

THIS DOCUMENT IS A FREE NON BINDING TRANSLATION, FOR INFORMATION PURPOSES ONLY, OF THE FRENCH LANGUAGE PROSPECTUS DATED 4 JUIN 2014 WHICH RECEIVED VISA NO. 14-269 FROM THE AUTORITE DES MARCHES FINANCIERS ON 4 JUIN 2014 (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 4 June 2014



**Prospectus related to the admission to trading on the Euronext regulated market in Paris
of €10.000.000 3.71 per cent. notes due 6 June 2044**

Issue Price: 100 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 Council dated 4 November 2003 as amended by Directive 2010/73/EU dated 24 November 2010.

The €10.000.000 3.71 per cent. notes issued by Communauté Urbaine Marseille Provence Métropole (the "**Issuer**" or "**Marseille Urban Community**") maturing on 6 June 2044 (the "**Notes**") will be issued on 6 June 2014 (the "**Issue Date**").

Interest on the Notes will accrue from, and including, the Issue Date at the rate of 3.71 per cent. per annum, payable annually in arrear on 6 June in each year, and for the first time on 6 June 2015 for the period from, and including, the Issue Date to, but excluding, 6 June 2015.

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 6 June 2044 (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 entry 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 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 long term debt of the Issuer has been assigned an 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 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 Notes have not been 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.



Pursuant to Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and its general regulations, in particular Articles 211-1 to 216-1, the *Autorité des marchés financiers* (the "AMF") has granted visa number n° 14-269 dated 4 June 2014 on this Prospectus.

This Prospectus has been prepared by the Issuer and its signatories assume responsibility for its contents. The visa, in accordance with the provisions of Article L.621-8-1-I of the French *Code monétaire et financier*, has been issued after verification by the AMF that "*the document is complete and comprehensible and that the information contained therein is coherent*". It neither implies approval of the appropriateness of the transaction nor validation by the AMF of any of the accounting and financial information presented therein.

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, 4 June 2014

Guy Teissier,

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 with 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

The Issuer, an intercommunal cooperation public establishment (établissement public de coopération intercommunale) (EPCI), is not exposed to the legal risks associated with private law enforcement procedures and its assets are immune from attachment and seizure.

1.1 Asset risks

The Issuer's asset risks stem from all of the damage, 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, local authorities 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 insurance policies subscribed by the Issuer cover civil liability, against the financial consequences that it may suffer because of damage 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 insurance also covers the whole car fleet and the damage 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 (*administration territoriale de la République*) (called the "ATR" law) provide a means of analysing the financial situation of a local authority. 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 expenditure (or revenue) is higher (or lower) than the national average of the stratum.

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

Ratio	Analytical use
Actual Operating Expenditure 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.
Actual Operating Revenue per Resident (€)	Measures the community's financial means. Any surplus from the previous year is not included.
Total Equipment Expenditure 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 authorities.
Share of staff expenses in Actual Operating Expenditure (%)	Relative measure of staff expenses. This is an incompressible expense regardless of the authority's population.
Tax potential Mobilisation Coefficient	Measure of the level of relative fiscal pressure weighing upon the taxpayers.
Share of Actual Operating Expenditure including debt reimbursements in the Actual Operating Revenue (%)	Measure of the margin for manoeuvre with regards to self-financing once mandatory expenses are paid.
Share of Total Equipment Expenses in the Actual Operating Expenditure (%)	Measure of the relative weight of investment in the budget.
Share of Outstanding Debt in Actual Operating Revenue (%)	Measures the volume of indebtedness, <i>i.e.</i> , the debt load relative to wealth.

The legal ratios of the Marseille Urban Community

Data from administrative accounts AA 2011 and AA 2012 are ratios calculated for the entire Community territory of MPM.

In €/ consolidated data : Main Budget and Ancillary Budgets			
	AA * 2011	AA 2012	National Averages of the stratum 2012
Actual Operating Expenditure per Resident	499	542	831
Tax Revenue per Resident	296	307	390
Actual Operating Revenue per Resident	564	577	870
Total Equipment Expenses per Resident	140	188	298
Outstanding Debt per Resident	781	817	843
Global Operating Provision per Resident	183	182	232
Share of Staff Expenses in Actual Operating Expenditure (%)	18.17	17.21	22
Tax potential Mobilisation Coefficient	0.94	0.94	0.74
Share of Actual Operating Expenditure (including debt reimbursements) in Actual Operating Revenue (%)	88.57	101.8	104
Share of Total Equipment Expenditures in Actual Operating Revenue (%)	24.78	32.61	34
Share of Outstanding Debt in Actual Operating Revenue (%)	127	142	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 credits in expenditure and revenue voted by the community council, the expenditure and revenue 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.

The data from the 2013 primary budget and the 2014 primary budget are the forecast data for 2013 and 2014. The legal ratios are consolidated (main budget and ancillary budgets).

In euros / Consolidated datas : Main Budget and Ancillary Budgets			
	PB* 2013	PB* 2014	National Averages of the stratum 2014
Actual Operating Expenditure per Resident	578	578	777
Tax Revenue per Resident	351	351	449
Actual Operating Revenue per Resident	614	614	964
Total Equipment Expenses per Resident	248	248	217
Outstanding Debt per Resident	903	903	749
Global Operating Provision per Resident	175	175	224
Share of Staff Expenses in Actual Operating Expenditure (%)	17,02	17,02	25.3
Tax potential Mobilisation Coefficient	s.o	s.o	1.05
Share of Actual Operating Expenditure (including debt reimbursements) in Actual Operating Revenue (%)	102,38	102.38	87.2
Share of Total Equipment Expenditures in Actual Operating Revenue (%)	40,42	40.42	22.6
Share of Outstanding Debt in Actual Operating Revenue (%)	147,03	147.03	77.7

* 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.

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 authorities 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 gross 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 Urban Community is compared to the national averages in the table below (the specified amounts are expressed in Euro):

	2011	2012
Tax potential of the MPM Urban Community	430,535,916	441,113,845
National averages of the stratum	565,120,000	-Not Available

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 authorities 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 burden 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 local authority or an Intercommunal Cooperation Public Establishment (*établissement public de coopération intercommunale*) ("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 The Notes might not be a suitable investment for every 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 interest 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 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

Under Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of

payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Savings Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

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.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

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 €10,000,000 3.71 per cent. notes maturing on 6 June 2044 (the "**Notes**") by Communauté Urbaine Marseille Provence Métropole (the "**Issuer**" or "**Marseille Urban Community**") was (i) authorized pursuant to the resolution No. FCT 026-089/14/CC of the Community Council of the Issuer dated 25 April 2014 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 Guy Teissier, President of the Issuer, pursuant to a decision No. 14/092/D dated 26 May 2014 in accordance with the 2014 primary budget adopted on 25 April 2014 by a resolution No. FCT 001-064/14/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 4 June 2014.

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-entry 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, 6 June 2014 (the "**Issue Date**") to, but excluding, 6 June 2044 (the "**Maturity Date**"), at the rate of 3.71 per cent, per annum, payable annually in arrear on 6 June in each year. The first payment of interest will be made on 6 June 2015 for the period from, and including, the Issue Date to, but excluding, 6 June 2015.

Each Note will cease to bear interest from the actual date of redemption, unless payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest at the rate of 3.71 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 5 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 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 interest 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 a description of 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 interest 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 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 million 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 million 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 million 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 Christian Hochstrasser, 2 rue du Général de Gaulle, 54870 Cons la Grandville, France.

The alternate representative of the *Masse* (the "**Alternate Representative**") shall be Sandrine d'Haussey, 69 avenue Gambetta, 94100 Saint Maur des Fossés, 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 euros (€400) per year for its services. Should the Alternate Representative replace the initial Representative, he will receive a remuneration of four hundred euros (€400) 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 fungible 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 fungibility with the Notes.

In the case of such fungibility, 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 fungible 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 (subject to the application of mandatory rules governing the territorial jurisdiction of the French courts).

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-Alpes-Riviera (Provence-Alpes-Côte d'Azur) (PACA) Région Bouches-du-Rhône	"EPCI"	2001	Les Docks - Atrium 10.7 BP 48014 13567 Marseille Cedex 02	04 91 99 99 00

1.2 General context of local authorities and Intercommunal Cooperation Public Establishments

The Issuer is an Intercommunal Cooperation Public Establishment (*établissement public de coopération intercommunale*) ("EPCI") having a legal identity and legal financial independence.

EPCIs are groupings of municipalities ("*communes*"). There are 2,582 EPCIs with their own powers of taxation¹. EPCI with their own powers of taxation, include 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 communes 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 communes comprising more than 50,000 residents under one roof, without enclave, when created, around one or more central communes of more than 15,000 people.

Several laws related to decentralisation increased the role and powers of local authorities. The latest, the Act no. 2010-1563 of 16 December 2010 reforming the local authorities aims to simplify the local authority structures (communes, intercommunal structures, departments, regions), to reduce the number of local authority echelons and to clarify their powers and financing.

1.3 Issuer's specific features

a) EPCIs

The intercommunal principle enables communes to 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 commune itself. The communes transfer mandatory powers to these groups, along with optional powers. This transfer of powers endows EPCIs with the powers to take decisions and exercise executive powers that were previously held by the communes.

There are two forms of intercommunal cooperation:

- The federative form is financed by the four "local" taxes (EPCI with specific taxation powers): 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 communes, the "new agglomeration syndicates" (*syndicats d'agglomération nouvelle*) ("SAN"), the urban communities to which were added the communities of agglomerations created by Act 99-586 of 12 July 1999 on the reinforcement and simplification of intercommunal cooperation and metropolitan areas instituted by

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 French *Code général des collectivités territoriales* (the "CGCT"), which was modified by Act 2010-1563 of 16 December 2010, lowering this threshold to 450,000 residents.

the local authority reform Act 2010-1563 of 16 December 2010.

- The associative form is financed by budgetary and/or tax-based contributions of the member communes (EPCI without specific taxation powers). This includes single-purpose syndicates (*syndicats d'agglomération nouvelle*) ("SIVU"), multi-purpose syndicates (*syndicats à vocations multiples*) ("SIVOM") and mixed syndicates.

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

It offers effective instruments to all communes allowing an integrated exercise of powers, the implementation of which is essential to ensure balanced development at local authority level:

- by establishing a new intercommunal status with specific powers of taxation based on three structures (instead of the previous five): the community of communes, 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 intercommunal 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 extensively developed the intercommunality principle. Running up to June 2013, an effort is currently being made to include the last isolated communes, to rationalise the perimeter of the existing EPCIs, and eliminate obsolete intercommunal 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").

The ambition to establish Metropolitan and Euro-metropolitan areas was confirmed by the vote on 19 December 2013 of the draft law for the modernisation of regional public action and affirmation of metropolitan areas sponsored by the minister for the reform of the State and decentralisation of the civil service.

b) Characteristics of an urban community

The sixteen urban communities and metropolitan of France (*Nice Métropole*) are the oldest and most integrated forms of urban cooperation and one of the most relevant mastering tools, both in skills which bring these entities together and in the investments they undertake.

The Marseille Provence Metropolitan area is one of these Urban Communities.

An Urban Community is an EPCI grouping together several communes in a single but not isolated unit with a population of more than 450,000 residents when it is created. Before adoption of the local authority reform Act 2010-1563 of 16 December 2010, 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 the Act 99-586 of 12 July 1999 on intercommunal cooperation, and was created *ex-nihilo*.

The purpose of an Urban Community is to bring communes together in a space of solidarity with a view to

developing a joint project for planning and developing the territory.

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

Its powers are transferred to it by the member communes, which have to specify the dividing lines between the community and communal powers in each field at the time the Urban Community was created.

An Urban Community is administered by a Community Council (the deliberating body) composed of elected officials from the member communes, and by a President (the executive) elected by the Council from among its members. Pursuant to the local authority reform Act 2010-1563 of 16 December 2010, the Community Councillors of communes of more than 3,500 people have been elected by universal suffrage in 2014 municipal elections. The elected officials of smaller communes will, however, remain on the municipal 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;
 - promoting tourism, including the creation of tourist offices;
 - 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 French *Code de l'éducation*;
 - program of support and aids for higher education and research institutions and research programs;
- 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 mobility within the meaning of Articles L. 1231-1, L. 1231-8 and L. 1231-14 to L. 1231-16 of the French *Code des transports*, subject to Article L. 3421-2 of the same code; creation, development and maintenance of roads; signaling; parks and parking areas; urban transport plan; decriminalization of parking;
 - consideration of an overall outfitting programme and determination of development sectors in the sense of the French *Code de l'urbanisme*;
- 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;
 - storm;
 - creation and extension of cemeteries, crematoriums and funerary sites;
 - slaughterhouses, slaughterhouse markets and markets of national interest;
 - fire and emergency services;
 - contribution to energetic transition;
 - management of urban heating or cooling networks;
 - concessions of public distribution of electricity and gas;
 - creation and maintenance of infrastructures for electric vehicles;
- protection and upgrading of the environment and lifestyle policy:
 - collection and treatment of household and similar waste;
 - air pollution;
 - noise pollution;
 - support for measures to control energy needs;
 - management of aquatic environments and flood prevention;
 - management of halting areas for travellers.

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, transport, water and sewage, household waste, 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 expenditure and revenues 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 expenditure and revenue that cannot be classified in the functions 1 to 9. This includes transactions relative to debt, most operating revenues, 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 expenditure by field of competence for the Issuer*

The level of investment and operating expenditure 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 expenditure by function in the main Budget only**

Operating expenditure by function (Euro)				
	AA 2011	AA 2012	PB + SB 2013	PB 2014
Actual operating expenditure	573,608,875	603,607,639	575,134,061	721,456,074
Function 01 not broken down	259,394,729.75	271,180,798.35	236,861,149.78	356,387,283.95
Function 0 general services	122,721,210.98	122,802,094.92	131,340,704.30	139,765,719.00
Function 1 public health and hygiene	16,361,687.69	17,367,430.90	17,900,058.00	18,121,600.00
Function 2 education-training	251 603.32	257 214.63	-	-
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	164,678,524.66	180,571,741.68	176,448,157.88	202,860,757.54
Function 9 economic measures	10,201,118.58	11,428,358.37	12,583,991.01	4,320,713.14

Investment expenditure by function (Euro)				
	AA 2011	AA 2012	PB + SB 2013	PB 2014
Actual investment expenditure	322,860,952.00	373,356,538.94	424,146,507.13	397,725,990.40
Function 01 not broken down	127,092,674.00	133,873,439.81	176,730,111.53	119,076,743.40
Function 0 general services	12,356,566.00	12,862,271.34	13,640,030.00	14,353,753.00
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	159,079,315.00	207,127,162.45	216,282,599.66	242,467,499.00
Function 9 economic measures	24,332,397.00	19,493,664.34	17,493,765.94	21,827,995.00

3.2 Business sectors of the Urban Community of Marseille

Number of businesses per sector		01/01/2010	01/01/2011	01/01/2012	01/01/2013*	Change 2010/2013
A	Agriculture, forestry and fishing	513.00	557.00	587.00	608.00	0.19
B	Extraction Industries	11.00	10.00	11.00	11.00	-
C	Manufacturing	3,286.00	3,438.00	3,489.00	3,640.00	0.11
D	Production and distribution of electricity, gas, steam and conditioned air ...	89.00	123.00	135.00	164.00	0.84
E	Production and distribution of water; sewage, waste management and pollution removal	97.00	99.00	113.00	121.00	0.25
F	Construction	7,715.00	8,706.00	9,311.00	10,042.00	0.30
G	Commerce; auto repair	14,456.00	15,385.00	15,949.00	16,544.00	0.14
H	Transports and depots	2,126.00	2,191.00	2,221.00	2,301.00	0.08
I	Hotels and restaurants	4,389.00	4,526.00	4,691.00	4,859.00	0.11
J	Information and communication	2,292.00	2,658.00	2,858.00	3,071.00	0.34
K	Finance and insurance	2,065.00	2,233.00	2,343.00	2,460.00	0.19
L	Real estate	2,646.00	2,940.00	3,140.00	3,257.00	0.23
M	Specialised scientific and technical activities	9,177.00	10,486.00	11,219.00	11,889.00	0.30
N	Administrative and support services	3,431.00	3,742.00	3,987.00	4,260.00	0.24
O	Public administration	124.00	109.00	109.00	110.00	- 0.11
P	Education	2,358.00	2,854.00	3,173.00	3,467.00	0.47
Q	Human health and social measures	11,566.00	11,853.00	12,230.00	12,578.00	0.09
R	Arts, entertainment and recreation	4,204.00	4,442.00	4,568.00	4,739.00	0.13
S	Other services	7,592.00	8,354.00	8,629.00	8,935.00	0.18
U	Extra-territorial activities	32.00	33.00	34.00	34.00	0.06
TOTAL		78,169.00	84,739.00	88,797.00	93,090.00	0.19

Source: SIREN INSEE data files

* The 2014 data are not yet known

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

4.1 General description of a local authority's political and governmental system

All local authorities consist of:

- a deliberating body elected by direct universal suffrage (municipal, general or regional council). For EPCIs, since the beginning of 2014, the members of their deliberating body are elected by direct universal suffrage too.
- 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 powers of taxation

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 commune delegates. He prepares and ensures execution of the Community Council's deliberations.

The President orders the expenditure, 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 powers 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.

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

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 municipal council. The President corresponds to the mayor; the vice presidents to the assistants and the Community Councillors correspond to the municipal councillors. The maximum term is six years, like that of a municipal 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 legality control 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 presentation of the Issuer Marseille Provence Métropole taxation power

Local authorities cannot create new taxes to increase their budgets. However, since the Act 80-10 of 10 January 1980, they do have the freedom to decide 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 elimination of the TP and its replacement with the territorial economic contribution was doubled on 1 January 2011 with a significant change concerning the sources of funding for each local authority. 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 authority.

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 by the Marseille Urban Community today includes the "household" taxation, the "economic" taxation and the Household Waste Removal Tax:

- The "household" taxation is:
 - The **Occupancy Tax (*taxe d'habitation*) (TH)** 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 in question. This tax revenue is earmarked solely for the communal sector.
 - The **Tax on built real property (*taxe sur le foncier bâti*) (TFB)** is paid by legal owners, beneficial owners 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 local authorities, except for the regions.
 - The tax base for the **Tax on unbuilt real property (*taxe sur le foncier non bâti*) (TFNB)** is 80% of the rental value by the land registry estimate. This revenue has been assigned solely to the communal sector. The

evolution of the base for the tax on unbuilt real property is estimated at -1.6%, and is based on two variables: the revaluation of leasehold values, taking into account inflation, and fixed by the finance law at 0.9%; and the "physical" decay of unbuilt real property which underestimates the base for tax at a rate of -2.5% due to the already highly urbanised nature of the intercommunal territory.

- The “economic” taxation is:
- The **territorial economic contribution** (*contribution économique territoriale*) ("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 (*cotisation foncière des entreprises*) ("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 communes and groupings with independent powers of taxation.
 - a contribution on the added value of companies (*valeur ajoutée des entreprises*) (the "CVAE"), the rate of which is set nationally by a progressive scale as a function of turnover. This revenue is shared among all of the authorities.

The minimum CFE base was reformed by Article 76 of the 2014 finance law which amended Article 1647 D of French *Code général des impôts* (CGI). Taxpayers with turnover of less than or equal to €10,000 and €32,600 ; henceforth benefit from a levelling of their tax base, which now stands at €500 and €1000 respectively. Alongside this levelling, the self-employed (*auto-entrepreneurs*) are now also subject to the CFE, which is designed to off-set the loss incurred.

- **transport payment** (*versement transport*) (VT) paid to urban transport organising authorities (AOTU). MPM implemented the VT as at 1st January 2001 to ensure sustainable funding for public urban transports. It is paid by companies and any organisation, public or private, employing more than 9 employees in the scope of the AOTU concerned;
- **fixed charges on network companies** (*impositions forfaitaires sur les entreprises de réseau*) (IFER) which are calculated according to a scale based on the power or the template of the taxed installation. Different territorial strata share these charges;
- **tax on commercial premises** (*taxe sur les surfaces commerciales*) (TASCOM) which is payable by all retail shops whose annual turnover is equal to or greater than €460,000 and over 400 m² of sales area or belonging to a network totaling an area of over 4,000 m². The price per m² varies from €5.74 to €34.12 and is function of sales per m² of the institution;
- **levy on betting incomes (horse race betting)** for which the law of 12 May 2010 related to the opening of the betting industry to competition and to the regulation of the such betting introduced a tax on horse race betting. 15% of the proceeds of this are allocated to the EPCI as from 2014.
- The Household Waste Removal Tax (*Taxe d'Enlèvement des Ordures Ménagères*) (TEOM):

The public service for the collection and treatment of waste is mainly financed by the household waste removal tax (*taxe d'enlèvement des ordures ménagères*) (TEOM). The TEOM is the first tax resource of MPM since 2011. This is also one of the side effects of the reform of the TP which, by removing what was mainly the largest fiscal resource of the urban community, and replacing the old TP income by myriad resources (CET (CFE+CVAE), IFER, TASCOM, recovery of departmental share of TH etc.) has substantially changed the structure of the fiscal resources of MPM.

b) *Evolution of fiscal resources for the Issuer*

MAIN FISCAL RESOURCES				
	AA 2011	AA 2012	PB+SB 2013	PB 2014
Household waste removal tax	165.126	170.552	179.888	182.459
Transport payment	144.430	150.827	165.339	166.228
Occupancy tax	139.517	144.820	148.440	164.369
CFE	84.648	90.752	95.235	91.023
CVAE	45.866	52.968	55.795	55.346
Tax on built real property	18.941	17.505	20.300	42.980
TASCOM*	7.201	7.766	7.737	8.054
IFER	2.932	3.549	3.179	3.440
Additional tax on unbuilt real property	0.656	0.655	0.663	0.625
Levy on betting incomes	0.000	0.000	0.000	0.350
tax on unbuilt real property	0.730	0.142	0.144	0.137
TOTAL	610.047	639.536	676.72	715.011

Source: Issuer Budget

* TASCOM: *Tax on commercial premises*

- Households taxation evolution:

The income growth of the "households" taxation recorded in 2012 (+5.4M € or +3.4% compared to 2011), derives at 88% from the occupancy tax, and results of the dynamic of bases, as the rates remain unchanged since 2008.

In 2014, the income growth of the "households" tax (+38.59 M€ or +22.77% compared to 2013), derives from the tax on built real property and the occupancy tax and results of the increase in rates and the dynamic of bases. In a very unfavorable financial environment, MPM is changing the tax rate of the tax on real property (+2 points) and of the occupancy tax (+1 point).

- Economic taxation evolution:

The "economic" taxation will undergo degradation in 2014 of -0.87%. This evolution masks a large gap between the growth of the transportation tax which should continue its dynamics observed in 2012 and 2013, and the sharp drop of the territorial economic contribution (*contribution économique territoriale*) (CET) of €4,661 million. This decrease is mainly due to the reform of the CET conducted by the 2013 finance law and the 2014 finance law and the low dynamics of its bases.

This reform, which involves the application of a new minimum base scale for the real property contribution by companies leads to a decrease of €-4.212 million, while the modification of the terms of the distribution of the CVAE leads to a decrease of about 1M€ partly offset by the "natural" increase of the income (hence a final loss of CVAE income of 0.449 M€).

If the progress of TASCOM and IFER incomes seems important in the light of 2013 estimates, it essentially corresponds to bases adjustments. Indeed, it is actually limited to 0.1% for TASCOM and decreased of 0.4% in the case of IFER if one refers to products recovered in 2013, given the imprecision of the Government estimates.

For VT, the amount in 2013, of €170 million (€5 million over what was budgeted for the same year), includes exceptional income of €11.9 million, and the effects of a 5% growth per annum of the taxation base (thus confirming its dynamic and the trend begun in 2012). That is why, after adjustment for exceptional products, the VT income estimated in 2014 is €166.2 million.

In respect of levy on betting incomes (horse race betting), it is assessed on the amount of bets placed on races in public race courses located in the intercommunal area, at a rate of 5.7%. It should provide to the urban community about €350,000.

- TEOM evolution:

2004 and 2005 finance laws require to strat to harmonise TEOM rates in order to obtain, no later than 2015, a rate

established by area in line with the service rendered. The principle of TEOM zoning was officially recorded by the decision of 2 October 2009 and renewed by the deliberations of 28 March 2011 and 13 February 2012. It predicts that by 2014, MPM will continue the approximation of the rates and, at the end, will define homogenous areas in terms of service and rates.

A step in the harmonisation of rates was made in 2013 by the approximation around five "pivotal" rates (8%, 10%, 11.5%, 12.1% and 18.1%). These rates are extended in 2014, and thus the sole increase of the taxation base of the TEOM, estimated at 1.36%, should allow the income to reach the estimated amount of €182.5 million. Thus, it follows a stable and low evolution.

c) Other taxation resources for MPM

OTHER TAX RESOURCES OF THE URBAN COMMUNITY OF MARSEILLE				
"Complementary" income and other taxes	AA 2011	AA 2012	PB+SB 2013	PB 2014
Compensation endowment	96,558,584.00	95,157,550.00	93,411,857.00	92,421,691.00
Intercommunality endowment	95,805,050.00	95,782,819.00	96,095,259.00	91,714,100.00
FNGIR*	17,103,578.00	18,935,653.00	18,935,653.00	21,038,256.00
FPIC**	0	2,342,586.00	4,320,376.00	6,840,000.00
Additional roles	12,680,722.00	6,085,000.00	1,900,000.00	3,821,594.00
Development tax	0	0	1,000,000.00	2,500,000.00
Local equipment tax	5,753,359.00	8,690,334.00	5,000,000.00	1,439,361.00
Compensation allocation	444,518.00	447,137.00	447,137.00	447,137.00
Participation for non-creation of parking areas	710,411.00	234,486.00	500,000.00	0
TOTAL	229,056,222.00	227,675,565.00	221,610,282.00	220,222,139.00

* FNGIR : National Individual Resources Guarantee Fund

**FPIC : Intercommunal and Communal equalisation fund

- Additional roles:

Each year the taxation authorities issue additional roles that correct omissions or individual anomalies in the general role of local taxes. These adjustments make it possible to collect additional tax revenue up to €3.8 million planned for 2014 on the basis of achieved in 2013.

- Endowments:

Financial assistance from the Government overall decrease of €6.48 million (-2.99%), mainly two factors explain this evolution:

- declines on the components that serve as adjustment variables in the normalised envelope (endowment compensation);
 - declines on intercommunality endowment, which is included in the pact of trust and liability established between the Government and local communities on 16 July 2013 providing for the participation of local communities in balancing public accounts.
- Equalisation resources:

Equalisation Fund of Communal Block (*fonds de péréquation du bloc communal*) (FPIC), established in 2012, continues as originally planned its scalability. It will reach €570 million in 2014 (+54% compared to 2013), representing 2% of the communities tax revenue in 2016, about 1 billion euros. FPIC is financed by a levy on the fiscal resources of communal block entities that have an aggregate financial potential over 90% of the average aggregate financial potential per capita.

5.1.2 Budgetary system

a) Review of main public finance budgetary principles

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

- The **principle of "annuality"** 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 15 April when the budget is applied, or until 30 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 local authorities adds much flexibility to this principle by broadening the multi-annual mechanisms.
- The **balanced budget principle** means that revenue must equal expenditure in a truthful assessment of them, both for operating (ordinary operations) and investment revenue and expenditure.
- The **principle of unity** means that all revenue and expenditure 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 revenue transactions must be indicated in full and without modification in the budget. This underpins the requirement of truthfulness in budgetary documents, which specifies that revenue finances expenditure equally.
- The **principle of speciality of expenditure** consists in authorising expenditure 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 expenditure by type or purpose.

These budget development principles are controlled by the Prefect in collaboration with the Regional Chamber of Accounts (*chambre régionale des comptes*) (the "CRC").

b) Budgetary and accounting investigation

The budgetary and accounting investigations applicable to local authorities, and to EPCIs in particular, differ depending upon each authority 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 local authorities and of EPCIs with independent powers of taxation

As legal entities, local authorities and EPCIs have their own assets and a budget. To implement its many powers, each local authority 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 revenue and expenditure. Recorded transactions are then entered in the Administrative Accounts ("**AA**") voted by the authority. The budgets are prepared by the authority's executive branch.

The budget is a document that stipulates and authorises revenue and expenditure. In the course of a year, Supplementary Budgets ("**SB**"), or rectifications, may be needed to adjust expenditure and revenue 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 2013, SB 2013 and PB 2014 have been integrated throughout this prospectus for better visibility of the Issuer's situation in 2014.

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

The operating section includes:

- all expenditure needed for operation of the authority (expenses of general character, staff, routine management, debt interest, provisions for amortisation and other provisions);
- all revenue that the authority 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 authority has been able to make.

The investment section includes:

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

5.1.3 Rule of local finances

The CGCT imposes a financial constraint on local authorities and on EPCIs that prohibits them from borrowing to reimburse the principal on their debt.

This constraint is expressed as follows in Article L.1612-4 of the CGCT: *"The budget of the local authority is in true balance when the operating and investment sections voted are in balance, revenue and expenditure having been assessed truthfully, and when the drawdown of revenue in the operating section for the benefit of the investment section, added to the revenue 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 principal of loan annuities to fall due during the year."*

5.2 Issuer's public debt

In this section, the followings are defined:

- **Consolidated debt** = Main budget debt + Debt from the Issuer's ancillary budgets
- **Guaranteed consolidated debt** = Part of the consolidated debt for which the Issuer offers its guarantee by substituting for the organisation that contracted the loan when the borrower defaults
- **Annuities** = Debt interest expenses + Reimbursement of debt capital
- **Total annuities for low-income housing**, or "SDIS" (*Service Départemental d'Incendie et de Secours*) (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

- **Contractual debt** = Debt of member municipalities transmitted to the Issuer during the creation of the Urban Community;
- **Debt currency** = euro.

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

History of the Issuer's consolidated debt in millions of euros	
2002	300.36
2003	312.59
2004	488.02
2005	828.54
2006	1,123.00
2007	1,262.94
2008	1,386.51
2009	1,448.94
2010	1,466.57
2011	1,373.62
2012	1,474.53
2013	1,534.50

Outstanding debt MPM is estimated at €1.5 billion in 2013. Its increase is due to two main factors. First factor is the achievement of major investments on the community territory which require the community to indebt. Thus, investments (€268 million on average over the period 2008-2013) were mainly financed by indebtedness at 52%. The second explanatory factor is related to the lack of financial assistance from external funders (government, department, region). Endowments and grants funded 34% of investments between 2008 and 2013.

5.2.2 Annuity of consolidated debt

Consolidated debt annuity in millions of euros			
Annuity of consolidated debt	Annuity of direct debt	Contractual debt	Annuities of global debt
AA 2011	117.485	14.41	103.074
AA 2012	138.538	11.371	127.166
PB 2013	135.683	9.816	125.866
PB 2014	141.952	17.784	124.167

5.2.3 Guaranteed consolidated debt*

Guaranteed consolidated debt in millions of euros *			
	Interest	Principal	Annuity
AA 2011	0.367	2.587	2.955
AA 2012	0.092	1.833	1.925
PB 2013	0.46	1.868	2.328
PB 2014	1.709	1.247	2.957

* 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 at the data extraction date;
 - 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).
- Average life (*durée de vie moyenne*) (DVM): This is the average speed of redemption of the loan (in years). The average life is the time required to redeem half of the outstanding principal of a debt, given its depreciation. $DVM = \text{sum}(Ci \times i) / \text{sum of } Ci$ where: Ci is the principal amortized at the i^{th} year;
- Residual life (in years) is the time remaining before the total extinction of the debt or loan;
- Defeasance capacity (*capacité de désendettement*) (CDD) is the main solvency ratio. It is measured by the following ratio: Outstanding Debt / Gross savings. The Defeasance capacity (expressed in years) is the time required to fully reimburse its debt by devoting the entire savings generated;

Main Budget	Average rate (%)	Average life (years)	Average remaining life (years)	Debts with remaining life < 1 year (euro)	Defeasance capacity (years)
AA 2011	3.59	10.33	19.83	75,477,297	11.23
AA 2012	3.21	10.5	18.1	73,073	16.72
PB + SB2013	3.2	10.41	18.83	73,073	21.02
PB 2014	3.24	10.33	18	30,152,858.71	16.17

5.2.5 Issuer's outstanding debt per budget*

Outstanding debt per budget (in millions of euros)			
Outstanding debt	2011	2012	2013
Main budget	819.537	858.367	950.24
Waste collection and treatment budget	62.225	66.686	69.6

Transport budget	312.438	363.572	324.92
Sewage budget	150.821	147.206	152.49
Water budget	21.69	18.862	8.59
Ports budget	6.902	8.512	11.09
Development Operations Budget	0	11.319	17.62
Total	1,373.62	1,474.53	1,534.54

Principal and supplementary Waste Collection and Treatment budget, Ports budget and Development Operations budget have an outstanding debt that evolves in accordance with the level of executed investments.

In contrast, there is a decrease in the outstanding debt of Water budget. This decrease is explained by the transfer of a loan of €7.50 million in the supplementary budget "Sewage" on 31/12/2013. The decline of the Transport supplementary budget is due to the transfer of a loan to the RTM as part of assets and liabilities exchanges linked to the new contract of public service obligation entered into force on 1 January 2011. The principal of the loan transferred on 31/12/2012 is €43.035 million.

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 communes and groupings of communes (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 authorities).

- (a) The first two commitments aim to set limits on "product risks". The signatory banks waive proposing products to local authorities 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 authorities 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 authorities, 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).

It appears from the table below that 93.25 per cent. of the outstanding debt of the Marseille Urban Community is included in the Category A1 according to the Gissler scale, which corresponds to the least risky debt category: fixed rate, plain vanilla floating rate notably, and all denominated in euros. On the opposite side, 1.85 per cent. of the outstanding debt of the Marseille Urban Community falls outside the Charter and corresponds to one single loan agreement indexed on the EUR/CHF exchange rate, the outstanding principal of which as of 31/12/2012 amounts to €26,473,551.

IV-APPENDICES	IV
BALANCE SHEET ELEMENTS – STATUS OF THE DEBT DISTRIBUTION OF OUTSTANDING DEBT (BY TYPE)	A2.9

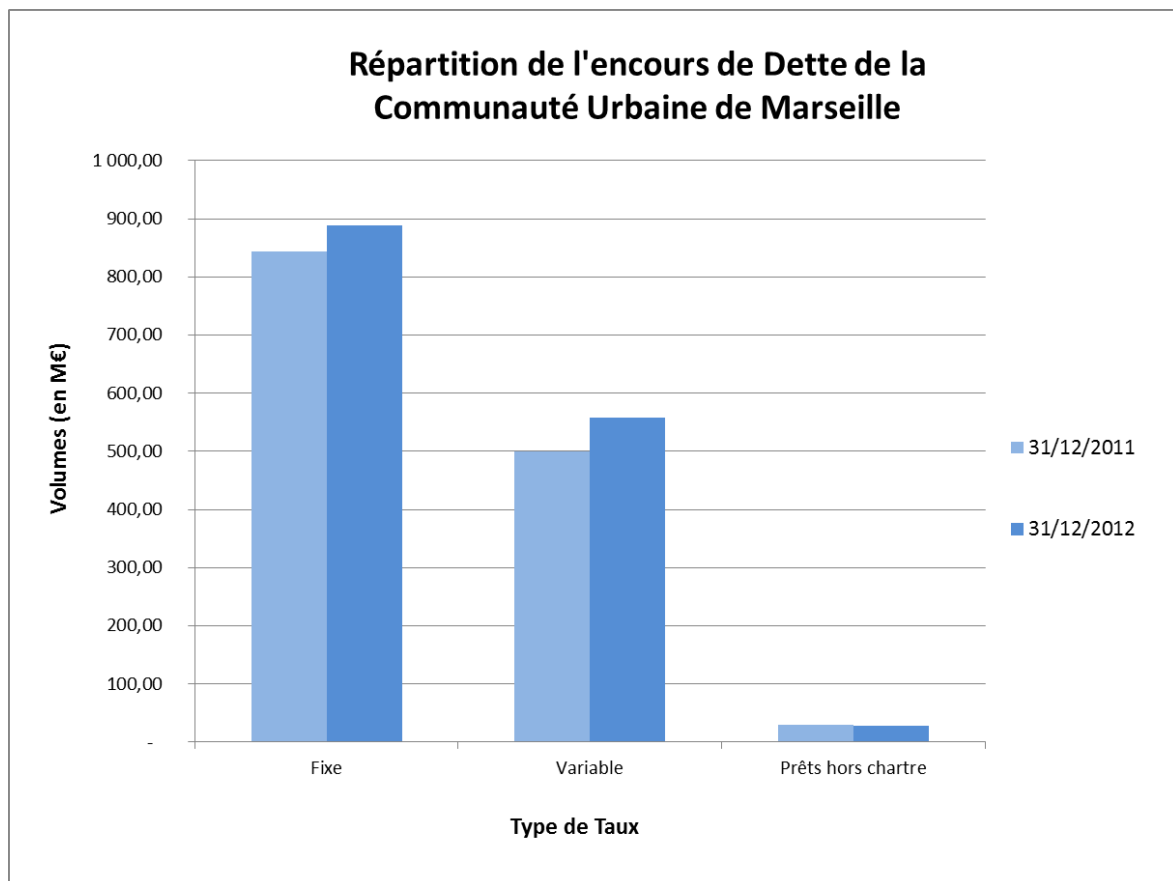
Structures		(1) Indices in euros	(2) French or Eurozone inflation indices or spreads between these indices	(3) Eurozone index spreads	(4) Non Eurozone indices and index spreads where one such index is a non Eurozone index	(5) non Eurozone index spreads	(6) Other indices
(A) Simple fixed rate. Simple 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	Number of products	167	1	-	-	-	-
	% of outstanding	93.96%	1.79%	-	-	-	-
	Amount in euros	1,451,571,027€	27,593,909 €	-	-	-	-
(B) Simple barrier. No leverage effect.	Number of products	-	1	-	-	-	-
	% of outstanding	-	2.05%	-	-	-	-
	Amount in euros	-	31,724,138 €	-	-	-	-
(C) Swaption	Number of products	1	-	-	-	-	-
	% of outstanding	0.52%	-	-	-	-	-
	Amount in euros	8,000,000 €	-	-	-	-	-
(D) Multiplier up to 3; Multiplier capped at 5	Number of products	-	-	-	-	-	-
	% of outstanding	-	-	-	-	-	-
	Amount in euros	-	-	-	-	-	-
(E) Multiplier up to 5	Number of products	-	-	-	-	-	-

	% of outstanding	-	-	-	-	-	-
	Amount in euros	-	-	-	-	-	-
(F) Other types of structures	Number of products	-	-	-	-	-	1
	% of outstanding	-	-	-	-	-	1.68%
	Amount in euros	-	-	-	-	-	25,918,865€

5.2.7 Evolving structure of outstanding consolidated debt

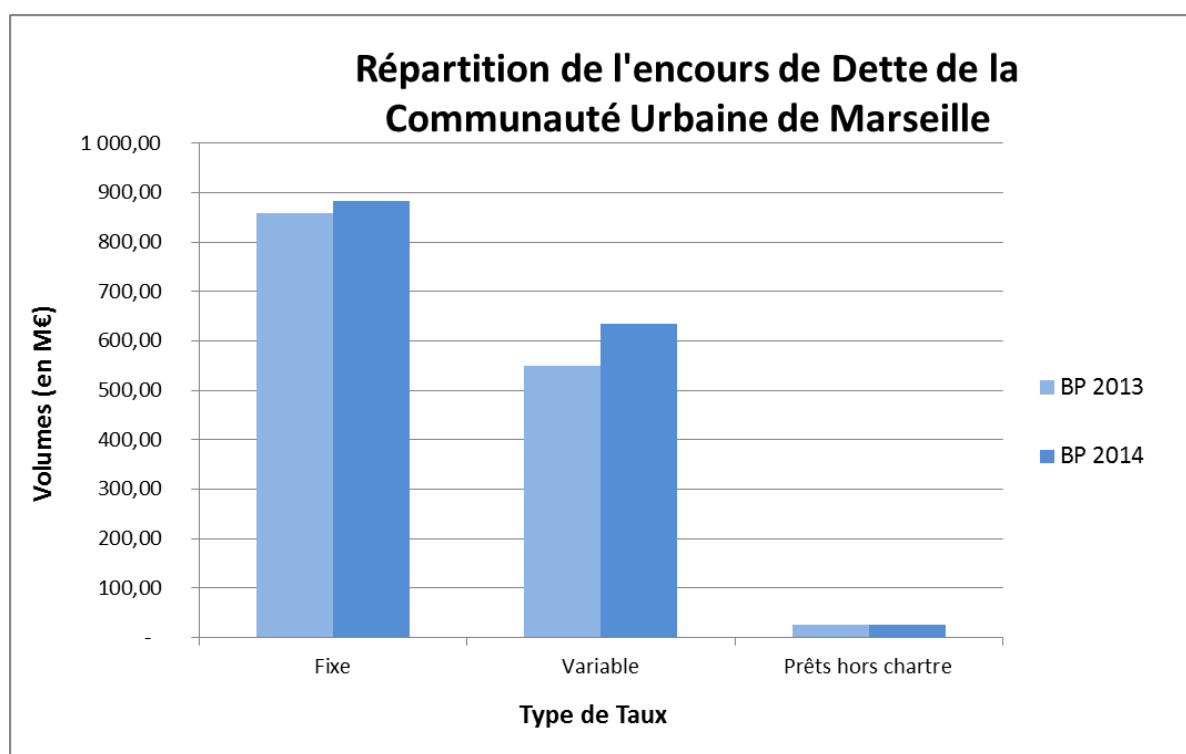
Loans at structured rates are those with interest rates defined by a formula that may include an optional mechanism. This type of loan may chiefly include a hedging mechanism involving payment of a premium or rate surcharge or discount, in return for the local authority's acceptance of a degradation 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.



Allocation of outstanding debt of the *Communauté Urbaine de Marseille*

Volume (in millions of euros)	12/31/2011	12/31/2012
Fixe		
Variable		
Loan off charter		
Type of Rate		



Allocation of outstanding debt of the *Communauté Urbaine de Marseille*

Volume (in millions of euros)			PB 2013
			PB 2014
Fixe	Variable	Loan off charter	
Type of Rate			

5.3 Issuer's situation and financial resources

Article 26 of the organic finance laws (*loi organique relative aux lois de finances*) (LOLF) 2001-692 of 1 August 2001 says, "Unless expressly stipulated in a finance law, local authorities 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 authorities use credit 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. Revenue and expenditure 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 and incomes for the investment and operating sections (for administrative accounts and primary budgets);
- 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 2011 and 2012, and on the basis of the primary budget and any supplementary budget for 2013 and 2014.

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 "*for order* transactions" are not considered in the financial analysis. The total not counting the *for order* transactions is indicated clearly in the 'Balance' table below.
- The data is presented in euros unless indicated otherwise.

Commuanuté Urbaine de Marseille - Balance

Communauté Urbaine Expenditure: Consolidated data for 2011, 2012, 2013 and 2014 in millions of euros

Investment expenditure	AA 2011	AA 2012	PB+SB 2013	PB 2014
Equipment expenditure (20 + 204 + 21 to 23)	209.89	262.62	309.43	399.03
16 - Reimbursements of loans (excl. Revolving credit line)	75.64	87.20	98.07	93.73
Other financial expenditure (10 + 165 + 13 + 27) excl. cash facility	0.63	0.15	4.42	5.45
45 – Transactions for third parties	4.43	11.02	27.31	8.50
Actual investment expenditure – (1)	290.59	360.99	439.23	506.41
Total for order expenditure (excl. Asset transactions) – (2)	4.81	126.27	102.66	50.03
040 / 41 For order transactions between sections	4.81	126.27	102.66	17.96
Prior deficit carried forward – (3)	161.08	16.22	73.14	16.99
Investment expenditure overall Total (1)+(2) +(3)	456.48	503.48	615.03	573.44

Operating Expenditure				
Management expenditure	926.89	965.68	1,038.73	1,027.40
011 – General expenses	510.21	540.91	597.25	585.31
012 – Staff costs and similar expenses	170.26	175.40	184.80	187.67
014 – Income mitigation	209.72	210.51	210.88	211.19
65 - Other day-to-day management expenses	36.70	38.87	45.80	43.24
Financial expenditure	47.89	69.99	55.21	65.21
66 – Financial expenses	42.07	51.34	47.07	51.57
67 – Extraordinary expenses	5.83	18.65	8.14	13.64
Actual operating expenditure (1)	974.79	1,035.67	1,093.94	1,092.90
Total for order expenditure (2)	67.07	77.70	190.31	190.36
042 – For order transactions between sections	67.07	77.52	108.20	106.36
023 – Transfer to the investment section	0.00	0.00	81.89	84.01
043 - For order transactions within the section	0.00	0.19	0.22	0.00
Operating expenditure overall Total (1)+(2)	1,041.86	1,113.37	1,284.25	1,283.26

The budget consolidation, shown above, includes the principal and ancillary budgets "Collection and treatment of waste" (CTD), "Transport", "Sewage", "Water", "Leisure Ports" and "Crematorium and funerary services". The following are excluded:

- The ancillary budget "market of national interest" or "MIN" : the site returned temporarily to direct management on the expiry of the previous lease contract in August 2012, and the aim of current analysis is to set out a development programme and define the scope of the future contract. This new contract will ensure the ancillary "MIN" budget is in balance;
- The ancillary "Development operations" budget, which retraces in the inventory account the financial movements linked to development activities carried out by MPM.

Revenue of the Communauté Urbaine: Consolidated data for 2011, 2012, 2013 and 204 in millions of euros

Investment revenue	CA 2011	CA 2012	BP+BS 2013	BP 2014
Equipment revenue (1)	154.43	228.80	247.04	283.35
13 – Investment subsidies	38.95	47.75	62.15	94.04
16 – Borrowings and debt	115.36	179.78	184.53	189.31
20 + 23 Intangible capital + and current assets	0.12	1.28	0.36	0.00
Financial revenue (2)	2.91	8.48	34.50	8.50
45 – Transactions on behalf of third parties	2.91	8.48	34.50	8.50
Other financial revenue (excluding cash facility transactions) (3)	193.44	65.43	80.36	53.56
1068 – Capitalised operating surplus	129.86	26.62	52.95	16.99
Other financial revenue (FCTVA, TLE...)	63.58	38.81	27.41	0.00
Actual investment revenue	350.77	302.71	405.50	345.41
Total <i>for order</i> revenue	67.07	77.52	240.89	106.45
040 – <i>For order</i> transactions between sections	67.07	77.52	108.20	106.45
Investment revenue overall Total	417.84	380.22	602.80	451.86

Operating revenue	-	-	-	-
Management revenue	1,074.81	1,105.64	1,143.83	1,174.94
013 – Expense mitigation	3.40	2.95	3.27	3.02
70 – Revenue from services, land and sales	183.44	189.30	194.13	179.31
73 – Taxes and duties	638.05	670.42	704.20	748.35
74 - Endowments, participations and subsidies	232.58	229.61	230.39	225.05
75 – Other day-to-day management revenue	17.35	13.36	11.84	19.21
Financial and extraordinary income	15.76	12.16	11.97	10.71
76 – Financial income	1.35	1.92	0.10	0.08
77 – Extraordinary income	14.41	10.25	11.87	10.63
Actual operating revenue (1)	1,090.57	1,117.81	1,155.80	1,185.65
Total <i>for order</i> revenue (2)	4.81	16.99	51.86	17.96
042 – <i>For order</i> transactions between sections	4.81	16.99	51.86	17.96
002 – result carried forward (item only for the Primary Budget) (3)	0.00	0.00	79.26	79.60
Operating revenue overall Total (1)+(2)+(3)	1,095.37	1,134.80	1,286.92	1,283.21

As in respect of expenses, the same consolidation method is used for reprocessing investment and operating revenues.

- BUDGETARY DATA : AA 2011 AND AA 2012 IN MILLIONS OF EUROS**

Budgetary data AA 2011 and 2012 in millions of euros

	AA 2011		AA 2012	
	Expenditure	Revenue	Expenditure	Revenue
Main Budget	809.71	926.56	751.20	822.39
Operating	458.32	583.19	477.29	605.59
Investment	351.39	343.38	273.91	216.80
Collection and treatment of waste	195.09	188.44	225.37	217.07
Operating	180.01	182.88	199.96	191.66
Investment	15.08	6.88	25.41	25.41
Transport Budget	401.07	270.77	401.07	310.02
Operating	350.23	257.57	376.95	267.46
Investment	50.84	13.20	52.45	87.52
Sewage Budget	29.77	67.11	58.53	66.58
Operating	29.77	42.31	32.42	37.58
Investment	21.80	24.81	26.11	29.00
Water Budget	28.38	45.79	30.35	37.61
Operating	14.95	20.57	16.94	22.65
Investment	13.43	25.22	13.41	14.96
Ports Budget	10.23	11.67	11.53	12.51
Operating	7.45	7.46	7.97	7.19
Investment	2.78	4.21	3.56	5.32
National interest market Budget	0.40	0.38	0.75	0.82
Operating	0.40	0.31	0.75	0.75
Investment	-	0.07	0.00	0.07
Crematorium Budget	2.46	1.51	2.90	3.78
Operating	1.31	1.36	1.35	2.57
Investment	1.15	0.14	1.56	1.21
Development operations Budget	23.60	14.42	24.64	33.89
Operating	12.89	12.24	13.33	13.34
Investment	10.71	2.19	11.30	20.55

• **BUDGETARY DATA PB + SB 2013 AND PB 2014 IN MILLIONS OF EUROS**

Budgetary data PB+SB 2013 and PB 2014 in millions of euros				
	PB + BS 2013		PB 2014	
	Expenditure	Revenue	Expenditure	Revenue
Main Budget	978.20	1,088.58	877.59	941.44
Operating	554.05	664.43	603.68	724.64
Investment	424.15	424.15	273.91	216.80
Collection and treatment of waste Budget	222.45	225.07	236.84	233.40
Operating	204.55	207.17	211.43	207.99
Investment	17.90	17.90	25.41	25.41
Transport Budget	503.03	389.33	452.18	370.91
Operating	399.41	285.71	399.73	283.39
Investment	103.62	103.62	52.45	87.52
Sewage Budget	104.64	105.17	56.06	57.04
Operating	50.58	51.11	29.95	28.04
Investment	54.06	54.06	26.11	29.00
Water Budget	58.39	58.79	41.13	43.04
Operating	31.28	31.68	27.72	28.08
Investment	27.11	27.11	13.41	14.96
Ports Budget	25.57	27.28	12.60	14.88
Operating	16.07	16.00	9.04	9.56
Investment	9.50	11.28	3.56	5.32
National interest market Budget	1.92	1.68	1.29	1.13
Operating	1.31	1.07	1.29	1.06
Investment	0.61	0.61	0.00	0.07
Crematorium Budget	4.58	4.67	2.96	2.70
Operating	2.13	2.22	1.41	1.49
Investment	2.45	2.45	1.56	1.21
Development operations Budget	54.10	54.10	49.22	58.47
Operating	27.76	27.76	37.92	37.92
Investment	26.34	26.34	11.30	20.55

5.5 Audits and inspections applicable to the Issuer's accounts

Act 82-213 of 2 March 1982 eliminated any controls on the acts of local authorities *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 local authorities do, however, fall under two control mechanisms *after the fact*:

- As administrative acts, they are subject to the general law control of legality.
- 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 (*Règlement Général sur la Comptabilité Publique*) ("RGCP" 1962);
- finance laws;
- the applicable accounting instructions:
 - M14: accounting of communes and EPCIs;
 - M4: accounting of Local Industrial and Commercial Public Services (*Services Publics Locaux Industriels et Commerciaux*) ("SPIC"). This is broken down into several nomenclatures including M43, which frames the SMTC (accounting for local urban passenger transport).
- codifying instruction 11-022-M0 of 16 December 2011 on the collection of revenue by local authorities and local public institutions.

5.5.2 Control by the public accountant

The public accountant executes the financial transactions and keeps a management account in which he records all of the authority's expenditure and revenue.

He controls that the expenses are counted in the correct budgetary chapter and that the source of the revenue is legal. He cannot exercise any control of appropriateness. Indeed, he cannot judge the pertinence of the political choices made by the authorities since they have administrative autonomy. 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 financial responsibility for the payments they make. If there is a problem, the Minister of Finances can issue a reversal 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 control of legality

Article L.2131-6 of the CGCT³ says that the Prefect defers any acts he deems contrary to the law to the administrative court within two months following their transmission to the Prefecture. The legality control concerns the conditions for generating, adopting and presenting the budgetary documents and their appendices.

The provisions of the CGCT on the legality control and enforceability of the deeds of communal, 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

The Act 82-213 of 2 March 1982 created Regional Chambers of Accounts (*chambre régionale des comptes*) (abbreviated "CRC") seating permanent magistrates. This counterbalances the elimination of State supervision of the deeds of the territorial communities, which, until then, implied an *a priori* control of their acts. The powers of these courts are defined by law but are also repeated in the French *Code des juridictions financières*,

³ This Article is applicable to communes. Similar provisions exist for departments (Article L.3132-1 of the CGCT) and regions (Article L.4142-1 of the CGCT).

in Articles L.211-1 and the following.

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

In this context, the CRCs have a triple power of control. They first have a budgetary control, which substitutes for the control exercised by the Prefect prior to Ac 82-213 of 2 March 1982. The second control 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 control that the revenue and expenditures of the communes are regular.

- Budgetary control

According to Articles L1612-2 and the following of the CGCT, the CRC control 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 (revenue does not correspond to expenditure), 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 authority'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 authority 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 revenue of the operating section, depending on the size of the authority, 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 control

The CRC judges all the accounts of the public accountants of the authorities and their public institutions. This jurisdictional control is the original task of the CRCs. It is a control of the regularity of the transactions conducted by public accountants. It consists in controlling not only that the accountants are regular, but especially that the accountant has indeed exercised all the controls 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 control of appropriateness. The CRC settles and recognises true accounts by judgments whether irregularities have been found or not.

- Management control

The CRCs also have the task of controlling the management of local authorities. This control 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 appropriateness of the acts undertaken by the local authorities. They try first to help and encourage the authorities to comply with the law in order to avoid any sanctions.

Impact of letters of observations from the CRC

Three major areas of enquiry are covered in 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 authority at the time of the control, but also with the persons responsible during the period concerned by the control. The provisions in this field tend toward a betterment of the external control (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 2012, 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 law⁴. Therefore, like any public legal entity, the Issuer is not subject to the bankruptcy process provided for in the French *Code de commerce*⁵.

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, commune, EPCI). So the Issuer's accounts and budgets are also 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.

⁴ 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.

⁵ Paris Court of Appeals, 3rd ch. sect. B, 15 February 1991, *Centre national des bureaux régionaux de frêt*, 90-21744 and 91-00859.

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 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 disposal of the Notes.

1. EU directive on the taxation of savings income

Under Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Savings Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

2. France

Implementation of the Directive in France

The Directive has been implemented into French law in 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 75% 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 75% 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* (BOI-INT-DG-20-50-20140211, BOI-RPPM-RCM-30-10-20-40-20140211 and BOI-IR-DOMIC-10-20-20-60-20140211), 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 *inter alia*:

- (i) 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
- (ii) 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.

Since the Notes satisfy the above-mentioned conditions, payments of interest and other revenues made by, or 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*.

Payments made to individuals who are fiscally domiciled in France

If the paying agent is established in France, pursuant to Article 125 A of the French *Code général des impôts*, subject to certain limited exceptions, interest and assimilated income received by individuals who are fiscally domiciled (*domiciliés fiscalement*) in France are subject to a 24% withholding tax, which is deductible from their personal income tax liability in respect of the year in which the payment has been made. Social contributions (CSG, CRDS and other related contributions) are also levied by way of withholding tax at an aggregate rate of 15.5% on interest and similar income paid to individuals who are fiscally domiciled (*domiciliés fiscalement*) in France.

SUBSCRIPTION AND SALE

Pursuant to a dealer agreement (the "**Dealer Agreement**") dated 4 June 2014, 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 100 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, D.411-1 and 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 (66, rue de la Victoire, 75009 Paris, France) with the common code 106662363. The ISIN code number for the Notes is FR0011898832.
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. FCT 026-089/14/CC of the Community Council of the Issuer dated 25 April 2014 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 Guy Teissier, President of the Issuer, pursuant to a decision No.14/092/D dated 26 May June 2014 in accordance with the 2014 primary budget adopted on 25 April 2014 by a resolution No. FCT 001-064/14/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 6 June 2014, 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. 14-269 dated 4 June 2014.
4. The total expenses related to the admission to trading (including AMF fees) of the Notes are estimated to be €15,625 (including all taxes).
5. The yield of the Notes is 3.71 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.
6. 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.
7. There has been no significant change in the financial position of the Issuer since 31 December 2012.
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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Legal Adviser to the Lead Manager

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