

THIS DOCUMENT IS A FREE NON BINDING TRANSLATION, FOR INFORMATION PURPOSES ONLY, OF THE FRENCH LANGUAGE PROSPECTUS DATED 6 NOVEMBER 2012 WHICH RECEIVED VISA NO. 12-532 FROM THE AUTORITE DES MARCHES FINANCIERS ON 6 NOVEMBER 2012 (THE "AMF PROSPECTUS"). ONLY THE AMF PROSPECTUS WAS GRANTED A VISA BY THE AUTORITE DES MARCHES FINANCIERS. IN THE EVENT OF ANY AMBIGUITY OR CONFLICT BETWEEN CORRESPONDING STATEMENTS OR OTHER ITEMS CONTAINED IN THE AMF PROSPECTUS AND THIS DOCUMENT, THE RELEVANT STATEMENTS OR ITEMS OF THE AMF PROSPECTUS SHALL PREVAIL. FOR THE AVOIDANCE OF DOUBT, REFERENCES IN THIS DOCUMENT TO THE "PROSPECTUS" ARE TO THE "AMF PROSPECTUS" AND DOES NOT INCLUDE ITS ENGLISH TRANSLATION.

Prospectus dated 6 November 2012



**Prospectus related to the admission to trading on the NYSE Euronext regulated market in Paris
of €97,000,000 3.875 per cent. notes due 8 November 2027**

Issue Price: 99.385 per cent.

This document constitutes a prospectus (the "**Prospectus**") for the purposes of Article 5.3 of Directive 2003/71/EC of the European Parliament and the Council dated 4 November 2003 as amended by Directive 2010/73/EU dated 24 November 2010.

The €97,000,000 3.875 per cent. notes issued by Communauté Urbaine Marseille Provence Métropole (the "**Issuer**" or "**Marseille Urban Community**") maturing on 8 November 2027 (the "**Notes**") will be issued on 8 November 2012 (the "**Issue Date**").

Interest on the Notes will accrue from, and including, the Issue Date at the rate of 3.875 per cent. per annum, payable annually in arrear on 8 November in each year, and for the first time on 8 November 2013 for the period from, and including, the Issue Date to, but excluding, 8 November 2013.

Unless previously redeemed or purchased and cancelled, in accordance with the terms and conditions of the Notes, the Notes will be redeemed at par on 8 November 2027 (the "**Maturity Date**").

The Notes may, and in certain circumstances shall, be redeemed before the Maturity Date, in whole only but not in part, at par, together with, if applicable, accrued interest, notably in the event of any change in taxation as described under Condition 7 of the terms and conditions of the Notes or if any event occurs as described under Condition 9 of the terms and conditions of the Notes.

The Notes will be issued in dematerialised bearer form in the denomination of € 100,000 each. Title to the Notes will be evidenced by book entries in accordance with Articles L.211-3 *et seq.* of the French *Code monétaire et financier*. No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes.

The Notes will, upon issue, be inscribed in book entry form on the Issue Date in the books of Euroclear France which shall credit the accounts of the Account Holders. "**Account Holders**" shall mean any intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, Clearstream Banking, *société anonyme*, Luxembourg and Euroclear Bank S.A./N.V.

Application has been made for the Notes to be listed and admitted to trading on the NYSE Euronext regulated market in Paris ("**Euronext Paris**") as from the Issue Date. Euronext Paris is a regulated market within the meaning of the Directive 2004/39/EC, as amended.

The Notes are assigned a A+ rating by Fitch France S.A.S. ("**Fitch**"). As of the date of the Prospectus, Fitch is a credit rating agency established in the European Union, registered under Regulation 1060/2009/EC of the European Parliament and the Council dated 16 September 2009 on credit rating agencies as amended (the "**CRA Regulation**") and included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority (www.esma.europa.eu) in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal at any time. As of the date of this Prospectus, the Issuer is not rated by any credit rating agency.

This Prospectus is available on the websites of the AMF (www.amf-france.org) and of the Issuer (www.marseille-provence.com); it is also available for inspection and may be obtained, free of charge, at the registered office of the Issuer and at the specified office of the Fiscal Agent during normal business hours.

See the "Risk Factors" section for a description of certain factors which should be considered by prospective investors prior to any investment in the Notes.

Lead Manager

HSBC

This Prospectus contains all the necessary information enabling prospective investors to knowingly assess the activities and financial position of the Issuer as well as the rights attached to the Notes, notably the information required by schedules XIII and XVI of Regulation 809/2004/EC.

The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import. The Issuer accepts responsibility for the information contained therein.

*HSBC France (the "**Lead Manager**") has not verified the information contained in this Prospectus. The Lead Manager does not make any representation, express or implied, nor accepts any responsibility, with respect to the accuracy or completeness of any of the information contained in this Prospectus.*

This Prospectus does not constitute an offer of, or an invitation by (or on behalf of), any of the Issuer or the Lead Manager to subscribe or purchase any of the Notes.

No person is authorised whether by the Issuer or the Lead Manager to give any information or make any representation other than those contained in this Prospectus and, if any such information or representation was given or made, it should not be viewed as having been authorized by the Issuer or Lead Manager. The delivery of this Prospectus or any sale of Notes at any time shall under no circumstances imply (i) that there has been no change with respect to the Issuer since the date hereof or (ii) that the information contained therein is correct as at any time subsequent to its date.

This Prospectus and any other information relating to the Issuer or the Notes are not intended to constitute elements enabling an assessment of the financial position of the Issuer or of the Notes and should not be considered as a recommendation to purchase the Notes by any of the Issuer or the Lead Manager addressed to the recipients of this Prospectus. Each prospective investor should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. The Lead Manager does not undertake to review the financial or general condition of the Issuer during the life of the Notes nor to advise any investor or prospective investor of any information coming to its attention with respect thereto. Investors should in particular conduct their own analysis and assessment of all the implications of an investment in the Notes and of the risks relating to the Issuer, its activities, its financial position and relating to the issued Notes and consult their own financial or legal advisers about risks associated with an investment in the Notes and the suitability of such an investment in light of their particular circumstances. Prospective investors should read carefully the section entitled "Risk Factors" set out in this Prospectus before deciding to invest in the Notes.

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law or regulation. In particular, no action has been taken by the Issuer or the Lead Manager which is intended to permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offers and sales of Notes and distribution of this Prospectus, see section "Subscription and Sale" below.

*The Notes have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the "**U.S. Securities Act**"). In accordance with U.S. laws, and subject to certain exceptions, the Notes may not be offered or sold within the United States of America or to U.S. Persons (both as defined in Regulation S under the U.S. Securities Act).*

*In this Prospectus, references to "€", "**EURO**", "**EUR**" or to "**euro**" are to the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended.*

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RESPONSIBILITY FOR THE PROSPECTUS

1. Person assuming responsibility for the information contained in the Prospectus

Marseille Urban Community

Les Docks, Atrium 10.7
10 place de la Joliette
BP 48014
13567 Marseille Cedex 02
France

2. Declaration by the person assuming responsibility for the information contained in the Prospectus

After having taken all reasonable measures to ensure that such is the case, I hereby certify that the information contained in this Prospectus is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

Marseille, 6 November 2012

Eugène Caselli,

President of the Marseille Urban Community

RISK FACTORS

The Issuer considers that the risk factors described below are important to make an investment decision in the Notes and/or may alter its ability to fulfil its obligations under the Notes towards investors. Those risks are unpredictable and the Issuer cannot comment on their potential occurrence.

The following describes the main risk factors relating to the Issuer and the Notes that the Issuer considers, as of the date hereof, material with respect to the Notes. Those risk factors are however not exhaustive. Other risks, unknown to the Issuer or considered as not being material as of the date hereof, may have a material impact on an investment in the Notes.

Prior to making an investment decision in the Notes, prospective investors should consider carefully all the information contained in this Prospectus, including notably the risk factors detailed below. In particular, prospective investors, subscribers and holders of Notes must make their own analysis and assessment of all the risks associated to the Notes and the risks related to the Issuer, its activities and its financial position. They should also consult their own financial or legal advisors as to the risks entailed by an investment in the Notes and the suitability of such an investment in light of their particular circumstances.

The Issuer believes that the Notes should only be purchased by investors who are financial institutions or other qualified investors who are able to assess the specific risks implied by an investment in the Notes, or who act on the advice of financial institutions.

The order in which the following risk factors are presented is not an indication of the likelihood of their occurrence.

Terms defined in the "Terms and Conditions of the Notes" section of this Prospectus shall have the same meaning where used below.

1. Risks related to the Issuer

1.1 Asset risks

The Issuer's asset risks stem from all of the damages, accidents, destruction and physical losses that might occur to all its real and moveable property, chiefly from natural disasters, fire, vandalism, and so forth.

To cover these risks, territorial communities and their groups subscribe to appropriate insurance policies. In specific fields where they are not subject to any insurance obligations, they can decide not to subscribe to insurance and handle any damages that might occur on their own.

The insurances policies subscribed by the Issuer cover civil liability, against the financial consequences that it could handle because of damages caused to third parties and claims that could be brought against it (with deductible amounting to €30,000 per accident as regards material accidents). The Issuer's insurances also cover the whole car fleet and the damages to real and personal property. The latter have a deductible on all buildings and properties owned, leased or occupied for any purpose whatsoever by the Issuer (deductible of 10 per cent. of the amount of the indemnified accident with a minimum amount of €3,000 and a maximum amount of €100,000). The subscription to these insurances "Civil Liability" and "Damages to properties" do not constitute a legal obligation for the Issuer; as a precautionary measure, the Issuer subscribes to such insurance policies.

1.2 Possible warning factors related to legal ratios

The ratios of Act no. 92-125 of 6 February 1992 on the territorial administration of the Republic (called the "ATR" Act) provide a means of analysing the financial situation of a local community. They are presented in a consolidated manner for each Issuer, between the main budget and the ancillary budgets, in thousands of euros.

In practice, such ratios correspond to a legal obligation, but they also are a warning factor for any possible investor, when the amount of expenditures (or receipts) is higher (or lower) than the national average of the layer.

The ratios (Source: The ratios come from the ATR Act no. 92-125 of 6 February 1992)

Ratio	Analytical use
Real Operating Expenses per Resident	Measures the level of service rendered.
Tax Revenue per Resident	Measures the level of receipts from the taxpayer, corresponding to the direct taxation divided by the population.
Real Operating Receipts per Resident (€)	Measures the community's financial means. Any surplus from the previous year is not included.
Total Equipment Expenditures per Resident (€)	Measures the equipment expenses.
Outstanding Debt per Resident (€)	Measures the level of indebtedness. It is the capital remaining due as of 31 December.
Global Operating Provision per Resident (€)	Measures the State's main provision to local communities.
Share of staff expenses in Real Operating Expenses (%)	Relative measure of staff expenses. This is an incompressible expense regardless of the community's population.
Tax potential Mobilisation Coefficient	Measure of the level of relative fiscal pressure weighing upon the taxpayers.
Share of Real Operating Expenses including debt reimbursements in the Real Operating Receipts (%)	Measure of the margin for manoeuvre with regards to self-financing once mandatory expenses are paid.
Share of Total Equipment Expenses in the Real Operating Expenses (%)	Measure of the relative weight of investment in the budget.
Share of Outstanding Debt in Real Operating Receipts (%)	Measures the volume of indebtedness, <i>i.e.</i> , the debt load relative to wealth.

The legal ratios of the Marseille Urban Community

Consolidated data in euro: Main Budget and Ancillary Budgets				
	AA* 2010	National Average of the layer 2010**	AA 2011	National Average of the layer 2011
Real Operating Expenses per Resident	753	831	499	831
Tax Revenue per Resident	332	390	296	390
Real Operating Receipts per Resident	858	870	564	870
Total Equipment Expenses per Resident	246	298	140	298
Outstanding Debt per Resident	ND	843	781	843
Global Operating Provision per Resident	178	232	183	232
Share of Staff Expenses in Real Operating Expenses (%)	19.12	22	18,17	22
Tax potential Mobilisation Coefficient	0.94	0,74	0,94	0,74
Share of Real Operating Expenses (including debt reimbursements) in Real Operating Receipts (%)	95.22	104	88,57	104
Share of Total Equipment Expenditures in Real Operating Receipts (%)	28.72	34	24,78	34
Share of Outstanding Debt in Real Operating Receipts (%)	129	96	127	96

*AA: The Administrative Account constitutes the report of the management of the Marseille Urban Community (the instructing party) for the past year. It traces out the cumulative credit lines in expenditures and receipts voted by the community council, the expenditures and receipts realized by the instructing party during the past year, including those which are committed but not yet paid or received, and it records the accounting results.

** Average of the category to which the Issuer belongs to.

The 2012 primary budget and the 2012 supplementary budget are the forecast data for 2012. The legal ratios are consolidated (main budget and ancillary budgets), but are also presented budget-by-budget for the supplementary 2012 budget. The words "main budget" indicate when this is not the case.

Consolidated data in euro: Main Budget and Ancillary Budgets				
	PB* 2012	National Average of the layer 2012	SB** 2012	National Average of the layer 2012
Real Operating Expenses per Resident	524	831	562,46	831
Tax Revenue per Resident	309	390	309,14	390
Real Operating Receipts per Resident	566	870	569,79	870
Total Equipment Expenses per Resident	181	298	201,40	298
Outstanding Debt per Resident	776	843	775,64	843
Global Operating Provision per Resident	182	232	181,93	232
Share of Staff Expenses in Real Operating Expenses (%)	17,33	22	16,52	22
Tax potential Mobilisation Coefficient	0,94	0,74	0,94	0,74
Share of Real Operating Expenses (including debt reimbursements) in Real Operating Receipts (%)	99,3	104	105,36	104
Share of Total Equipment Expenditures in Real Operating Receipts (%)	32,03	34	35,35	34
Share of Outstanding Debt in Real Operating Receipts (%)	130	96	129,44	96

* PB: The Primary Budget is a forecast financial document which traces the forecasts expenditures and receipts of the year. It is drawn up before the beginning of the year. It includes an operating section and an investment section.

** SB: The Supplementary Budget, which is generally drawn up during the second half of the year, mainly aims at reproducing the budgetary results of the previous year.

1.3 Risks related to the level of tax potential by the Issuer

Tax potential is an indicator used to compare the potential tax wealth of local communities relative to each other. It is calculated using the following four taxation items: the occupancy tax; the real estate tax on built properties, the real estate tax on unbuilt properties; and the income taxes that now replace the former professional tax ("TP"). The tax potential is found by multiplying the raw bases for year N-1 by the national average rate.

The tax potential for 2012 comes from notification of the global operating provision for 2012. The tax reform of 2011 changed the way it is calculated. As a comparison, the tax potential of the Marseille Urban Community and the national average of the layer are indicated below (the specified amounts are expressed in Euro):

	2010	2011	2012
Tax potential of the Marseille Urban Community	386,112,130	387,432,722	387,432,722
National Average of the layer	564 890 000	564 890 000	565 120 000

1.4 Financial risks stemming from loans already contracted

The Issuer's outstanding debt largely consists of variable-rate loans, the cost of which cannot be determined in advance.

However, the legal framework of the loans of the local communities limits the insolvency risk of the Issuer. Indeed, the service of the debt (reimbursement of the capital and interest expenses) is a mandatory expenditure and must therefore be listed in the Issuer's budget. Indeed, a deterioration of the current market conditions could increase the debt load of the Issuer.

If the Issuer does not meet this obligation, article L.1612-15 of the French *Code général des collectivités territoriales* stipulates an "official booking" procedure by which the Prefect or the public accountant concerned or any person having an interest in the matter may address the Regional Chamber of Accounts and, pursuant to the opinion it issues, the Prefect may write the expense into the budget of the Issuer concerned. Furthermore, if a territorial community or an Intercity Cooperation Institution ("EPCI") defaults on its mandate of a mandatory expense, the Prefect can proceed with official payment of this expense (article L.1612-16 of the French *Code général des collectivités territoriales*). It may take several months to implement these various procedures.

1.5 Risk of changes in the Issuer's resources

The State administers the local taxes of the territorial communities, determines their base and then, using this base and the rates voted by the territorial community or the EPCI, notifies the community what amount it will receive. The State guarantees that the territorial community or the EPCI will receive the full amount of these notified tax receipts, regardless of the amount actually collected. Furthermore, the State advances one-twelfth of the voted taxes each month.

Concerning its resources, the Issuer is exposed to any changes in its legal and regulatory environment.

The level of the Issuer's resources also depends, for an indeterminate amount, on the receipts paid by the State. These resources were frozen in value for the period 2011-2014 by Act no. 2010-1645 of 28 December 2010, which set out public finances for 2011 to 2014.

In this context, the stagnation of the level of provisions paid by the State is likely to affect unfavourably the Issuer's operating receipts. Since the budget must be balanced, the Issuer might either have to adjust the changes in its expenses, or increase its other resources.

1.6 Risks related to historical information

This Prospectus' data about past and current years and about the rules of operation currently applicable to the Issuer are provided for informational purposes only. It cannot be guaranteed that future years will yield similar and/or comparable data, nor that the rules and operating procedures currently applicable to the Issuer will remain unchanged.

2. Risks related to the Notes

2.1 Investors

Each prospective investor should determine based on its personal assessment and with the help of any advisor that it may find useful depending on circumstances, the suitability of an investment in the Notes in light of its particular circumstances. In particular, each prospective investor should:

- (i) have sufficient knowledge and experience to properly assess the Notes, the merits and risks of investing in such Notes and the information contained in this Prospectus;
- (ii) have access to and knowledge of appropriate analytical tools to evaluate, in the context of its particular financial situation and sensitivity to the risk, an investment in the Notes and the impact the Notes might have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all the risks of an investment in the Notes, including when the currency in which payment of principal or interests is to be made is different from that of the prospective investor;
- (iv) understand thoroughly the terms of the Notes and related risks; and
- (v) be able to assess (either alone or with the help of a financial adviser) possible changes in the economy, rates of interest or in other factors that may affect its investment and its ability to bear the applicable risks.

In addition, some prospective investors are subject to restricting investment regulations. These prospective investors should consult their legal counsel in order to determine whether an investment in the Notes is authorised by law, whether such investment is compatible with their other borrowings and whether other selling restrictions are applicable to them.

2.2 Risks related to the Notes generally

The Notes may be early redeemed or purchased by the Issuer

The Issuer reserves the right to purchase Notes on the regulated markets or otherwise at any price in accordance with applicable regulations and official AMF positions. Such transactions shall have no impact on the normal repayment schedule of outstanding Notes, but they decrease the yield of Notes which could be redeemed prior to their stated maturity.

Similarly, in the event that the Issuer would be obliged to pay additional amounts in respect of any Note due to any withholding as provided in Condition 7 of the Terms and Conditions of the Notes, the Issuer may and, in certain circumstances shall, redeem all of the Notes then outstanding in accordance with such Condition. Any early redemption of the Notes may result, for the Noteholders, in a yield that is considerably lower than anticipated.

Credit risk of the Issuer

The Noteholders are exposed to the credit risk of the Issuer. Credit risk refers to the risk that the Issuer may be unable to meet its financial obligations under the Notes, thus creating a loss for the investor.

Risk related to a loss of investment in the event of the sale of the Notes by the Noteholders

A capital loss may occur when the Notes are sold at a lower price than that paid at the time of purchase. No capital protection or guarantee is offered to investors with respect to this transaction. The capital initially invested is exposed to the whims of the market and then, may not be redeemed in the event of adverse developments in the markets.

Modification of the Terms and Conditions of the Notes

Noteholders will be grouped automatically for the defence of their common interests in a *Masse* (as defined in Condition 11 of the Terms and Conditions of the Notes) and a general meeting of Noteholders can be held. The Terms and Conditions of the Notes permit in certain cases to bind Noteholders, including those who did not attend or vote at the relevant general meeting or those who voted in a manner contrary to the majority.

In addition, the general meeting of Noteholders may, subject to the provisions of Condition 11 of the Terms and Conditions of the Notes, deliberate on any proposal relating to the modification of the Terms and Conditions of the Notes, notably on any proposal, whether for arbitration or settlement, relating to rights in controversy or which were subject of judicial decisions.

Change in current legislation

The Terms and Conditions of the Notes are based on French law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial or administrative decision or change to French law or regulation (or to the interpretation thereto) after the date of this Prospectus.

Taxation

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or of other jurisdictions. In some jurisdictions, no official statements of the tax authorities nor court decisions are available for securities such as the Notes. Prospective investors are advised not to rely upon the tax summary contained in this Prospectus but to ask for their own tax adviser's advice based on their individual situation with respect to the acquisition, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the prospective investor. These investment considerations should be read in connection with the "Taxation" section of this Prospectus.

EU Directive on the taxation of savings income

The EC Council directive 2003/48/EC dated 3 June 2003 on taxation of savings income (the "**Directive**") requires each Member State to provide to the tax authorities of another Member State details of any payment of interest or other similar income within the meaning of the Directive made by a paying agent within its jurisdiction to, or under certain circumstances collected for the immediate benefit of, a beneficial owner (within the meaning of the Directive), resident in that other Member State. However, for a transitional period (as defined by the Directive), Luxembourg and Austria impose, instead of the exchange of information referred to above, a withholding tax on all interest payments within the meaning of the Directive, unless the beneficiary of interest payment elects for the exchange of information. The rate of this withholding tax is 35% since 1 July 2011, and will remain so until the end of the transitional period.

The European Commission has suggested some amendments to the Directive, which might, if they are implemented, amend or broaden the scope of certain requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and if an amount of a tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax.

Control of legality

The Prefect of Département des Bouches-du-Rhône shall, within two months from the receipt by the *préfecture* of deliberations and contracts entered into by the Marseille Urban Community, control the legality of the deliberations of the Marseille Urban Community and/or decisions to enter into contracts, and if he considers it to be illegal, he shall refer them to the competent administrative court. The competent administrative court may, if it considers that such deliberations/decisions are illegal, suspend or annul them in whole or in part.

Third-party claims

A third-party, having legal standing, may bring an action for abuse of authority before administrative courts against a deliberation of the Marseille Urban Community and/or the decision to enter into contracts within two months as from the date of their publication or notification and, as the case may be, request their suspension. If such action for abuse of authority is preceded by an administrative claim or in certain other circumstances, this two-month period may be extended. If such deliberation and/or such decision are not published in a proper form, such claim may be brought by any third-party, having legal standing, without limitation period. Once the case has been referred, the competent administrative judge may then, if he considers that a rule of law has been breached, annul such deliberation and/or decision, and suspend it if urgency so requires.

2.3 Risks related to the market

Volatility of the market for the Notes

The market value of the Notes may be affected by the creditworthiness of the Issuer and a number of additional factors, including market interest and interest rates.

The value of the Notes depends on a number of interrelated factors, including economic, financial or political events in France or elsewhere, or factors affecting capital markets generally and the market on which the Notes are admitted to trading. The price at which a Noteholder will be able to sell the Notes may be at a discount, which could be substantial, from the issue price or the purchase price paid by such Noteholder. If the creditworthiness of the Issuer deteriorates, the value of the Notes may also decrease and Noteholders selling their Notes prior to maturity may lose all or part of the value of their investment.

Risk related to illiquidity on the secondary market

Notes may have no established trading market when issued, and such a market may never develop. If such a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that would provide them with a yield comparing to similar investments that benefit from a developed secondary market. Illiquidity may have an adverse effect on the market value of the Notes.

Exchange rate risks

Principal and interest on the Notes will be paid in Euro, which may present certain risks if an investor's financial activities are denominated principally in another currency. These include the risk that exchange rates may significantly change (notably due to devaluation of Euro or revaluation of the investor's currency) and the risk that authorities with jurisdiction over the investor's currency modify their exchange controls. As a result, investors may receive less interest or principal than expected. An appreciation in the value of the investor's currency relative to the Euro would also decrease the investor's currency-equivalent market value of the Notes

Fixed interest rate

The Notes bearing interest at a fixed rate, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Notes (the "**Conditions**"), subject to completion and amendment, will be as follows:

The issue of the €97,000,000 3.875 per cent. notes maturing on 8 November 2027 (the "**Notes**") by Communauté Urbaine Marseille Provence Métropole (the "**Issuer**" or "**Marseille Urban Community**") was (i) authorized pursuant to the resolution No. DGAGF 08/1310/CC of the Community Council of the Issuer dated 31 May 2008 delegating to its President the power to decide the issue of notes within the limits of the amounts recorded in the budget and (ii) decided by Eugène Caselli, President of the Issuer, pursuant to a decision No. 12/262/D dated 31 October 2012 in accordance with the 2012 primary budget adopted on 13 February 2012 by a resolution No. DBP 12/7634/CC of the Community Council of the Issuer and the 2012 supplementary budget adopted on 26 October 2012 by a resolution No. DBP 12/8750/CC of the Community Council of the Issuer.

A French language fiscal agency agreement relating to the Notes (the "**Fiscal Agency Agreement**") will be entered into between the Issuer and BNP Paribas Securities Services, as fiscal agent and paying agent (respectively the "**Fiscal Agent**" and the "**Paying Agent**" which expressions shall, where the context so admits, include any successor for the time being as fiscal agent or paying agent) on 8 November 2012.

References below to the "**Noteholders**" are to the holders of the Notes.

References below to "**Conditions**" are to the numbered paragraphs below.

1. Form, denomination and title

The Notes will be issued in dematerialised bearer form in the denomination of € 100,000 each. Title to the Notes will be evidenced by book-entries in accordance with Articles L.211-3 *et seq.* of the French *Code monétaire et financier*. No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes.

The Notes will, upon issue, be inscribed in book entry form in the books of Euroclear France ("**Euroclear France**") which shall credit the accounts of the Account Holders. For the purpose of these Conditions, "**Account Holder**" shall mean any intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**").

Title to the Notes shall be evidenced by entries in the books of Account Holders and transfer of Notes may only be effected through registration of the transfer in such books.

2. Status of the Notes

The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and (subject to mandatory provisions under French law) equally and rateably with all other present or future unsecured and unsubordinated obligations of the Issuer.

3. Negative Pledge

So long as any of the Notes remains outstanding, the Issuer undertakes that it will not grant or permit that subsist any lien, mortgage, pledge or any other form of security interest upon any of its assets or revenues, present or future, to secure an Indebtedness (as defined below) subscribed or guaranteed by the Issuer (whether before or after the issuance of the Notes), unless the Notes are equally and rateably secured therewith.

In the preceding paragraph, "**Indebtedness**" shall mean any indebtedness for borrowed money, whether being represented by notes or other securities or not (including notably securities being or having been privately placed), quoted or traded or capable of being quoted or traded on a regulated market, an over-the-counter market or any other market in financial instruments.

4. Interest

The Notes bear interest from, and including, 8 November 2012 (the "**Issue Date**") to, but excluding, 8 November 2027 (the "**Maturity Date**"), at the rate of 3.875 per cent, per annum, payable annually in arrear on 8 November in each year. The first payment of interest will be made on 8 November 2013 for the period from, and including, the Issue Date to, but excluding, 8 November 2013.

Each Note will cease to bear interest from the due date for redemption, unless payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest at the rate of 3.875 per cent. *per annum* (both before

and after judgment) until the earlier of: (i) the day (included) on which all sums due in respect of such Note up to that day will be received by or on behalf of the relevant Noteholder or (ii) the day (included) on which the Fiscal Agent will receive all sums due in respect of all Notes and will notify the Noteholders in accordance with Condition 10.

The amount of interest due in respect of each Note will be calculated by reference to the aggregate value of each Noteholder's holding, the amount of such payment being rounded to the nearest cent (half a cent being rounded upwards).

If interest is required to be calculated for a period of less than one year, it will be calculated on an actual/actual basis for each period, being the actual number of days elapsed during the relevant period divided by 365 (or by 366 if a 29 February is included in such period), the result being rounded to the nearest cent (half a cent being rounded upwards).

5. Redemption and purchase

The Notes may not be redeemed otherwise than in accordance with this Condition 5, Condition 7 or Condition 9 below.

5.1 Final redemption

Unless previously redeemed or purchased and cancelled as provided in this Condition or in Conditions 7 or 9 below, the Notes will be redeemed at their principal amount on the Maturity Date.

5.2 Purchases

The Issuer may at any time purchase Notes on the regulated markets or otherwise (including by way of public offers), at any price in accordance with applicable laws and regulations.

All Notes which are purchased by, or for the account of, the Issuer may, at its sole option, be held or cancelled in accordance with applicable laws and regulations.

Notes purchased by the Issuer may be held by it pursuant to Article L.213-1 A of the French *Code monétaire et financier* to promote the liquidity of the Notes, it being understood that the Issuer may not hold the Notes for more than one (1) year after their purchase date, in accordance with Article D.213-1 A of the French *Code monétaire et financier*.

Notes purchased for cancellation purposes will be cancelled by transfer on an account in accordance with the rules and procedures of Euroclear France. Notes so cancelled may not be re-issued or re-sold and the obligations of the Issuer in respect of such Notes shall be discharged.

5.3 Early redemption for taxation reasons

The Notes may, and in certain circumstances shall, be redeemed before the Maturity Date, in the event of any change occurring in taxation pursuant to the conditions provided in Condition 7 below.

6. Payments

6.1 Method of payment

Payment of principal and interest in respect of the Notes will be made in Euro by credit or transfer to a Euro-denominated account (or any other account on which credits or transfers may be made in Euro) as specified by the beneficiary in a city where banks have access to the TARGET System. In these Conditions, "**TARGET System**" means the Trans-European Automated Real Time Gross Settlement Express Transfer System (TARGET 2) or any succeeding system.

Such payments shall be made for the benefit of the Noteholders to the Account Holders (including Euroclear France, Euroclear and Clearstream, Luxembourg).

Payments will be subject in all cases to any tax or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 7 below. No commission or expenses shall be charged to the Noteholders in respect of such payments.

6.2 Payments on business days

If any due date for payment of principal or interest in respect of any Note is not a business day, then the Noteholder thereof shall not be entitled to payment of the amount due until the next following day which is a business day and shall not be entitled to any interest or other additional sums in respect of such postponed payment.

In the preceding paragraph, "**business day**" shall mean a day (except for Saturdays and Sundays) on which banks and exchange markets are opened for business in Paris and on which the TARGET System is operating.

6.3 Fiscal Agent and Paying Agent

The initial Fiscal Agent and Paying Agent and their specified office are as follows:

BNP Paribas Securities Services

(Affiliated with Euroclear France under no. 29106)

Les Grands Moulins de Pantin

9, rue du Débarcadère

93500 Pantin

France

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent and Paying Agents and/or appoint another Fiscal Agent or Paying Agent or additional Paying Agents, subject to having given not more than forty-five (45) nor less than thirty (30) calendar days' prior notice to the Noteholders, in accordance with Condition 10 below, and as long as there will at all times be (i) a Fiscal Agent having a specified office in a European city and (ii) so long as the Notes are admitted to trading on the NYSE Euronext regulated market in Paris ("**Euronext Paris**"), a Paying Agent having a specified office in a European city and ensuring financial services in France.

Any change of Fiscal Agent will be notified to the Noteholders in accordance with the provisions of Condition 10 below.

7. Taxation

- (a) All payments of principal and interests by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes or duties of whatever nature imposed, levied or collected by or on behalf of France or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law (see "Taxation" section for further details on the withholding tax regime).
- (b) If French law should require that payments of principal of, or interest on, any of the Notes be subject to deduction or withholding for or on account of any present or future taxes or duties of whatever nature, the Issuer shall, to the extent permitted by law, pay such additional amounts as will result in the receipt by the Noteholders of the amounts which would have been receivable by them in the absence of such requirement to deduct or withhold. However, if the Issuer would, as a result of any change in or in the application or interpretation of French laws after the Issue Date, be required to pay any such additional amounts, and this obligation cannot be avoided by reasonable measures of the Issuer, then the Issuer may at any time, but at the earliest thirty (30) days prior to such change becoming effective, redeem all of the then outstanding Notes at their principal amount together with interest accrued until the date fixed for redemption.

Provisions mentioned in the first paragraph of (b) above shall not apply:

- (i) to payment of principal and/or interests to a Noteholder under the Notes which are subject to taxes by reason of his having some connection with France other than the mere holding of such Notes; or
 - (ii) when such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Council directive 2003/48/EC or any other European Union directive implementing the conclusions of the ECOFIN Council resolutions of 26 and 27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such directive.
- (c) If the Issuer is obliged to make such additional payments as defined in paragraph (b) above and if such payments are or would become prohibited by French law and if the obligation to make such additional payments cannot be avoided by reasonable measures of the Issuer, the Issuer will then be obliged to redeem all outstanding Notes at their principal amount, together with accrued interest until the date fixed for redemption, at the earliest thirty (30) days prior to the change defined in paragraph (b) above becoming effective and at the latest on the date such additional payment would have been due.
 - (d) In the event of repayment in accordance with paragraph (b) above, the Issuer will publish, or cause to be published, a redemption notice, as described under Condition 10 below, at the earliest sixty (60) days and

at the latest thirty (30) days prior to the date fixed for repayment. In the event of repayment in accordance with paragraph (c) above, the Issuer will publish, or cause to be published, a redemption notice, in the same conditions at the earliest sixty (60) days and at the latest seven (7) days prior to the date fixed for such repayment.

8. Prescription

Pursuant to Article 1 of Law No.68-1250 dated 31 December 1968, all claims against the Issuer for the payment of principal or interest under the Notes shall lapse after four (4) years from the 1st of January of the year following their respective due dates.

9. Events of default

The Representative (as defined in Condition 11 below), acting on behalf of the *Masse* (as defined in Condition 11 below), acting on its own or upon request of any Noteholder, may, upon written notice given to the Issuer (copy to the Fiscal Agent) before all defaults shall have been cured, cause all, but not some only, of the Notes to become immediately due and payable, at their principal amount together with any accrued interest thereon until their actual redemption date:

- (a) if the Issuer defaults in any payment of principal or interest under any Note (including any additional amount referred to in Condition 7) on the due date thereof and such default continues for a period of more than fifteen (15) calendar days from such due date; or
- (b) if there is a default by the Issuer in the due performance of any other provision of the Conditions, and such default shall not have been cured within thirty (30) calendar days after receipt by the Issuer of written notice of such default; or
- (c) if the Issuer is no longer able to face its mandatory expenditures or makes a written statement acknowledging such inability; or
- (d) if the Issuer defaults in any payment for an amount in excess of ten millions euros (€ 10,000,000) (or its equivalent in any other currency) with respect to any present or future indebtedness of the Issuer, other than the Notes, on its due date, or as the case may be after any applicable grace period, or if a security interest granted to secure any such indebtedness in an amount in excess of ten millions euros (€ 10,000,000) (or its equivalent in any other currency) is called or if the Issuer defaults in any payment for an amount in excess of ten millions euros (€ 10,000,000) (or its equivalent in any other currency) with respect to a guarantee granted by the Issuer; or
- (e) if there is a change in the status or legal regime of the Issuer, including resulting from a change in laws or regulations, to the extent that such change reduces Noteholders' rights against the Issuer or delays Noteholders' claims against the Issuer or makes it more difficult or expensive.

10. Notices

Any notice to the Noteholders will be duly given if delivered to Euroclear France and published, so long as the Notes are admitted to trading on Euronext Paris and the rules applicable to such market so require, in a newspaper having general circulation in France (which is expected to be *Les Echos* or such other newspaper as the Fiscal Agent shall deem necessary to give fair and reasonable notice to the Noteholders).

Any notice to the Noteholders shall be deemed to have been given on the date of such publication or if published on different dates, on the date of the first publication.

11. Representation of the Noteholders

The Noteholders will be grouped automatically in a *masse* (hereinafter referred to as the "*Masse*") for the defence of their common interests.

The *Masse* will be governed by the provisions of Articles L.228-46 *et seq.* of the French *Code de commerce*, with the exception of Articles L.228-48, L.228-59, R.228-63, R.228-67 and R.228-69, subject to the following provisions:

11.1 Legal personality

The *Masse* will be a separate legal entity, acting in part through a representative (the "**Representative**") and in part through a Noteholders' general meeting.

The *Masse* alone, to the exclusion of all individual Noteholders, shall exercise the common rights, actions and benefits which now or in the future may accrue with respect to the Notes.

11.2 Representative

The office of Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representative:

- (i) the Issuer, the members of its Community Council, its employees and their ascendants, descendants and spouses;
- (ii) entities guaranteeing all or part of the obligations of the Issuer; and
- (iii) persons to whom the banking practice is forbidden or who have been deprived of the right of directing, administering or managing a company in whatever capacity.

The initial Representative shall be Sandrine d'Haussy, 69 avenue Gambetta, 94100 Saint Maur des Fossés, France.

The alternate representative of the *Masse* (the "**Alternate Representative**") shall be Sylvain Thomazo, 20, rue Victor Bart, 78000 Versailles, France.

The Alternate Representative shall replace the initial Representative should the initial Representative resign or no longer be able to fulfil his duties. In the event of death, resignation or revocation of the Alternate Representative, a replacement will be elected by a Noteholders' general meeting.

The Representative will receive a remuneration of four hundred fifty euros (€450) per year for its services. Should the Alternate Representative replace the initial Representative, he will receive a remuneration of four hundred fifty euros (€450) per year, which will only be due starting from the first day of his acting in such capacity.

All interested Noteholders may at all times obtain the names and addresses of the initial Representative and the Alternate Representative at the principal office of the Issuer and the specified office of any of the Paying Agents.

11.3 Powers of the Representative

The Representative shall, in the absence of any decision to the contrary of the Noteholders' general meeting, have the power to take all acts of management necessary for the defence of the common interests of the Noteholders. All legal proceedings against the Noteholders or initiated by them, in order to be admissible, must be brought against the Representative or by him.

The Representative may not interfere in the management of the affairs of the Issuer.

11.4 Noteholders' general meetings

Noteholders' general meetings may be held at any time, on convocation either by the Issuer or the Representative. One or more Noteholders, holding together at least one-thirtieth (1/30th) of outstanding Notes may address to the Issuer and the Representative a request for convocation of the general meeting; if such general meeting has not been convened within two (2) months from such demand, such Noteholders may commission one of themselves to petition the competent courts within the jurisdiction of the Court of Appeal of Paris to appoint an agent who will call the meeting.

Notice of the date, hour, place, agenda and quorum requirements of any general meeting will be published as provided under Condition 10 not less than fifteen (15) calendar days prior to the date of the general meeting.

Each Noteholder has the right to participate in general meetings of the *Masse* in person or by proxy. Each Note carries the right to one (1) vote.

Pursuant to Article R.228-71 of the French *Code de commerce*, the right of each Noteholder to participate in general meetings must be evidenced by entries in the books of the relevant Account Holder of the name of such Noteholder at midnight (Paris time) on the third Paris business day preceding the date set for the relevant general meeting.

11.5 Powers of general meetings

A general meeting is empowered to deliberate on the remuneration, dismissal and replacement of the Representative, and may also act with respect to any other matter relating to the common rights, actions and benefits which now or in the future may accrue with respect to the Notes, including authorising the Representative to act at law as plaintiff or defendant.

A general meeting may further deliberate on any proposal relating to the modification of the Conditions, including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions.

It is specified, however, that a general meeting may not increase amounts payable by the Noteholders, nor establish any unequal treatment amongst them, nor decide to convert the Notes into shares.

The general meeting may validly deliberate on first convocation only if Noteholders present or represented hold at least one fifth (1/5th) of the principal amount of the Notes then outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a majority of two thirds (2/3) of votes cast by the Noteholders attending such meeting or represented thereat.

11.6 Notice of decisions

Decisions of the Noteholders' general meetings must be published in accordance with the provisions set out in Condition 10 not more than ninety (90) calendar days from the date of such meeting.

11.7 Information to the Noteholders

Each Noteholder or its Representative will have the right, during the fifteen (15) calendar day period preceding the holding of each general meeting, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the meeting. Those documents will be available for inspection at the principal office of the Issuer, at the specified offices of the Paying Agents and at any other place specified in the notice of such meeting.

11.8 Expenses

The Issuer will pay all expenses incurred in the operation of the *Masse*, including expenses relating to convening and holding general meetings and, more generally, all administrative expenses resolved upon by a Noteholders' general meeting, it being expressly stipulated that no expenses may be imputed against interest payable on the Notes.

12. Further issues of notes

The Issuer may, without the consent of the Noteholders, issue further notes to be assimilated with the Notes, provided that such further notes and the Notes shall carry identical rights in all respects (or in all respects except for the issue price and the first payment of interest thereon) and that the terms and conditions of such further notes shall provide for such assimilation with the Notes.

In the case of such an assimilation, the holders of such further notes and the Noteholders will be grouped in a single *masse*. References in these Conditions to the Notes include any other notes issued pursuant to this Condition and assimilated with the Notes.

13. Governing law and jurisdiction

The Notes are governed by French law.

Any dispute arising out of or in connection with the Notes will be submitted to the competent courts within the jurisdiction of the Court of Appeal of Paris.

Nevertheless it is specified that the assets and properties of the Issuer are not subject to legal process (*voie d'exécution*) under private law or attachment in France.

USE OF PROCEEDS

The net proceeds will be used to support the Issuer's investment financing.

DESCRIPTION OF THE ISSUER

1. ISSUER'S POSITION IN THE NATIONAL GOVERNMENTAL FRAMEWORK

1.1 Issuer's head office, legal status and address

Geographical location	Legal Form	Date of creation	Address	Phone
Continental France Provence-Alps-Riviera (PACA) Région Bouches-du-Rhône	Intercity Cooperation Institution, "EPCI"	2001	Les Docks - Atrium 10.7 BP 48014 13567 Marseille Cedex 02	04 91 99 99 00

1.2 General context of territorial communities and Intercity Cooperation Institutions

The Issuer is an Intercity Cooperation Institution ("EPCI") having a legal identity and legal financial independence.

EPCIs are groups of towns. There are 2,582 EPCIs with their own tax base¹. Of those with their own tax base, we find chiefly urban communities instituted by Act no. 66-1069 of 31 December 1966 and agglomerations instituted by the "Chevènement" Act no. 99-586 of 12 July 1999. The difference between these two groups lies essentially in the population thresholds.

An urban community comprises several towns under a single group, without enclave, forming a whole of more than 450,000 residents at its date of creation², while an agglomeration encompasses several towns comprising more than 50,00 residents under one roof, without enclave, when created, around one or more central towns of more than 15,000 people.

Several laws related to decentralisation increased the role and powers of territorial communities. The latest, the Act no. 2010-1563 of 16 December 2010 reforming the territorial communities aims to simplify the territorial structures (towns, inter-city structures, departments, regions), to reduce the number of territorial echelons and to clarify their powers and financing.

1.3 Issuer's specific features

a) EPCIs

The intercity principle lets towns group together to manage equipment or public services together and/or develop economic, land or urban development projects on the scale of a larger territory than that of the single town itself. The towns transfer mandatory powers to these groups, along with power options. This transfer of powers endows EPCIs with the powers to take decisions and exercise executive powers that were previously held by the towns.

There are two forms of intercity cooperation:

- The federative form is financed by the four "local" taxes (EPCI with specific fiscal resources): the territorial economic contribution, the occupancy tax, the tax on built real estate and the tax on unbuilt real estate. This federative form comprises the community of towns, the "new agglomeration syndicates" ("SAN"), the urban communities to which the communities of agglomerations created by Act 99-586 of 12 July 1999 on the reinforcement and simplification of intercity cooperation and metropolitan areas instituted by Act 2010-1563 of 16 December 2010 reforming the territorial

¹ Statistical review of EPCIs with specific fiscal structure as of 1 January 2012, published at www.dgcl.interieur.gouv.fr.

² This threshold was previously set at 500,000 residents by article L.5215-1 of the General Code of Territorial Communities (the "CGCT"), which was modified by Act 2010-1563 of 16 December 2010, lowering this threshold to 450,000 residents.

communities.

- The associative form is financed by budgetary and/or tax-based contributions of the member towns (EPCI without specific fiscal resources). This includes single-purpose syndicates ("SIVU"), multi-purpose syndicates ("SIVOM") and mixed syndicates.

The Act 99-586 of 12 July 1999 reinforcing and simplifying intercity cooperation changed the intercity structures by extending the groundwork laws of decentralisation in depth. It also rationalises intercommunity structures by uniting communities in a grid that excludes any stewardship of one community over another.

It offers effective instruments to all towns allowing an integrated exercise of powers, the implementation of which is essential to ensure balanced development on the scale of the territories:

- by offering a new status to the intercity with independent tax resources based on three structures (instead of the previous five): the community of towns, the community of agglomerations and the urban community, to make the urban environment easier to recognise and give new life to the rural environment;
- by increasing financial solidarity;
- by providing unified operating rules with a concern for transparency.

The Act 2004-809 of 13 August 2004 on local freedoms and responsibilities introduced provisions aimed at increasing the intercity cooperation and simplifying its operation.

This law authorises EPCIs to enter into agreements by which they exercise some of the powers of the departments and regions. Their role is also strengthened in housing policy, with the possibility of managing, by State delegation, assistance to home construction. Lastly, matters of internal organisation, chiefly the availability of services, and the financial relations of the EPCIs with their member towns have been relaxed.

The Act 2010-1563 of 16 December 2010 made a deep change to the intercity. Running up to June 2013, an effort is currently being made to include the last isolated towns, to rationalise the perimeter of the existing EPCIs, and eliminate obsolete intercity syndicates. To step up the competitiveness of major agglomerations, the departments or regions also may merge together. The idea of a metropolitan area was also created for a new category of EPCI for urban areas with more than 500,000 residents (except the greater Paris region, "Ile de France").

b) Characteristics of an urban community

There were fifteen Urban Communities in January 2012, comprising 397 towns and 7.2 million residents³.

The Marseille Provence Metropolitan area is one of these.

An Urban Community is an EPCI comprising several towns under a single group without enclave and a population of 450,000 when it is created. Before adoption of Act 2010-1563 of 16 December 2010 reforming the territorial communities, this threshold had been set at 500,000 residents. The Issuer was created before this law was passed.

The Marseille Urban Community was created after Act 99-586 of 12 July 1999 on intercity cooperation, and was created *ex-nihilo*.

The purpose of an Urban Community is to bring towns together in a space of solidarity in view of developing a joint project for developing the territory.

An Urban Community is created by a Prefecture ruling at the initiative of one or more city councillors or at the Prefect's initiative following an opinion from the departmental commission on intercity cooperation.

Its powers are transferred to it by the member towns, which had to specify the dividing lines between the

3

Source: www.dgcl.interieur.gouv.fr.

community and town powers in each field at the time the Urban Community was created.

An Urban Community is administered by a Community Council (the deliberating body) seating elected officials from the member towns, and by a President (the executive) elected by the Council from among its members. Pursuant to Act 2010-1563 of 16 December 2010 reforming the territorial communities, the Community Councillors of towns of more than 3,500 people will be elected by universal suffrage in municipal elections starting in 2014. The elected officials of smaller towns will, however, remain on the town council.

Mandatory powers of an Urban Community

An Urban Community does not exercise optional powers. Under articles L.5215-20 and L.5215-20-1 of the CGCT, an Urban Community exercises mandatory powers in matters of:

- Economic, social and cultural expansion and development of the community space with:
 - creation, arrangement, maintenance and management of industrial, commercial, tertiary, trade, tourist, port and airport activity zones;
 - economic development measures;
 - construction or development, maintenance, management and operation of equipment, equipment networks or cultural, socio-cultural, socio-educational, sports equipment when of community interest;
 - middle and high schools under the terms of Section I of Book II and Chapter I of Section II of Book IV, as well as article L. 521-3 of the Education Code;
- Outfitting the community space:
 - sector scheme and territorial consistency scheme, local urban development plans and documents; creation of concerted development zones of community interest and, pursuant to the opinion of the municipal councils, constitution of real property reserves of community interest;
 - organisation of urban transports in the sense of Chapter II of Section II of Act 82-1153 of 30 December 1982 orienting domestic transports, subject to the terms of article 46 of this law; creation or outfitting and maintenance of roads, signalling and parking facilities;
 - consideration of an overall outfitting programme and determination of development sectors in the sense of the Urban Development Code;
- Balance of low-income housing on the community's territory:
 - local housing programme;
 - housing policy of community interest, financial assistance for low-income housing in the community interest, measures in favour of low-income housing in the community interest, measures in favour of lodging for excluded persons by works in the community interest;
 - programmed measures to improve housing, rehabilitation and absorption of unfit housing when in the community interest;
- City policy in the community:
 - contractual structures for urban development, local development and economic and social insertion;
 - local delinquency prevention systems;
- Management of services of collective interest:
 - sewage and water;

- creation and extension of cemeteries, crematoriums and funerary sites;
- slaughterhouses, slaughterhouse markets and markets of national interest;
- fire and emergency services;
- protection and upgrading of the environment and lifestyle policy:
 - elimination of household and similar wastes;
 - air pollution;
 - noise pollution;
 - support for measures to control energy needs.

2. RECENT EVENTS OF PERTINENCE IN ASSESSING THE ISSUER'S SOLVENCY

As of today, there are no pertinent recent events that might damage the Issuer's solvency.

3. ISSUER'S FINANCES

3.1 Issuer's financial structure

The structure's fields of intervention correspond to the exercise of the powers delegated to it, chiefly in urban development, economic measures, transports, water and sewage, household wastes, social assistance, professional training, education, fire and emergency services.

When analysed **by function**, the budget offers an accounting analysis according to the above themes. The budget is thus broken down into ten functions corresponding to the community's major orientations (such as urban development, safety, etc.).

- Example: The function "2. Education-training" includes the sub-function "21. Primary education", which covers 3 headings, including "211. Day care" and "212. Primary Schools."

All expenses and receipts are then broken down among these functions so changes in them may be tracked.

It should be noted that the sub-function "01. Transactions not broken down" includes all expenses and receipts that cannot be classified in the functions 1 to 9. This includes transactions relative to the debt, most operating receipts, including income and other taxes and provisions and amortisations.

In certain cases, the figures appearing in this sub-function may be substantial. This can be explained by the fact that the Issuer has been unable to break down staff pay expenses among the various available functions and has thus had to re-enter this type of expense in "Transactions not broken down".

- *Level of investment and operating expenses by field of competence for the Issuer*

The level of investment and operating expenses by field of competence for the Issuer is detailed hereafter (€). If the main budget and ancillary budgets are consolidated, this is specified.

The data presented hereafter reflect the most recent financial information by budget and will be consolidated, unless mentioned otherwise. The presentation by function for the Issuer with regard to the main budget and the "Waste Collection and Treatment" ancillary budget only because it is impossible to consolidate or because there are no data for certain ancillary budgets.

- **Operating expenses by function in the main Budget only**

Operating expenses by function (Euro)				
	AA 2010	AA 2011	PB 2012	SB 2012
Real operating expenses	832,776,449	573,608,875	594,208,928	590,668,229
Function 01 not broken down	295,999,090.14	259,394,729.75	280,700,410.47	237,667,976.68
Function 0 general services	191,416,092.12	122,721,210.98	121,004,609.00	126,601,695.36
Function 1 public health and hygiene	16,734,158.88	16,361,687.69	16,630,550.00	17,367,432.00
Function 2 education-training	6,204,956.67	251,603.32	100,000.00	307,216.00
Function 3 culture	–	–	–	–
Function 4 sports and youth	–	–	–	–
Function 5 social and health measures	–	–	–	–
Function 6 family	22,929,305.30	–	–	–
Function 7 housing	–	–	–	–
Function 8 urban development and services, environment	293,478,275.77	164,678,524.66	164,824,523.00	194,069,233.21
Function 9 economic measures	6,014,569.79	10,201,118.58	10,948,835.53	14,654,675.52

Investment expenses by function (Euro)				
	AA 2010	AA 2011	PB 2012	SB 2012
Real investment expenses	486.383,928	322,860,952	308,636,642	337,607,673
Function 01 not broken down	226,647,342.52	127,092,674.00	104,167,938.00	112,807,665.47
Function 0 general services	7,425,181.09	12,356,566.00	8,566,419.00	8,761,798.00
Function 1 public health and hygiene	–	–	–	–
Function 2 education-training	–	–	–	–
Function 3 culture	–	–	–	–
Function 4 sports and youth	–	–	–	–
Function 5 social and health measures	–	–	–	–
Function 6 family	–	–	–	–
Function 7 housing	–	–	–	–
Function 8 urban development and services, environment	240,875,328.90	159,079,315.00	168,051,031.00	190,830,605.97
Function 9 economic measures	11,436,075.88	24,332,397.00	27,851,254.00	25,207,603.51

* The "AA 2010" Administrative Accounts data for the main budget include the ancillary transport budget as well as the ancillary waste collection and treatment budget.

3.2 Business sectors of the Urban Community of Marseille

<i>CATEGORY AND NUMBER OF COMPANIES IN EACH SECTOR</i>		
Business sector (NAF code A17)	Number of companies	
	2009	2010 (provisional count)
A - Agriculture, forestry and fishing	7	8
B – Extraction Industries	0	0
C – Manufacturing	1718	1677
D - Production and distribution of electricity, gas, steam and conditioned air	98	101
E - Production and distribution of water; sewage, waste management and pollution removal		
F – Construction	2985	2929
G – Commerce; auto and motorcycle repair	6451	6403
H - Transports and depots	904	897
I – Hotels and restaurants	2489	2551
J - Information and communication	612	618
K – Finance and insurance	1257	1287
L – Real estate	802	808
M – Specialised scientific and technical activities	5051	5001
N – Administrative and support services		
O – Public administration	2892	2924
P – Education		
Q – Human health and social measures		
R - Arts, entertainment and recreation		
S – Other services	2922	2948
T – Households as employers; as producers of goods and services for their own use		
U - Extra-territorial activities		

Source: Unistatis for the Marseille Urban Community Territory (Marseille, Marignane, La Ciotat, Allauch, Châteauneuf les Martigues, Plan de Cuques, Septèmes les Vallons, Gignac la Nerthe, Cassis, Sausset les Pins, Carnoux en Provence, Saint Victoret, Carry le Rouet, Gémenos, Ensues la Redonne, Roquefort la Bédoule, Le Rove, Ceyreste).

4 GENERAL DESCRIPTION OF THE ISSUER'S POLITICAL AND GOVERNMENTAL SYSTEM

4.1 General description of a community's political and governmental system

All local communities consist of:

- a deliberating body elected by direct universal suffrage (municipal, general or regional council). For EPCIs, the members of their deliberating body are not elected by direct universal suffrage until 2014 but are named by the deliberating body of each member of the EPCI.
- an executive power elected from among the members of the deliberating body assembly (mayor and his assistants, general and regional council presidents, urban community presidents, agglomeration communities and mixed syndicates).

4.2 Specific features for the Issuer - EPCI with independent tax structure

The executive body: The Community President

The President is the executive body of the community. He is elected by the Council in a secret ballot, from among the town delegates. He prepares and assures the execution of the Community Council's deliberations.

The President orders the expenses, prescribes the execution of receipts and directs the services.

Under the terms of article L.5211-10 of the CGTC, he may be delegated part of the attributions of the Community Council.

By ruling under his surveillance and responsibility, he may delegate part of his functions to vice presidents or other members of the Bureau.

The deliberating body: The Community Council

The community is administered by a deliberating body called the *Community Council*, which constitutes its administration.

The Community Council seats delegates elected by the city councils of the member towns. In other words, the members of the Community Council are not elected by direct universal suffrage but are named by the city councils in a number proportional to the town's size in the Community Council.

Seats are distributed proportionally among the towns, corrected to allow all the towns to be present and to balance the representation of the territory of the Urban Community. Thus, the number of officials per town varies depending on the size of the member towns.

The Community Councillors can group together into political groups, which must include at least five officials to exist.

The Community Council could be likened to a city council. The President corresponds to the mayor; the vice presidents to the assistants and the Community Councillors correspond to the town councillors. The maximum term is six years, like that of a town councillor.

In its deliberations, the Community Council settles the business that comes within the powers of the Urban Community. All the deliberations adopted by a majority of the Community Council are subject to a check for legality by the Prefect. At each meeting of the deliberating body, the President reports on the Bureau's work and on the powers exercised by the delegations of the deliberating body. The Council must meet at least once per quarter on invitation by the President.

The Community Council can delegate part of its powers to the President and to the Bureau.

Other structures

- *Bureau*

The President is assisted in his task by a Bureau, or *Community Bureau*.

The Community Council elects the Bureau. It seats the President, one or more vice presidents (the number of which cannot exceed 20% of the Council) and one or more other members.

The Bureau members are elected from among Council members by the rules for electing mayors and municipal assistants. Each election of the President corresponds to a new election of the Bureau members.

The Bureau approves all decisions on the operation of the administration and sets down the work of the commissions. Under the terms of article L.5211-10 of the CGTC, it may receive delegated powers from the Community Council and make decisions in its stead.

Act 99-586 of 12 July 1999 introduced the possibility of delegating certain Community Council powers to the Bureau to facilitate and streamline the decision-making process while maintaining the Community Council as the main deliberating body.

- *Commissions*

Commissions play a consulting role. They are presided by a vice president and seat members of the Community Council. The President of the Community Council is a member of all commissions by right of office.

5 PUBLIC FINANCES

5.1 Fiscal and budgetary system

5.1.1 Fiscal system

a) General

Territorial communities cannot create new taxes to increase their budgets. However, since act 80-10 of 10 January 1980, they do have the freedom to decide what the rates to apply for the four direct taxes (occupancy tax, tax on built real property, on unbuilt real property, and the professional tax, or "TP"). But this law sharply delimits this freedom in order to avoid the inequalities of treatment among taxpayers and too sharp a growth in fiscal pressure.

The years 2010 and 2011 were a time of fiscal transition for territorial communities. The elimination of the TP and its replacement with the territorial economic contribution on 1 January 2010 was doubled on 1 January 2011 with a significant change concerning the origin of resources for each territorial community. In 2011, the reform of the local tax structure thus resulted not only in the collection of new economic taxes to replace the TP, but also by the redistribution of household income taxes among the various levels of communities.

The data shown for 2010-2011 in this document thus do not have the same tax base.

The tax resources for those communities that have their own resources are direct and indirect. An Urban Community is concerned only with direct taxation.

Direct taxation today includes three "household" taxes:

- The **Occupancy Tax** is paid by private owners, lessees or persons occupying a residence free of charge. The tax base is calculated from a land registry assessment of the premises considered. Starting in 2011, this tax revenue goes to the town sector alone.
- The **Tax on built real property** is paid by owners, usufruct beneficiary or fiduciaries of a building. The tax base is 50% of the rental value by the land registry estimate. This tax revenue goes to all the communities except for the regions, since 1 January 2011.

- The tax base for the **Tax on unbuilt real property** is 80% of the rental value by the land registry estimate. This revenue has been going to the town sector alone since 2011.

The fourth major resource of communities is the **territorial economic contribution** ("CET"), which replaced the TP on productive investments in 2010. This is a local tax on companies that benefits all sectors of business in France.

The CET breaks down into:

- a real property contribution by companies ("CFE"), the base of which corresponds to that of the former real property component of the TP, and the rate of which is still voted by the elected officials under capping and liaison rules. This revenue goes to the towns and groups with independent tax resources.
- a contribution on the added value of companies (the "CVAE"), the rate of which is set nationally by a progressive schedule as a function of turnover. This revenue is shared among all of the communities.

Tax resources during the year when this contribution was instituted (2010) were provided by the State through a **Professional Tax Relay Compensation** ("CRTP"). This transitory compensation corresponded to the sum the State paid in 2010 to each community in compensation for the elimination of the TP. All the territorial communities benefited from the most favourable compensation among the following two options: either the TP revenue collected in 2009 or the TP 2010 base revenue using the TP 2009 rates, capped by the TP 2008 rate increased by 1%. Furthermore, in 2010 the towns and EPCIs voted a "relay" CFE rate and thus collected, in addition to the relay compensation described above, a second component corresponding to the share of the revenue that results from the rise in the CFE 2010 rate over the TP 2009 rate.

To cap the cost of the reform for public finances, a **lump-sum tax on network companies** (the "IFER") was also instituted. This prevents the large corporations in the energy, rail and telecommunications sectors from being the main beneficiaries of the elimination of the TP while their businesses are not vulnerable to the risks of outsourcing.

These three taxes and the new economic taxes (CRTP for 2010, the CFE, CVAE and IFER thereafter) account for **three-quarters of communities tax receipts**, including grouped towns. For 2010, they thus brought in €74 billion. The CRTP is the largest of these and it alone accounted for 28.3% of tax receipts in 2010, both direct and indirect. The revenue from the main four taxes is assessed at €68 billion according to the first results for 2011⁴.

Any change to the tax revenue can be broken down into a share attributable to changes in the bases (base effect) and another share attributable to changes in the rates (rate effect). Between post-reform 2010 and 2011, for the same legal and tax structure, the change in the voted global tax revenue for the three "household" taxes, considering all communities together, due to the rate increase, was 1.04%. EPCIs with independent tax resources increased their "household" rates more than the other communities. The increase in their tax revenue attributable to the rate increase is indeed 2.72%⁵. For towns, the occupancy tax (TH) rate and the two real property tax rates must not exceed a ceiling equal to two-and-a-half times the national average for the previous year, or the departmental average if it is higher. The CFE rate cannot exceed twice the national average rate of the previous year.

The average voted rate for the CFE, which goes only to the town sector, is of the order of 25.78%. The rates for the occupancy tax and real property tax on unbuilt properties (not including the additional tax), which also go only to the town sector, are respectively 23.76% and 48.57%. The rate for real property tax on built properties, which goes to both towns and departments, is 34.29%.

In addition to these three taxes and economic taxes, the **household waste removal tax** ("TEOM") is an individual tax drawn on companies of more than nine employees by towns or town groups responsible for organising common transport in urban systems of more than 30,000 residents.

⁴ Ministry of the Interior, overseas, territorial communities and immigration, "Statistical guide to direct local taxation 2010" (website).

⁵ General department for territorial communities (DGCL), "Local communities in figures for 2012" (website).

b) Specific features of Urban Communities and the Issuer in particular

Urban communities have large mandatory powers oriented toward economic development, intended to structure the territories. This is why they have their own tax resources.

The act 99-586 of 12 July 1999 made financing changes in the tax resources of EPCIs with their own resources. The tax logic in this new system makes the Single Professional Tax ("TPU") the main financing mode of urban communities and agglomerations. New urban and agglomeration communities were thus compelled to acquire the TPU.

When the TP was eliminated on 1 January 2010, this therefore entailed a change in the financing mode of EPCIs.

Indeed, since 1 January 2011, EPCIs are recipients of:

- the occupancy tax from the departmental share;
- the regional and department shares of the real property tax on unbuilt properties, in the form of an additional tax at a frozen rate;
- the CFE, the CVAE and the IFER.

In EPCIs with their own tax resources, several types of tax resources co-exist since 1 January 2011:

- additional taxation ("FA") to local taxation ("**EPCIs with FA**") when the EPCIs collect a fraction of the CFE and of the CVAE (26.5% of the territory revenue from companies for towns and groups of towns) and a fraction of the IFER. EPCIs with FA also collect an additional share of household taxes (occupancy tax and real property taxes). Optional resources may be transferred from member towns after agreed deliberation with the towns concerned (tax on commercial areas, for example).
 - single professional tax ("**EPCIs with FPU**") when the EPCIs collect, in the stead of their member towns, the CFE, the CVAE (26.5% of the territory revenue on companies for towns and groups of towns), the IFER and the additional tax to real property tax on unbuilt properties. Since 1 January 2011, EPCIs with FPU can also vote the rates on the household taxes and collect the departmental share of the occupancy tax as well as the tax on commercial areas).
 - Only urban communities created after the Act 99-586 of 16 July 1999 rightfully function under the TPU system, which is the case for the Urban Community of Marseille. The other urban communities, initially fed by the additional taxation, can opt to switch to the TPU system. In 2000, only two urban communities were under the TPU system, but the number of them increased rapidly until 2010. As of 1 January 2012 when the FPU system replaced the TPU system, 12 of the 15 urban communities had done so.⁶
- **Issuer's tax revenue including all tax resources (Euro)**

MAIN TAX RESOURCES				
	AA 2010	AA 2011	PB 2012	SB 2012
Occupancy tax	19,481,514.00	139,517,150.60	144,245,424.00	145,392,659.00
Tax on built real property	18,252,694.40	18,941,169.20	19,617,839.00	19,617,839.00
Tax on unbuilt real property and additional tax	85,199.74	730,446.74	742,891.74	142,772.00
Professional tax/CRTP	303,462,303.00	NA	NA	NA

⁶ EPCI statistical evaluation of own taxation as of 1 January 2012 (www.dgcl.interieur.gouv.fr).

CFE	NA	84,647,974.53	91,410,259.00	91,410,259.00
CVAE	NA	45,866,319.00	51,867,026.00	53,040,003.00
IFER	NA	2,932,471.00	5,112,086.00	2,914,472.00
Household waste removal tax	159,367,549.00	165,126,173.00	170,575,337.00	170,575,337.00
TASCOM	NA	7,201,000.00	7,224,498.00	6,948,807.00
Transport payment	135,033,503.00	144,430,312.00	148,000,000.00	148,000,000.00
Total	635,682,763.14	609,393,016.07	638,795,360.74	638,042,148.00

Source: Issuer Budget

Urban communities have the possibility of collecting other types of taxes to finance their activities:

- Street sweeping tax;
- Local taxes on end consumption of electricity;
- Local development tax, which replaced the equipment tax as of 1 March 2012;
- Participation for non-creation of parking areas;
- Household waste removal tax;
- Payment for overshooting local density cap;
- Advertising tax;
- Tax on electric poles;
- Mines tax;
- Foreign residency tax;
- Transport payment.

- **Other tax resources of the Urban Community of Marseille, in Euro**

OTHER TAX RESOURCES OF THE URBAN COMMUNITY OF MARSEILLE				
"Complementary" income and other taxes	AA 2010	AA 2011	PB 2012	SB 2012
Local equipment/development tax	6,242,970.00	5,753,359.00	6,500,000.00	6,500,000.00
Participation for non-creation of parking areas	3,797,029.00	710,411.00	750,000.00	750,000.00
Tax compensations	90,613,064.00	96,558,584.00	96,558,584.00	96,558,584.00
FPIC	-	0.00	7,224,498.00	6,967,084.00
Additional roles	-	12,680,722.00	11,554,607.00	11,554,607.00
TOTAL	100,653,063.00	115,703,076.00	122,587,689.00	122,330,275.00

- Provisions collected by the Urban Community of Marseille, in Euro

PROVISIONS				
	AA 2010	AA 2011	PB 2012	SB 2012
FNGIR	NA	17,103,578.00	17,103,578.00	18,099,023.00
DRCTP	NA	9,856,211.00	9,856,211.00	9,856,211.00
Compensation allocation	-	444,518.00	444,518.00	447,137.00
TOTAL	0.00	27,404,307.00	27,404,307.00	28,402,371.00

5.1.2 Budgetary system

a) Review of broad budgetary principles of public finances

The French *Code général des collectivités territoriales* (CGCT) as well as the accounting nomenclatures applicable to communities gives the following budgetary and accounting principles:

- The **principle of "annularity"** requires that the budget be defined for a twelve-month period going from 1 January to 31 December, and that each community adopt its budget for the following year before 1 January of that year. Time is left them until 31 March when the budget is applied, or until 15 April in years when the local assemblies are renewed. However, executive order 2005-1027 of 26 August 2005 simplifying and arranging the budgetary and accounting rules for territorial communities adds much flexibility to this principle by broadening the multi-annual mechanisms.
- The **balanced budget principle** means that receipts must equal expenditures in a truthful assessment of them, both for transactions (routine transactions) and investments.
- The **principle of unity** means that all receipts and expenditures must appear in a single budgetary document, which is the community's general budget. Other "ancillary" budgets, though, may be added to the general budget to trace out the activities of certain services.
- The **principle of universality** implies that all expenditure and receipt transactions must be indicated in full and without modification in the budget. This undergirds the requirement of truthfulness in budgetary documents, which specifies that receipts finance expenditures equally.
- The **principle of speciality of expenses** consists in authorising expenditures to only one service and for a particular purpose. Funds allocated to a service or set of services are thus specialised by chapter grouping the expenditures by type or purpose.

These budget development principles are checked by the Prefect in collaboration with the Regional Chamber of Accounts (the "CRC").

b) Budgetary and accounting investigation

The budgetary and accounting investigations applicable to local communities, and to EPCIs in particular, differ depending upon each community considered. They have all been reformed recently to comply with the general accounting plan of 1982 by applying some of its broad principles applicable to companies. It is indeed a matter of double entry accounting with resources corresponding to their uses, drawn up by an accountant of the Treasury Department.

c) Budgetary framework of territorial communities and of EPCIs with their own resources

As legal entities, territorial communities and EPCIs have their own assets and a budget. To implement its many powers, each territorial community and EPCI has legally recognised financial autonomy.

This financial independence results in the annual vote of the original or Primary Budgets ("**PB**") providing for and authorising receipts and expenditures. The observed transactions are then entered in the Administrative Accounts ("**AA**") voted by the community. The budgets are prepared by the community's executive branch.

The budget is a document that stipulates and authorises receipts and expenditures. In the course of a year, Supplementary Budgets ("**SB**"), or rectifications, may be needed to adjust expenditures and receipts to real world implementation. The supplementary budget takes the same structure as the Primary Budget, *i.e.*, in two sections with the funds presented by chapter and item. It is thus a replica of the Primary Budget. Although not mandatory since 1982, it is generally adopted around the month of October. The data for PB 2012 and SB 2012 have been integrated throughout this prospectus for better visibility of the Issuer's situation in 2012.

For all local communities, a budget is structured in two sections: the operating section and the investment section.

The operating section includes:

- all expenditures needed for community operation (expenses of general character, staff, routine management, debt interest, provisions for amortisation and other provisions);
- all receipts that the community can collect from the transfers of expenses, services, provisions from the State, income and other taxes and, as the case may be, any re-allocations from provisions and amortisations that the community has been able to make.

The investment section includes:

- in the expenditure column: reimbursement of the debt and expenditures for the community's equipment (works in progress, transactions on behalf of third parties, etc.);
- in receipts: loans, State provisions and subsidies.

5.1.3 Rule of local finances

The CGCT imposes a financial constraint on territorial communities and on EPCIs that prohibits them from borrowing to reimburse the capital on their debt.

This constraint is expressed as follows in article L.1612-4 of the CGCT: "*The budget of the territorial community is in real balance when the operating and investing sections voted are in balance, receipts and expenditures having been assessed truthfully, and when the drawdown of receipts in the operating section for the benefit of the investment section, added to the receipts specific to this section, and excluding the revenue of loans and any provisions to amortisation and provisions accounts, provides adequate resources to cover the reimbursement of capital of loan annuities to fall due during the year.*"

5.2 Issuer's total public debt

In this section:

- Consolidated debt = Main budget debt + Debt from the issuer's ancillary budgets
- Guaranteed consolidated debt = Part of the consolidated debt for which the Issuer offer its guarantee by substituting for the organisation that contracted the loan when the borrower defaults
- Total annuities = Debt interest expenses + Reimbursement of debt capital
- Total annuities for low-income housing, or "SDIS" (Departmental Fire and Emergency Service) = Part of total annuities for guarantees granted to satellites in the context of loans granted for construction of low-income housing

- Recoverable debt = Debt contracted by the Issuer on behalf of a member town
- Net annuities = Total annuities – Recoverable debt
- Debt currency = euro.

5.2.1 History of Issuer's Consolidated total debt (all budgets together)

As of 31 December	All budgets together (€)
2002	300,356,967
2003	312,588,298
2004	488,024,139
2005	828,536,331
2006	1,123,000,180
2007	1,262,941,918
2008	1,386,507,149
2009	1,448,944,714
2010	1,466,571,114
2011	1,373,617,481
PB 2012	1,292,234,090

5.2.2 Annuity of consolidated debt

Annuity of consolidated debt	Total annuity	Recoverable debt	Net annuities
AA 2010	132,189,802	22,385,005	109,804,797
AA 2011	117,485,739	14,410,862	103,074,877
PB 2012	121,446,264	11,371,995	110,074,269

5.2.3 Guaranteed consolidated debt*

	Total annuities Total	Outstanding as of 31 December Total
AA 2010	3,047,896	7,150,823
AA 2011	2,955,312	4,563,168
PB 2012	2,862,729	4,563,168

* The Marseille Urban Community does not hold any debt on low-income housing.

5.2.4 Additional indicator of consolidated debt

The average rate is calculated on the basis of the following rates:

- for variable rate loans = the daily rate

- for loans at fixed rate or other rates not known at the date = the anticipated daily rate

- for loans at fixed rate = the fixed rate, while it is specified that each of the rates is recalculated on the exact number of days (*i.e.* 365/365).

To calculate the average rate, the rate is calculated with respect to the capital remaining due for each type of rate. As required, the main budget is indicated.

Main Budget	Average rate (%)	Average life (years)	Average remaining life (years)	Debts with remaining life < 1 year (euro)	Defeasance capacity (years)
AA 2010	3.26	8.91	16.8	34,585	13
AA 2011	3.59	10.33	16.3	75,477,297	15

5.2.5 Issuer's outstanding debt per budget*

Outstanding debt per budget (euro)		
Outstanding debt	Outstanding as of 31 December 2010	Outstanding as of 31 December 2011
Main budget	1,277,140,789	819,537,806
Waste collection and treatment budget		62,225,829
Transport budget		312,438,827
Sewage budget	159,828,674	150,821,540
Water budget	24,493,474	21,690,493
Ports budget	5,108,174	6,902,987
Total	1,466,571,110	1,373,617,482

* The ancillary "transports" budget and ancillary "waste collection and treatment" budget were created on 1 January 2011. In 2010, they were both part of the main budget.

5.2.6 Gissler Charter

The development of the "Best Practices framework" requested by the State was completed on 7 December 2009 with the signature of a Best Practices Charter (called the "Gissler Charter") between:

- the 4 partner banks (foreign banks Depfa, RBS, etc., who had sold structured products did not sign the Charter);
- the associations of elected officials representing the towns and town groups (neither the Association des Départements de France – ADF – nor the Association des Régions de France – ARF – have wanted to sign on so far).

Charter contents

The Charter contains six commitments (four for the banks and two for the local communities).

- (a) The first two commitments aim to set limits on "product risks". The signatory banks waive proposing products to local communities that are based on certain high-risk indicators (such as exclusion of financial products backed by certain indexes such as those for raw materials, stock market variations, currency values, etc.) and products with snowball effects.
- (b) The purpose of the third commitment is to allow better legibility and comparability of offers by requiring that banks present their products according to a common classification grid (including a hierarchy of risks depending on underlying indicators and product structures by level of complexity).
- (c) The fourth commitment tends toward a formalised content of commercial offers.

The signatory banks, while recognising the local communities as non-professional financial entities, agree to provide the clearest possible commercial information, supplying analyses on the product's structure and underlying indexes, stress scenarios and the valuation of derivative products on 31 December of year N-1 in the course of the first quarter of year N.

- (d) The fifth and sixth commitments are at the responsibility of local communities, aiming to improve the information given by the executive power to the deliberating body and to ensure the greatest possible transparency with regard to the elected officials concerning the decisions made by the executive (mainly by the executive's presentation of an annual report on the debt management policy conducted by the local community).

IV – APPENDICES

IV

**BALANCE SHEET ELEMENT – STATUS OF THE DEBT
DISTRIBUTION OF OUTSTANDING DEBT (Typology)**

Structures	(1) Indices in Euros	(2) French or Euro zone indices or differences between them	(3) Differences of Euro zone indices	(4) Indices outside Euro zone and differences of indices one of which is outside Euro	(5) Differences of indices outside Euro zone	(6) Other indices
Underlying indices						
(A) Simple fixed rate. Simple variable rate. Swap of fixed rate against variable rate or vice versa. Swap of structured rate against variable or fixed rate (one direction). Simple capped or tunnel variable rate.	148	1	-	-	-	-
	92.44%	2.22%	-	-	-	-
	€1,187,197,750	€28,545,423	-	-	-	-
(B) Simple barrier. No lever effect.	-	1	-	-	-	-
	-	2.58%	-	-	-	-
	-	€33,103,448	-	-	-	-
(C) Swaption	1	-	-	-	-	-
	0.66%	-	-	-	-	-
	€8,500,000	-	-	-	-	-
(D) Multiplier up to 3; Multiplier capped at 5	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
(E) Multiplier up to 5	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
(F) Other types of structures	-	-	-	-	-	1
	-	-	-	-	-	2.10%
	-	-	-	-	-	€27,001,823

Real exchange rate.

Table generated as of 1 October 2012

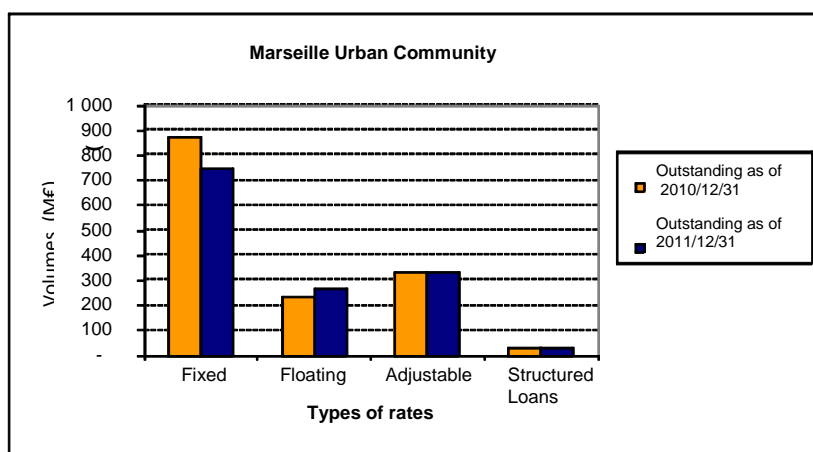
It appears that 92.44 per cent. of the outstanding debt of the Marseille Urban Community is included in the Category A1 regarding the Gissler scale, which corresponds to the less risky debt category: fixed rate, floating rate notably, and denominated in euros. On the opposite side, 2.1 per cent. of the outstanding debt of the Marseille Urban Community is not included in the Charter and correspond to one single loan agreement indexed on EUR/CHF exchange rate, and which outstanding capital as of 1 October 2012 amounts to €27,001,823.

5.2.7 Evolving structure of outstanding consolidated debt

Loans at structured rates are those with interest rates defined by a formula that may include an optional mechanism. This type of loan may chiefly include a hedging mechanism involving payment of a premium or rate surcharge or discount, in return for the local community's acceptance of a degradation risk related to the variation of certain indexes. Structured loans like variable products, simple barrier or de-activating products are examples of this.

The structured loans in the following diagrams in the "structured rate" column are a generic category that includes all types of structured products, including those at fixed rates, which have a lesser risk.

- Urban Community of Marseille



5.3 Issuer's situation and financial resources

Article 26 of the organic finance laws (LOLF) 2001-692 of 1 August 2001 says, "*Unless expressly stipulated in a finance law, territorial communities and their public institutions are required to deposit all of their available funds with the Treasury.*"

The objectives of active cash management are to reduce the opportunity cost of the impossibility of placing available funds. For this, the outstanding sum in the Treasury must be as small as possible. To meet their financing needs, local communities use cash balance lines that they mobilise as their expenses fall due.

Once mobilised, the credit line feeds the Treasury account to cover the day's expenditures. Implementing such a policy calls for close collaboration between the instructing party and the public accountant. The public accountant determines each day's deposits and disbursements. Receipts and expenditures are balanced by drawdown or reimbursement of the credit line.

For lack of daily data on credit line transactions, the impact of active cash management can be assessed only partially.

5.4 Issuer's Budget

To present the Issuer's financial situation, the following are presented hereafter:

- expenditures for the investment and operating sections (administrative accounts);
- self-financing capacity;
- annual statements.

These accounting items are presented with the main and ancillary budgets consolidated on the basis of the administrative accounts voted by the Issuer (with exclusion of double flows) for 2010 and 2011, and on the basis of the primary budget and any supplementary budget for 2012.

Remarks:

- The accounting nomenclature applicable to urban communities provides for movements between the operating and investment sections that do not correspond to real disbursements. These "order transactions" are not considered in the financial analysis. The total not counting the order transactions is indicated clearly in the 'Balance' table below.
- The data is presented in euro unless indicated otherwise.

BALANCE				
Expenditures				
Investment	AA 2010	AA 2011	PB 2012	SB 2012
Real investment expenses	499 225 618	360 731 472	458 936 981	485 259 037
10 – Various provisions	0	0	0	15 819
13 – Investment subsidies	439 782	349 184	516 600	2 184 563
16 – Reimbursements of loans	207 662 225	145 644 018	116 934 089	154 190 966
1644 – Loans used as credit line	120 000 000	70 000 000	40 000 000	40 000 000
Total equipment transactions (Art 20 + 21 + 23)	221 319 161	171 868 202	190 307 104	184 022 051
22 - Capital received on assignment	0	0	0	0
24 – Equipment subsidies paid	67 351 078	38 156 932	37 743 500	37 743 500
26 – Acquisitions of shares	0	175 007	0	2 600 000
27 – Other financial capital	196 635	103 211	9 145 000	211 450
020 – Unforeseen expenses	0	0	0	0
45 - Transactions for third parties	2 256 737	4 434 918	27 415 000	27 415 000
Total order transactions	26 132 195	58 031 170	34 183 369	148 708 132
Order transactions between sections	5 439 303	15 513 917	24 722 095	36 663 669
0141 – Asset transactions	20 692 892	42 517 253	9 461 274	113 475 963
TOTAL	525 357 813	418 762 642	490 428 031	631 274 850
Transactions				
Real operating expenses	840 137 280	1 001 057 565	1 026 579 570	1 090 500 730
011 – Expenses of general character	217 039 914	533 063 425	546 857 509	564 828 205
012 – Staff and similar expenses	162 093 145	170 347 318	173 563 241	177 443 545
014 – Revenue attenuation	230 126 524	209 722 684	210 470 849	210 667 155
022 – Unforeseen expenses	0	0	0	0
65 – Routine management expenses	164 923 763	38 811 875	145 607 276	169 987 554
656 – Operating costs of groups of officials	604 184	667 784	868 700	868 700
66 – Financial expenses	39 189 199	42 065 443	26 488 601	30 138 415
67 – Exceptional expenses	26 160 551	6 186 441	5 121 312	18 965 074
69 – Taxes on profits and similar	0	192 595	0	0
Total order transactions	46 521 873	69 333 925	109 178 861	178 935 272
023 – Transfer from investment section	0	0	4 890 492	72 676 660
6741 – Subsidies or provisions in kind	0	0	0	0
675 - VNC of transferred capital	929 151	8 550 392	0	0
676 – Added value from sales	300 690	0	0	0
68 – Provisions and amortisations	45 292 032	58 597 820	75 147 928	75 147 928

7133 – Change in outstanding production of goods	0	0	8519429	8 519 429
71355 – Change in developed land inventory	0	2 185 713	2 731 273	2 731 273
6611 - ICNE for the year	15 258 833	13 831 334	101 660 236	101 660 236
762 - ICNE N-1 brought forward	21 007 044	15 258 833	13 831 064	13 831 064
TOTAL	886 659 153	1 070 391 490	1 135 758 431	1 269 436 001

Receipts				
Investment	AA 2010	AA 2011	PB 2012	SB 2012
Real investment receipts	368 810 410	470 982 760	414 480 215	486 627 658
10 – Various provisions	41 389 055	157 842 061	27 528 196	64 745 969
13 – Investment subsidies	48 944 056	38 948 071	56 090 184	60 625 721
16 – Reimbursements of loans	224 517 382	234 096 730	250 301 079	267 824 150
1644 – Loans used as credit line	190 000 000	100 000 000	40 000 000	42 329 837
20 – Intangible capital	15 328	7 368	0	10 192 579
21 – Tangible capital	20 155	0	0	0
23 – Current capital	2 129 464	109 338	654 000	654 000
27 – Other financial capital	49 230 957	35 406 820	12 491 756	7 964 293
45 - Transactions for third parties	2 564 013	4 572 372	27 415 000	26 855 556
Other real receipts	0	0	0	5 435 554
Total order transactions	67 214 765	111 851 177	118 640 135	120 307 364
Asset transactions	20 692 892	42 517 253	9 461 274	9 461 274
Order transactions among sections	46 521 873	69 333 924	109 178 861	287 291 092
TOTAL	436 025 175	582 833 937	493 120 350	566 935 022
Operating				
Real operating receipts	960 802 523	1 092 986 804	1 111 036 336	1 326 366 339
70 – Revenue from services, of the field and of sales	82 462 005	185 114 938	186 672 643	186 672 643
73 – Income and other taxes	644 202 282	638 045 276	661 315 010	683 332 749
74 – Provisions, shares and subsidies	210 817 472	232 578 428	234 001 229	237 414 023
75 – Other routing management revenue	11 162 588	17 355 476	18 742 738	18 294 707
013 – Load attenuation	4 432 959	4 133 798	3 491 540	11 202 917
76 – Financial income	3 217 700	1 352 715	110 500	7 662 494
77 – Exceptional income	4 507 517	14 406 173	6 702 676	6 773 676
79 - Transfers of expenses	0	0	0	1 801 664
Total order transactions	5 439 303	15 513 918	24 722 095	26 639 036
7133 – Change in outstanding	0	0	17129526	17 129 526

production of goods				
71335 – Change in inventory of developed lands	0	0	2731274	14 875 475
72 – Administered works	0	0	0	0
776 – Value losses/sales	0	0	0	0
777 – Transferred investment subsidies	4 582 232	4 808 776	4 861 295	4 861 295
78 – Carried from provisions	857 071	0	0	0
79 - Transfers of expenses	0	0	0	0
6611 - ICNE N-1 carried forward	0	0	0	0
762 - ICNE for the year	0	0	0	0
TOTAL	966 241 826	1 108 500 722	1 135 758 431	1 353 005 375

Self-financing	AA 2010	AA 2011	PB 2012	SB 2012
Gross self-financing	120 665 243	91 929 241	84 456 766	142 070 271
Income				
D001 – Investment income carried forward	40 689 527	195 583 137	NA	NA
R001 – Investment income carried forward	226 291	61 697	NA	NA
	AA 2010	AA 2011	PB 2012	SB 2012
1068 – Operating surplus capitalised	34 905 329	129 857 573	NA	NA
D002 - Investment income carried forward	0	0	NA	NA
R002 - Investment income carried forward	119 481 861	82 366 496	NA	NA
R002 – Operating income carried forward	0	0	NA	NA

- **BUDGET DATA FOR AA 2010 AND AA 2011 IN MILLIONS OF EURO**

	AA 2010		AA 2011	
	Expenses	Receipts	Expenses	Receipts
Main Budget	1 119.10	1 177.79	678.15	956.26
Operating	789.80	898.59	417.84	583.86
Investment	329.30	279.20	260.31	372.40

Waste collection and treatment budget	-	-	189.54	189.79
Operating	0.00	0.00	174.45	182.91
Investment	0.00	0.00	15.08	6.88
Transports Budget	-	-	393.41	257.57
Operating	0.00	0.00	342.57	257.57
Investment	0.00	0.00	50.84	13.20
TOTAL	1119.10	1177.79	1261.10	1403.62
Sewage Budget	42.43	47.56	43.57	59.11
Operating	22.97	34.58	25.52	38.56
Investment	19.46	12.98	18.05	20.55
Water Budget	34.91	28.99	19.83	37.27
Operating	7.54	18.95	7.33	19.70
Investment	27.37	10.04	12.50	17.57
Ports Budget	8.59	8.23	10.31	10.65
Operating	5.80	7.43	6.51	7.38
Investment	2.79	0.80	3.80	3.27
Budget for markets of national interest	0.38	0.06	0.33	0.11
Operating	0.14	0.06	0.33	0.11
Investment	0.24	0.00	0.00	0.00
Crematorium Budget	0.86	0.08	2.38	0.13
Operating	0.70	0.01	1.23	0.01
Investment	0.16	0.07	1.15	0.12
Development transactions Budget	-	-	10.71	1.53
Operating	0.00	0.00	10.71	1.53
Investment	0.00	0.00	0.00	0.00
CONSOLIDATED BUDGET	1 206.27	1 262.71	1 348.22	1 512.42
Operating	826.95	959.62	986.49	1 091.63
Investment	379.32	303.09	361.73	433.99

5.5 Audits and inspections applicable to the Issuer's accounts

Act 82-213 of 2 March 1982 eliminated any checks on the acts of local communities *before the fact*. The budgets voted by each community are now rightfully enforceable once published and transmitted to the Prefect, who is the State representative in the department.

The budgetary deeds of the territorial communities do, however, fall under to control mechanisms *after the fact*:

- As administrative acts, they are subject to the check of legality under common law.
- As budgetary acts, they are subject to the special procedures of budgetary, jurisdictional and management control conducted by the Regional Chamber of Accounts.

5.5.1 Law applicable to the Issuer

The legislative and regulatory framework in effect for the Issuer is defined by:

- the CGCT;
- the General Rules of Public Accounting ("RGCP" 1962);
- finance acts;
- the applicable accounting instructions:
 - M14: accounting of towns and EPCIs;
 - M4: accounting of Local Industrial and Commercial Public Services ("SPIC"). This is broken down into several nomenclatures including M43, which frames the SMTC (accounting for local urban passenger transit).
- codifying instruction 11-022-M0 of 16 December 2011 on the collection of receipts by territorial communities and local public institutions.

5.5.2 Control by the public accountant

The public accountant performs the financial transactions and keeps a management account in which he indicates all the community's expenses and receipts.

He checks that the expenses are counted in the correct budgetary chapter and that the source of the income is legal. He cannot exercise an opportunity check. Indeed, he cannot judge the pertinence of the political choices made by the communities since they administer themselves freely. Otherwise, the instructing party can "require" the accountant, *i.e.*, force him to pay.

Whenever the accountant detects an illegality, he rejects the payment decided by the instructing party.

Public accountants have personal and pecuniary responsibility for the payments they make. If there is a problem, the Minister of Finances can issue a re-transfer order that forces the accountant to pay the corresponding sum out of his own pocket.

These provisions of Chapter VII of the single section in Book VI of the first part of the CGCT on the public accountant are applicable to EPCIs.

5.5.3 Prefect's check of legality

Article L.2131-6 of the CGCT⁷ says that the Prefect defers any acts he deems contrary to the law to the

⁷ This article is applicable to towns. Similar provisions exist for departments (article L.3132-1 of the CGCT) and regions (article L.4142-1 of the CGCT).

administrative court within two months following their transmission to the Prefecture. The legality check concerns the conditions for generating, adopting and presenting the budgetary documents and their appendices.

The provisions of the CGCT on the legality check and enforceable character of the deeds of town, departmental and regional authorities are also applicable to EPCIs under article L.5211-3 of the CGCT.

5.5.4 Role of the Regional Chamber of Accounts

Act 82-213 of 2 March 1982 created Regional Chambers of Accounts (abbreviated "**CRC**") seating permanent magistrates. This is a counterpart for the elimination of State stewardship of the deeds of the territorial communities, which, until then, implied an *a priori* check of their acts. The powers of these courts are defined by law but are also repeated in the Financial Court Code, in articles L.211-1 and the following.

The power of a CRC extends to all the local communities within its geographical jurisdiction, whether towns, departments or regions, but also to their public institutions including EPCIs).

In this context, the CRCs have a triple checking power. They first have a budgetary check, which substitutes for the check exercised by the Prefect prior to Ac 82-213 of 2 March 1982. The second check is of a jurisdictional nature, intended to make sure the transactions undertaken by the public accountant are regular. The purpose of the third power is to check that the receipts and expenditures of the towns are regular.

- Budgetary check

According to articles L1612-2 and the following of the CGCT, the CRC check concerns the primary budget, the modifying decisions and the administrative accounts.

The CRC acts in four cases:

- When the primary budget is adopted too late (after March 31, except for years when the deliberating body assemblies are renewed and it is put off until April 15), after a transmission period of fifteen days, the Prefect must address the CRC, which makes its proposals within a month.
- In the absence of real balance in the voted budget (receipts do not correspond to expenses), three one-month periods succeed each other: One month for the Prefect to address the CRC, one month for the CRC to express its proposals, and a third month for the community's deliberating body to regularise the situation, or else the Prefect determines the budget himself.
- If a mandatory expenditure is not written into the budget, the same time periods apply; but the CRC, who may also be addressed by the public accountant, sends a formal notice to the community in question.
- Lastly, when the execution of the budget is in deficit (when the sum of results of the two sections of the administrative account is negative) by more than 5% or 10% of the receipts of the operating section, depending on the size of the community, the CRC proposes measures for rectifying this within one month counting from being advised of this. Furthermore, it validates the primary budget for the following year.

- Jurisdictional check

The CRC judges all the accounts of the public accountants of the communities and their public institutions. This jurisdictional check is the original task of the CRCs. It is a check of the regularity of the transactions conducted by public accountants. It consists in checking not only that the accountants are regular, but especially that the accountant has indeed exercised all the checks he is supposed to make. On the other hand, Act 2001-1248 of 21 December 2001 on the CRC and the Court of Accounts prohibits the check of opportunity. The CRC settles and recognises true accounts by judgments whether irregularities have been found or not.

- Management check

The CRCs also have the task of checking the management of the territorial communities. This check is to examine their regularity and quality of management. It concerns not only the financial balance of the management transactions and choice of implementation means, but also the results obtained by comparison with the means and results of the measures undertaken. The CRCs judge the regularity of the transactions and the

economy of the means used, and not in terms of opportunity of the acts undertaken by the territorial communities. They try first to help and incite the communities to comply with the law in order to prevent any sanctions.

Impact of letters of observations from the CRC

Three major themes of examination come from the letters of observation:

- balanced use of public finances;
- mastered management of public services;
- compliance with the broad principles of the public function.

This task may meet needs imperfectly, however, because the CRCs send their final letters of observations two to five years after the close of a year. These letters may be sent to any citizen who requests them.

New forms of control

The CRC operating mode has changed.

The "improvement and decentralising" Act 88-13 of 5 January 1988 thus called for a preliminary talk between the reporting magistrate and the head of the community at the time of the check, but also with the persons responsible during the period concerned by the check. The provisions in this field tend toward a betterment of the external check (homogeneous practices over the whole territory, confidentiality).

The CRCs try to verify the efficiency of public policies. While it is not up to them to judge the community's decisions themselves, they make sure that the communities have adopted a structured organisation of their services and defined clear objectives, tracked by spreadsheets and an assessment of the implementation measures.

6. SIGNIFICANT CHANGES

Since 31 December 2011, the Issuer declares that no notable change has occurred concerning the information it has provided in the "Public Finances" section of this Prospectus.

7. LEGAL AND ARBITRATION PROCEEDINGS

No governmental, judicial or arbitration proceedings have occurred over the last twelve months (nor any suspended or threatened proceedings that the Issuer is aware of).

The Issuer is not exposed to any legal risks related to common law process. Its status as a public legal entity indeed prevents suit against it under private law by application of the principle of the non-attachability of property belonging to legal entities of public law⁸. Therefore, like any public legal entity, the Issuer is not subject to the bankruptcy process provided for in the Commercial Code⁹.

Only processes stipulated under public law, in particular those instituted by Act 80-539 of 16 July 1980 on penalties in administrative matters and the enforcement of judgments by public legal entities may be brought against the Issuer.

8. DOCUMENTS ACCESSIBLE TO THE PUBLIC

Under Act 78-753 of 17 July 1978 on public access to administrative documents, modified by Act 2000-321 of 12 April 2000, any citizen has the right to access the administrative information and documents regardless of the territorial level concerned (State, region, department, town, EPCI). So the Issuer's accounts and budgets are also

⁸ Cour de cassation, 1st civil, 21 December 1987, *Bureau de recherches géologiques and minières c. Société Lloyd Continental*, Bulletin Civil I, no. 348, p. 249.

⁹ Paris Court of Appeals, 3rd ch. sect. B, 15 February 1991, *Centre national des bureaux régionaux de frêt*, 90-21744 and 91-00859.

subject to communication along with the accounts and budgets of the legal entities of private law that they subsidise.

The Issuer's executive makes the budgetary documents available to any natural person or legal entity, by any means of publicity, along with their appendices and a series of indicators, at its head office. The judgments, opinions and letters of observation of the CRCs are also available.

Local acts must be publicised in the form of a notification (individual act) or publication (regulatory acts).

In the event of dispute, the documents to be disseminated are indicated by the Commission for Access to Administrative Documents (*Commission d'Accès aux Documents Administratifs*, the "CADA") then, as required, by the administrative judge.

TAXATION

The following is a summary limited to certain tax considerations relating to withholding taxes levied on the income from the Notes and is included for information purposes only. This summary is based on the laws in force in the European Union and/or in France as of the date of this Prospectus. It does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. Each investor or Noteholder should consult its tax advisor as to the tax consequences of any acquisition, ownership or disposition of the Notes.

1. EU directive on the taxation of savings income

Under EC Council Directive 2003/48/EC on the taxation of savings income dated 3 June 2003 (the "**Directive**"), each Member State is required to provide to the tax authorities of another Member State details of any payment of interest or similar income paid by a paying agent within its jurisdiction to, or under certain circumstances collected for, a beneficial owner (within the meaning of the Directive) resident in that other Member State. However, for a transitional period (as defined by the Directive), Austria and Luxembourg impose, instead of such exchange of information, a withholding tax on all payments of interest within the meaning of the Directive unless the beneficiary of interest payment elects for the exchange of information. The rate of this withholding tax is 35% since 1 July 2011, and will remain so until the end of the transitional period. This transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also since 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding tax) in relation to payments made by a paying agent within its jurisdiction to, or under certain circumstances collected for, a beneficial owner (within the meaning of the Directive) resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a paying agent in a Member State to, or under certain circumstances collected for, a beneficial owner (within the meaning of the Directive) resident in one of those territories.

On 13 November 2008, the European Commission published a detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive they may amend or broaden the scope of the requirements described above.

2. France

Implementation of the Directive in France

The Directive has been implemented in French law by Article 242 ter of the French *Code général des impôts* and Articles 49 I ter to 49 I sexies of Schedule III to the French *Code général des impôts*. Article 242 ter of the French *Code général des impôts*, imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another Member State, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to that beneficial owner.

Withholding tax in France

Payments of interest and other revenues made by the Issuer with respect to the Notes will not be subject to the withholding tax set out under Article 125 A III of the French *Code général des impôts* unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of Article 238-0 A of the French *Code général des impôts* (a "**Non-Cooperative State**"). If such payments under the Notes are made in a Non-Cooperative State, a 50% withholding tax will be applicable (subject to certain exceptions and to the more favourable provisions of any applicable double tax treaty) by virtue of Article 125 A III of the French *Code général des impôts*.

Notwithstanding the foregoing, the 50% withholding tax will not apply in respect of the issue of the Notes if the Issuer can prove that the principal purpose and effect of such issue of Notes was not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the "**Exception**"). Pursuant to *Bulletin Officiel des Finances Publiques-Impôts* published on 12 September 2012 (BOI-INT-DG-20-50-20120912), Section No. 990, an issue of notes will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of the issue of the Notes if such notes are:

- (i) offered by means of a public offer within the meaning of Article L.411-1 of the French *Code monétaire et financier* or pursuant to an equivalent offer in a State other than a Non-Cooperative State. For this purpose, an "equivalent offer" means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or
- (ii) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and that the operation of such market is carried out by a market operator or an investment service provider, or by such other similar foreign entity, provided further that such market operator, investment service provider or entity is not located in a Non-Cooperative State; or
- (iii) admitted, at the time of their issue, to the clearing operations of a central depository or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French *Code monétaire et financier*, or of one or more similar foreign depositories or operators provided that such depository or operator is not located in a Non-Cooperative State.

The Notes being, as from their Issue Date, admitted to the clearing operations of a duly authorized central depository, payments of interest and other revenues made by, of for the account of, the Issuer under the Notes are not subject to the withholding tax set out under Article 125 A III of the French *Code général des impôts*.

SUBSCRIPTION AND SALE

Pursuant to a dealer agreement (the "**Dealer Agreement**") dated 6 November 2012, HSBC France (the "**Lead Manager**") agreed with the Issuer, subject to the satisfaction of certain conditions, to procure the subscription and payment, failing which to subscribe and pay itself, for the Notes at an issue price equal to 99.385 per cent. of the aggregate principal amount of the Notes, less a global placement commission agreed upon between the Issuer and the Lead Manager for the benefit of the Lead Manager. The Dealer Agreement entitles, in certain circumstances, the Lead Manager to terminate the Dealer Agreement.

1. General restrictions

No action has been or will be taken by the Issuer or Lead Manager (to the best of their knowledge) in any country or jurisdiction that would permit a public offering of the Notes, or the possession or distribution of this Prospectus or any other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any document, advertisement or other offering material relating to the Notes may be distributed in or from, or published in, any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

The Lead Manager has agreed that it will comply, to the best of its knowledge, with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus or any other offering material and the Issuer shall have responsibility for such actions.

2. France

The Lead Manager has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France this Prospectus or any other offering material relating to the Notes and that such offers, sales and distributions have been and will be made in France only to (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (ii) qualified investors (*investisseurs qualifiés*) and/or (iii) a restricted circle of investors (*cercle restreint d'investisseurs*), all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-4 of the French *Code monétaire et financier*.

3. United States of America

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the "**U.S. Securities Act**"). The Notes may not be offered or sold, directly or indirectly, within the United States of America except in accordance with regulation S under the U.S. Securities Act (the "**Regulation S**").

The Notes are only being offered and sold outside of the United States of America in the context of offshore transactions in accordance with Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

No envelope containing orders to subscribe the Notes offered under this Prospectus may be posted or sent otherwise, from the United States. In addition, until forty (40) days after the commencement of the offering, an offer or sale of the Notes within the United States of America by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. Accordingly, each subscriber of the Notes offered under this Prospectus shall be deemed to have represented, agreed and acknowledged, by accepting delivery of this Prospectus and the Notes, that (i) he is located outside the United States and he does not subscribe on behalf of a third party located within the United States (ii) he purchases Notes under an "offshore transaction" in accordance with Regulation S. The Issuer and the Lead Manager reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason whatsoever.

This Prospectus does not constitute an offer to any person in the United States. Distribution of this Prospectus by any person to any U.S. person or to any other person within the United States is unauthorised and any disclosure

without prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

4. United Kingdom

The Lead Manager has represented and agreed:

- (a) that it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activities (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) that it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving, the United Kingdom.

GENERAL INFORMATION

1. Upon issue, the Notes will be accepted for clearance through Clearstream, Luxembourg (42 avenue JF Kennedy, 1855 Luxembourg, Luxembourg), Euroclear (boulevard du Roi Albert II, 1210 Bruxelles, Belgium) and Euroclear France (115 rue Réaumur, 75081 Paris Cedex 02, France) with the common code 084058068. The ISIN code number for the Notes is FR0011336742.
2. The Issuer has obtained all necessary consents, approvals and authorisations in France in connection with the issue and performance of the Notes. The issue of the Notes was (i) authorized pursuant to the resolution No. DGAGF 08/1310/CC of the Community Council of the Issuer dated 31 May 2008 delegating to its President the power to decide the issue of notes within the limits of the amounts recorded in the budget and (ii) decided by Eugène Caselli, President of the Issuer, pursuant to a decision No. 12/262/D dated 31 October 2012 in accordance with the 2012 primary budget adopted on 13 February 2012 by a resolution No. DBP 12/7634/CC of the Community Council of the Issuer and the 2012 supplementary budget adopted on 26 October 2012 by a resolution No. DBP 12/8750/CC of the Community Council of the Issuer.
3. For the purposes of the admission to trading of the Notes on Euronext Paris as from 8 November 2012, and pursuant to Articles L.412-1 and L.621-8 of the French *Code monétaire et financier*, this Prospectus has been submitted to the *Autorité des marchés financiers* (the "AMF") and received visa No.12-532 dated 6 November 2012.
4. The total expenses related to the admission to trading (including AMF fees) of the Notes are estimated to € 13,350 (excluding VAT).
5. Save for any fees payable to the Lead Manager, as far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the issue.
6. The yield of the Notes is 3.93 per cent. *per annum*, as calculated on the pricing date of the Notes on the basis of the issue price of the Notes. It is not an indication of future yield.
7. There has been no significant change in the financial position of the Issuer since 31 December 2011.
8. During a period covering the previous twelve (12) months, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had in the recent past, significant effects on the Issuer's financial position.
9. So long as any of the Notes remain outstanding, copies of this Prospectus, copies of the two most recent primary budgets (amended, as the case may be, by a supplementary budget) and of published administrative accounts of the Issuer and, as the case may be, of the financial audit reports with respect thereto, will be available and obtainable, free of charge, at the registered office of the Issuer and at the specified office of the Fiscal Agent during normal business hours. This Prospectus is also available on the on the websites of the AMF (www.amf-france.org) and of the Issuer (www.marseille-provence.com).

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