and delivered on behalf of the Borrower by </> , </> by virtue of the powers given to them by </>.
5. The entry into the Finance Contract and the compliance with its terms:
  - (i) will not result in violation of the Borrower's constitutional documents or any provision contained in any law applicable to the Borrower;
  - (ii) will not conflict with or result in the breach of any provision of, or require any consent under, or result in the imposition of any Security (as defined in the Finance Contract) under, any agreement or instrument to which the Borrower is a party or by which the Borrower or any of its assets is bound; and
  - (iii) will not constitute a default or an event that, with the giving of notice or the passing of time or both, would constitute a default under any such agreement or instrument.
6. No provision exists in the Czech Republic which would make it necessary that the Finance Contract be filed, recorded or enrolled with any court or authority in order to ensure its legality, validity or enforceability.
7. The Finance Contract constitutes a direct, unconditional obligation of the Borrower which ranks in priority of payment at least *pari passu* with all other present and future indebtedness of the Borrower other than indebtedness mandatorily preferred by law.
8. To the best of my knowledge after due inquiry:
  - (i) the Borrower is not in violation of any present statute, regulation, judgement or order applicable to it in the Czech Republic;
  - (ii) no statute or regulation has been proposed and no judgement or order is expected which may have any materially adverse effect on the Borrower's business prospects or financial condition;
  - (iii) the Borrower is not engaged in, or threatened by, any litigation, arbitration or administrative proceeding the outcome of which may materially and adversely affect its business prospects or financial condition;
  - (iv) the Borrower is not in default under any material agreement, obligation or duty to which it is a party or by which it or any of its properties or assets is bound; and
  - (v) there exists no event of default (as set out in Article 10.01 of the Finance Contract) and no event which, with the giving of notice, the passage of time or the making of any determination, or any combination thereof, could become such an event of default.
9. The choice of the laws of Luxembourg as the law governing the Finance Contract is valid and enforceable.
10. Pursuant to Article 11.02 of the Finance Contract, the Luxembourg courts shall have jurisdiction in

connection with any claim or dispute between the Borrower and the Bank, and any judgement of such court pertaining to the Finance Contract can be enforced in the Czech Republic in accordance with Council Regulation No. 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgements in civil and commercial matters (the "**Regulation**").

11. No taxes, duties, fees or other charges, including, without limitation, any registration or transfer tax, stamp duty or similar levy, imposed by the Czech Republic or any political subdivision or taxing authority thereof or therein are payable in connection with the execution and delivery of the Finance Contract, nor in connection with any payment to be made by the Borrower to the Bank pursuant to the same Finance Contract.
12. All exchange control consents which may be necessary pursuant to the laws of the Czech Republic to receive disbursements, to repay the same and to pay interest and all other amounts due under the Finance Contract are in full force and effect.

Based on the foregoing, I am of the opinion that all requirements currently applicable to the Borrower and governing the Finance Contract in relation to the laws of the Czech Republic have been complied with and that the Finance Contract constitutes valid and binding obligations of the Borrower enforceable in the Czech Republic in accordance with their terms.

Yours faithfully,



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