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TARTU EDUCATION AND URBAN INFRASTRUCTURE

Finance Contract

between the

City of Tartu

and

European Investment Bank

● [Location], ● [Date]

ARTICLE 1	13
1.1	AMOUNT OF CREDIT..... 13
1.2	DISBURSEMENT PROCEDURE..... 13
1.2.A	TRANCHES 13
1.2.B	DISBURSEMENT REQUEST 13
1.2.C	DISBURSEMENT NOTICE 14
1.2.D	DISBURSEMENT ACCOUNT..... 14
1.3	CURRENCY OF DISBURSEMENT 14
1.4	CONDITIONS OF DISBURSEMENT 14
1.4.A	CONDITION PRECEDENT TO THE FIRST DISBURSEMENT REQUEST 14
1.4.B	FIRST TRANCHE..... 15
1.4.C	ALL TRANCHES..... 15
1.4.D	SUBSEQUENT TRANCHES – PROJECT COORDINATOR..... 16
1.4.E	DISBURSEMENTS IN EXCESS OF EUR 6,000,000 16
1.4.F	DISBURSEMENTS IN EXCESS OF EUR 18,000,000 17
1.5	DEFERMENT OF DISBURSEMENT..... 17
1.5.A	GROUND FOR DEFERMENT 17
1.5.B	CANCELLATION OF A DISBURSEMENT DEFERRED BY 6 (SIX) MONTHS 17
1.6	CANCELLATION AND SUSPENSION..... 18
1.6.A	BORROWER’S RIGHT TO CANCEL 18
1.6.B	BANK’S RIGHT TO SUSPEND AND CANCEL..... 18
1.6.C	INDEMNITY FOR SUSPENSION AND CANCELLATION OF A TRANCHE 18
1.7	CANCELLATION AFTER EXPIRY OF THE CREDIT 19
1.8	SUMS DUE UNDER ARTICLES 1.5 AND 1.6 19
1.9	ALLOCATION AND REALLOCATION OF CREDIT OR LOAN 19
1.9.A	ALLOCATION PROCEDURE..... 19
1.9.B	ALLOCATION REQUEST..... 19
1.9.C	RE-ALLOCATION..... 19
1.9.D	MID-TERM REVIEW OF THE ALLOCATION PROCEDURES 20
ARTICLE 2	20
2.1	AMOUNT OF LOAN 20
2.2	CURRENCY OF REPAYMENT, INTEREST AND OTHER CHARGES..... 20
2.3	CONFIRMATION BY THE BANK..... 20
ARTICLE 3	20
3.1	RATE OF INTEREST 20
3.1.A	FIXED RATE TRANCHES..... 20
3.1.B	FLOATING RATE TRANCHES..... 21
3.1.C	REVISION OR CONVERSION OF TRANCHES..... 21
3.2	INTEREST ON OVERDUE SUMS 21
3.3	MARKET DISRUPTION EVENT 22
ARTICLE 4	22
4.1	NORMAL REPAYMENT 22
4.2	VOLUNTARY PREPAYMENT..... 22
4.2.A	PREPAYMENT OPTION 22

4.2.B	PREPAYMENT INDEMNITY.....	23
4.2.C	PREPAYMENT MECHANICS	23
4.3	COMPULSORY PREPAYMENT	23
4.3.A	PREPAYMENT EVENTS.....	23
4.3.B	PREPAYMENT MECHANICS	26
4.3.C	PREPAYMENT INDEMNITY.....	26
4.4	GENERAL.....	26
ARTICLE 5	26
5.1	DAY COUNT CONVENTION	26
5.2	TIME AND PLACE OF PAYMENT	26
5.3	NO SET-OFF BY THE BORROWER	27
5.4	DISRUPTION TO PAYMENT SYSTEMS.....	27
5.5	APPLICATION OF SUMS RECEIVED.....	27
5.5.A	GENERAL	27
5.5.B	PARTIAL PAYMENTS.....	27
5.5.C	ALLOCATION OF SUMS RELATED TO TRANCHES.....	27
ARTICLE 6	28
6.1	USE OF LOAN AND AVAILABILITY OF OTHER FUNDS.....	28
6.2	COMPLETION OF PROJECT	28
6.3	INCREASED COST OF PROJECT.....	28
6.4	PROCUREMENT PROCEDURE	28
6.5	CONTINUING PROJECT UNDERTAKINGS	28
6.6	DISPOSAL OF ASSETS	30
6.7	COMPLIANCE WITH LAWS	30
6.8	FINANCIAL COVENANTS	31
6.9	BOOKS AND RECORDS	33
6.10	PROJECT DOCUMENTATION.....	33
6.11	GENERAL REPRESENTATIONS AND WARRANTIES	34
ARTICLE 7	35
7.1	NEGATIVE PLEDGE.....	35
7.2	<i>PARI PASSU</i> RANKING.....	35
7.3	CLAUSES BY INCLUSION	35
ARTICLE 8	36
8.1	INFORMATION CONCERNING THE PROJECT.....	36
8.2	INFORMATION CONCERNING THE BORROWER.....	37
8.3	VISITS BY THE BANK	39
ARTICLE 9	39
9.1	TAXES, DUTIES AND FEES.....	39
9.2	OTHER CHARGES	39
9.3	INCREASED COSTS, INDEMNITY AND SET-OFF	39
ARTICLE 10	40
10.1	RIGHT TO DEMAND REPAYMENT	40

10.1.A	IMMEDIATE DEMAND	40
10.1.B	DEMAND AFTER NOTICE TO REMEDY.....	41
10.2	OTHER RIGHTS AT LAW	41
10.3	INDEMNITY	41
10.3.A	FIXED RATE TRANCHES.....	41
10.3.B	FLOATING RATE TRANCHES.....	42
10.3.C	GENERAL	42
10.4	NON-WAIVER	42
ARTICLE 11	42
11.1	GOVERNING LAW	42
11.2	JURISDICTION.....	42
11.3	PLACE OF PERFORMANCE	42
11.4	EVIDENCE OF SUMS DUE	43
11.5	ENTIRE AGREEMENT.....	43
11.6	INVALIDITY	43
11.7	AMENDMENTS	43
11.8	COUNTERPARTS.....	43
ARTICLE 12	43
12.1	NOTICES.....	43
12.1.A	FORM OF NOTICE.....	43
12.1.B	ADDRESSES.....	44
12.1.C	NOTIFICATION OF COMMUNICATION DETAILS	44
12.2	ENGLISH LANGUAGE	45
12.3	RECITALS, SCHEDULES AND ANNEXES	45
SCHEDULE A	46
SCHEDULE B	61
SCHEDULE C	63
SCHEDULE D	65
SCHEDULE E	66
ANNEX I	69
ANNEX II	70

THIS CONTRACT IS MADE BETWEEN:

The European Investment Bank having its seat at 100 blvd Konrad Adenauer, Luxembourg, L-2950 Luxembourg, represented by [●]

(the "**Bank**")

of the first part, and

City of Tartu, having its seat at [●],[●], Tartu, Estonia, represented by [●]

(the "**Borrower**")

of the second part.

WHEREAS:

- (a) The Borrower has stated that it is undertaking various investment schemes mainly in the areas of education and sports, municipal infrastructure, social infrastructure, cultural heritage and urban mobility, as more particularly described in the technical description (the "**Technical Description**") set out in Schedule A. All such investment schemes (each hereinafter referred to as the "**Scheme**"), which are the subject of the Letter(s) of Allocation from the Bank shall collectively constitute and be hereinafter collectively referred to as the "**Project**".
- (b) The total cost of the Project, as estimated by the Bank, is EUR 46,220,000 (forty six million two hundred and twenty thousand euros) and the Borrower has stated that it intends to finance the Project as follows:

Source	Amount (EUR m)
Credit from the Bank	20.00
Own funds, ESI Funds (as defined below) and other sources	26.22
TOTAL	46.22

- (c) In order to fulfil the financing plan set out in Recital (b), the Borrower has requested from the Bank a credit of EUR 20,000,000 (twenty million euros).
- (d) The Bank considering that the financing of the Project falls within the scope of its functions, and having regard to the statements and facts cited in these Recitals, has decided to give effect to the Borrower's request providing to it a credit in an amount of EUR 20,000,000 (twenty million euros) under this Finance Contract (the "**Contract**"); provided that the amount of the Credit shall not, in any case, exceed:
- (i) 50% (fifty per cent) of the total cost of the Project, as allocated to the Project by the Bank under any Letter(s) of Allocation; or
- (ii) when aggregated with any ESI Funds available for the Project, 90% (ninety per cent.) of the total cost of the Project, as allocated to the Project by the Bank under any Letter(s) of Allocation.
- (e) The [council of the City of Tartu] has authorised the borrowing of the sum of EUR 20,000,000 (twenty million euros) represented by this credit on the terms and conditions set out in this Contract and it has authorised the signatories hereof to execute this Contract and perform related actions required for the borrowing of the Credit (as defined below), and such authorization is attached in Annex I. [Scope of required authorisation to be confirmed with the Borrower and external counsel]
- (f) The Statute of the Bank provides that the Bank shall ensure that its funds are used as rationally as possible in the interests of the European Union; and, accordingly, the terms and conditions of the Bank's loan operations must be consistent with relevant policies of the European Union.
- (g) The financing of the Project includes certain ESI Funds (as defined below) and State subsidies or other grants and the provision of such funds has been duly authorised and will be provided in compliance with all relevant legislation of the European Union, including that on state aid.
- (h) The Bank considers that access to information plays an essential role in the reduction of environmental and social risks, including human rights violations, linked to the projects it finances and has therefore established its transparency policy, the purpose of which is to enhance the accountability of the Bank's group towards its stakeholders and the citizens of the European Union in general.
- (i) The processing of personal data shall be carried out by the Bank in accordance with applicable European Union legislation on the protection of individuals with regard to the processing of personal data by the European Union institutions and bodies and on the free movement of such data.

NOW THEREFORE it is hereby agreed as follows:

INTERPRETATION AND DEFINITIONS

Interpretation

In this Contract:

- (a) references to Articles, Recitals, Schedules and Annexes are, save if explicitly stipulated otherwise, references respectively to articles of, and recitals, schedules and annexes to this Contract;
- (b) references to "law" or "laws" mean:
 - (i) any applicable law and any applicable treaty, constitution, statute, legislation, decree, normative act, rule, regulation, judgement, order, writ, injunction, determination, award or other legislative or administrative measure or judicial or arbitral decision in any jurisdiction which is binding or applicable case law; and
 - (ii) EU Law;
- (c) references to "applicable law", "applicable laws" or "applicable jurisdiction" means:
 - (i) a law or jurisdiction applicable to the Borrower, its rights and/or obligations (in each case arising out of or in connection with this Contract), its capacity and/or assets and/or the Project; and/or, as applicable; or
 - (ii) a law or jurisdiction (including in each case the Bank's Statute) applicable to the Bank, its rights, obligations, capacity and/or assets;
- (d) references to a provision of law are references to that provision as amended or re-enacted;
- (e) references to any other agreement or instrument are references to that other agreement or instrument as amended, novated, supplemented, extended or restated; and
- (f) words and expressions in plural shall include singular and vice versa.

Definitions

In this Contract:

"Accounting Principles" means accounting principles applicable to municipalities in the Republic of Estonia or, where applicable, to municipal companies in the Republic of Estonia, including IFRS.

"Affected Scheme" has the meaning given to it in Article 4.3.A(5).

"Agreed Deferred Disbursement Date" has the meaning given to it in Article 1.5.A(2)(b).

"Allocation Period" has the meaning given to it in Article 1.9.A.

"Allocation Request" has the meaning given to it in Article 1.9.A.

"Authorisation" means an authorisation, permit, consent, approval, resolution, licence, exemption, filing, notarisisation or registration.

"Authorised Signatory" means a person authorised to sign individually or jointly (as the case may be) Disbursement Requests on behalf of the Borrower and named in the most recent List of Authorised Signatories and Accounts received by the Bank prior to the receipt of the relevant Disbursement Request.

"Birds Directive" means the Directive 2009/147/EC of the European Parliament and of the Council on the conservation of wild birds of 30 November 2009.

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

"Change-of-Law Event" has the meaning given to it in Article 4.3.A(3).

"Compliance Certificate" means a certificate substantially in the form set out in Schedule E.2 signed in accordance with the general representation rules applicable to the Borrower and setting out, among other things, calculations of covenants as required under this Contract.

"Contract" has the meaning given to it in Recital (d).

"Contract Number" shall mean the Bank generated number identifying this Contract and indicated on the cover page of this Contract after the letters "FI N°".

"Credit" has the meaning given to it in Article 1.1.

"Criminal Offence" means any of the following criminal offences as applicable: fraud, corruption, coercion, collusion, obstruction, money laundering and financing of terrorism.

"Deferment Indemnity" means a fee calculated on the amount of disbursement deferred or suspended being the higher of:

- (a) 0.125% (12.5 basis points), per annum, and
- (b) the percentage rate by which:
 - (i) the interest rate net of the Margin that would have been applicable to such amount had it been disbursed to the Borrower on the Scheduled Disbursement Date, exceeds
 - (ii) EURIBOR (one month rate) less 0.125% (12.5 basis points), unless this value is less than zero, in which case it will be set at zero.

Such fee shall accrue from the Scheduled Disbursement Date to the Disbursement Date or, as the case may be, until the date of cancellation of the Notified Tranche in accordance with this Contract.

"Disbursement Account" means, in respect of each Tranche, the bank account set out in the most recent List of Authorised Signatories and Accounts.

"Disbursement Date" means the date on which actual disbursement of a Tranche is made by the Bank.

"Disbursement Notice" means a notice from the Bank to the Borrower pursuant to and in accordance with Article 1.2.C.

"Disbursement Request" means a notice substantially in the form set out in Schedule C.

"Dispute" has the meaning given to it in Article 11.2.

"Disruption Event" means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with this Contract; or
- (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of either the Bank or the Borrower, preventing that party from:
 - (i) performing its payment obligations under this Contract; or
 - (ii) communicating with other parties,

and which disruption (in either such case as per (a) or (b) above) is not caused by, and is beyond the control of, the party whose operations are disrupted.

"EIA" means the Environmental Impact Assessment in the meaning of the EIA Directive.

"EIA Directive" means the Directive 2014/52/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment.

"Environment" means the following, in so far as they affect human health or social well-being:

- (a) fauna and flora;
- (b) soil, water, air, climate and the landscape; and

(c) cultural heritage and the built environment,

and includes, without limitation, occupational and community health and safety.

"Environmental Approval" means any Authorisation required by Environmental Law.

"Environmental Claim" means any claim, proceeding, formal notice or investigation by any person in respect of any Environmental Law.

"Environmental Law" means:

- (a) EU Law, including principles and standards;
- (b) laws and regulations of Estonia; and
- (c) applicable international treaties,

in each case of which a principal objective is the preservation, protection or improvement of the Environment.

"ESI Funds" means any and all European Union's structural and investment funds (including any financial instruments or repayable assistance supported thereby) in the meaning of the Regulation (EU) No. 1303/2013 of the European Parliament and of the Council of 17 December 2013 or a Regulation governing one or more of the ESI Funds listed therein.

"ESIF Event" has the meaning given to it in Article 4.3.A(5)(c).

"EU Law" means the *acquis communautaire* of the European Union as expressed through the Treaties of the European Union, the regulations, directives, delegated acts, implementing acts, and the case law of the Court of Justice of the European Union.

"EUR" or **"euro"** means the lawful currency of the Member States of the European Union which adopt or have adopted it as their currency in accordance with the relevant provisions of the Treaty on European Union and the Treaty on the Functioning of the European Union or their succeeding treaties.

"EURIBOR" has the meaning given to it in Schedule B.

"Event of Default" means any of the circumstances, events or occurrences specified in Article 10.1.

"Final Availability Date" means the date falling 36 (thirty-six) months from the date of signature of this Contract.

"Financial Management Act" means the Local Government Financial Management Act of Estonia of 16 September 2010 (RT I 2010, 72, 543) (*Kohaliku omavalitsuse üksuse finantsjuhtimise seadus*). **[External counsel to confirm]**

"Fixed Rate" means an annual interest rate including the Margin determined by the Bank in accordance with the applicable principles from time to time laid down by the governing bodies of the Bank for loans made at a fixed rate of interest, denominated in the currency of the Tranche and bearing equivalent terms for the repayment of capital and the payment of interest. Such rate shall not be of negative value.

"Fixed Rate Tranche" means a Tranche on which the Fixed Rate is applied.

"Floating Rate" means a fixed-spread floating annual interest rate, determined by the Bank for each successive Floating Rate Reference Period equal to EURIBOR plus the Spread. If the Floating Rate for any Floating Rate Reference Period is calculated to be below zero, it will be set at zero.

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

"Floating Rate Tranche" means a Tranche on which the Floating Rate is applied.

"Group" means the Borrower and its Subsidiaries.

"Habitats Directive" means the Directive 92/43/EEC of 21 May 1992 of the Council on the conservation of natural habitats and of wild fauna and flora.

"**IFRS**" means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

"**Indemnifiable Prepayment Event**" means a Prepayment Event other than those specified in paragraphs 4.3.A(2) (*Pari Passu* to non-EIB Financing) or 4.3.A(4) (Illegality).

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

"**Interest Revision/Conversion Date**" means the date, which shall be a Payment Date, specified by the Bank pursuant to Article 1.2.C in the Disbursement Notice.

"**Interest Revision/Conversion Proposal**" means a proposal made by the Bank under Schedule D.

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

- (a) the Payment Dates chosen in accordance with the provisions of Article 3.1;
- (b) the amount of the Tranche for which the Interest Revision/Conversion shall apply; and
- (c) any further Interest Revision/Conversion Date chosen in accordance with Article 3.1.

"**Letter of Allocation**" has the meaning given to it Article 1.9.B(f).

"**List of Authorised Signatories and Accounts**" means a list, in form and substance satisfactory to the Bank, setting out:

- (a) the Authorised Signatories, accompanied by evidence of signing authority of the persons named on the list and specifying if they have individual or joint signing authority;
- (b) the specimen signatures of such persons; and
- (c) the bank account(s) to which disbursements may be made under this Contract (specified by IBAN code if the country is included in the IBAN Registry published by SWIFT, or in the appropriate account format in line with the local banking practice), BIC/SWIFT code of the bank and the name of the bank account(s) beneficiary.

"**Loan**" means the aggregate of the amounts disbursed from time to time by the Bank under this Contract.

"**Loan Outstanding**" means the aggregate of the amounts disbursed from time to time by the Bank under this Contract that remains outstanding.

"**Local Government Organisation Act**" means [●]. **[External counsel to advise]**.

"**Margin**" means the component of the rate of interest quantified in Article 3.1.

"**Market Disruption Event**" means any of the following circumstances:

- (a) there are, in the [reasonable] opinion of the Bank, events or circumstances adversely affecting the Bank's access to its sources of funding;
- (b) in the opinion of the Bank, funds are not available from the Bank's ordinary sources of funding in order to adequately fund a Tranche in the relevant currency and/or for the relevant maturity and/or in relation to the reimbursement profile of such Tranche; or
- (c) in relation to a Tranche in respect of which interest would be payable at Floating Rate:
 - (i) the cost to the Bank of obtaining funds from its sources of funding, as determined by the Bank, for a period equal to the Floating Rate Reference Period of such Tranche (i.e. in the money market) would be in excess of EURIBOR; or
 - (ii) the Bank determines that adequate and fair means do not exist for ascertaining EURIBOR for the relevant currency of such Tranche or it is not possible to determine EURIBOR in accordance with the definition contained in Schedule B.

"Material Adverse Change" means, any event or change of condition, which, in the opinion of the Bank has a material adverse effect on:

- (a) the ability of the Borrower to perform its obligations under this Contract;
- (b) the business, operations, property, condition (financial or otherwise) or prospects of the Borrower or the Group as a whole; or
- (c) the legality, validity or enforceability of, or the effectiveness or ranking of, or the value of any Security granted to the Bank, or the rights or remedies of the Bank under this Contract.

"Maturity Date" means the last Repayment Date of a Tranche specified pursuant to Article 4.1(a)(b)(iv).

"Non-EIB Financing" has the meaning given to it in Article 4.3.A(2).

"Notified Tranche" means a Tranche in respect of which the Bank has issued a Disbursement Notice.

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

- (a) for a Fixed Rate Tranche, the following Relevant Business Day, without adjustment to the interest due under Article 3.1 except for those cases where a payment is made in full and in relation to the Interest Revision/Conversion in accordance with Schedule D, point C and to the final interest payment only, when it shall mean the preceding Relevant Business Day with adjustment to the interest due under Article 3.1; and
- (b) for a Floating Rate Tranche, the next day, if any, of that calendar month that is a Relevant Business Day or, failing that, the nearest preceding day that is a Relevant Business Day, in all cases with corresponding adjustment to the interest due under Article 3.1.

"Permitted Security" means any Security:

- (a) created pursuant to mandatory provisions of law;
- (b) over an asset existing at the time of the acquisition thereof and not created in contemplation of that acquisition and provided such Security is removed or discharged within 12 (twelve) months of the date of acquisition of such asset by the Borrower;
- (c) in the form of *in blanco* bills of exchange or promissory notes, but only if any such Security is issued by the Borrower to secure its own liabilities and not that of a third party; or
- (d) created upon a prior written consent of the Bank, such consent not to be unreasonably withheld or delayed by the Bank.

"Prepayment Amount" means the amount of a Tranche to be prepaid by the Borrower in accordance with Article 4.2.A or Article 4.3.A, as applicable.

"Prepayment Date" means the date, which shall be a Payment Date, on which the Borrower proposes to or is requested by the Bank, as applicable, to effect prepayment of a Prepayment Amount.

"Prepayment Event" means any of the events described in Article 4.3.A.

"Prepayment Indemnity" means in respect of any principal amount to be prepaid or cancelled, the amount communicated by the Bank to the Borrower as the present value (calculated as of the Prepayment Date or the date of cancellation pursuant to Article 1.6.C(2)) of the excess, if any, of:

- (a) the interest net of the Margin that would accrue thereafter on the Prepayment Amount over the period from the Prepayment Date or the date of cancellation pursuant to Article 1.6.C(2) to the Interest Revision/Conversion Date, if any, or the Maturity Date, if it were not prepaid; over
- (b) the interest that would so accrue over that period, if it were calculated at the Redeployment Rate, less 0.15% (fifteen basis points).

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

"Prepayment Notice" means a written notice from the Bank to the Borrower in accordance with Article 4.2.C.

"Prepayment Request" means a written request from the Borrower to the Bank to prepay all or part of the Loan Outstanding, in accordance with Article 4.2.A.

"Project" has the meaning given to it in Recital (a).

"Project Coordinator" means the person appointed by the Borrower and responsible for preparing Allocation Requests and Project progress reporting under this Contract.

"Redeployment Rate" means the fixed annual rate excluding the Margin determined by the Bank, being a rate which the Bank would apply on the day of the indemnity calculation to a loan that has the same currency the same terms for the payment of interest and the same repayment profile to the Interest Revision/Conversion Date, if any, or the Maturity Date as the Tranche in respect of which a prepayment or cancellation is proposed or requested to be made. Such rate shall not be of negative value.

"Relevant Business Day" means for EUR, a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 (TARGET2) is open for the settlement of payments in EUR.

"Repayment Date" shall mean each of the Payment Dates specified for the repayment of the principal of a Tranche in the Disbursement Notice, in accordance with the criteria set out in Article 4.1.

"Requested Deferred Disbursement Date" has the meaning given to it in Article 1.5.A(1)(b).

"Scheduled Disbursement Date" means the date on which a Tranche is scheduled to be disbursed in accordance with Article 1.2.C.

"Scheme" has the meaning given to it in Recital (a).

"Security" means any mortgage, pledge, lien, charge, assignment, hypothecation, or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"Spread" means the fixed spread (being of either positive or negative value) to EURIBOR as determined by the Bank and notified to the Borrower in the relevant Disbursement Notice or Interest Revision/Conversion Proposal. The Spread shall include the Margin.

"Subsidiary" means an entity of which the Borrower has direct or indirect control or owns directly or indirectly more than 50% (fifty per cent) of the voting capital or a similar right of ownership; and "control" means the power to direct the management and policies of such entity, whether through the ownership of voting capital, by contract or otherwise.

"Tax" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"Technical Description" has the meaning given to it in Recital (a).

"Tranche" means each disbursement made or to be made under this Contract. In case no Disbursement Notice has been delivered, Tranche shall mean a Tranche as requested under Article 1.2.B.

ARTICLE 1
Credit and Disbursements

1.1 Amount of Credit

By this Contract the Bank establishes in favour of the Borrower, and the Borrower accepts, a credit in an amount of EUR 20,000,000 (twenty million euros) for the financing of the Project (the "Credit").

1.2 Disbursement procedure

1.2.A Tranches

The Bank shall disburse the Credit in up to 4 (four) Tranches. The amount of each Tranche shall be in a minimum amount of EUR 5,000,000 (five million euros) or (if less) the entire undrawn balance of the Credit.

1.2.B Disbursement Request

(a) The Borrower may present to the Bank a Disbursement Request for the disbursement of a Tranche, such Disbursement Request to be received at the latest 15 (fifteen) days before the Final Availability Date. The Disbursement Request shall be in the form set out in Schedule C.1 and shall specify:

- (i) the amount of the Tranche in EUR;
- (ii) the preferred disbursement date for the Tranche; such preferred disbursement date must be a Relevant Business Day falling at least 15 (fifteen) days after the date of the Disbursement Request and, in any event, on or before the Final Availability Date. It being understood that notwithstanding the Final Availability Date the Bank may set the disbursement date for the Tranche at a date falling up to 4 (four) calendar months from the date of the Disbursement Request;
- (iii) whether the Tranche is a Fixed Rate Tranche or a Floating Rate Tranche, each pursuant to the relevant provisions of Article 3.1;
- (iv) the preferred interest payment periodicity for the Tranche, chosen in accordance with Article 3.1;
- (v) the preferred terms for repayment of principal for the Tranche, chosen in accordance with Article 4.1;
- (vi) the preferred first and last dates for repayment of principal for the Tranche;
- (vii) the Borrower's choice of Interest Revision/Conversion Date, if any, for the Tranche; and
- (viii) the Disbursement Account to which the disbursement of the Tranche should be made in accordance with Article 1.2.D.

(b) If the Bank, following a request by the Borrower, has provided the Borrower, before the submission of the Disbursement Request, with a non-binding fixed interest rate or spread quotation to be applicable to the Tranche, the Borrower may also at its discretion specify in the Disbursement Request such quotation, that is to say:

- (i) in the case of a Fixed Rate Tranche, the aforementioned fixed interest rate previously quoted by the Bank; or
- (ii) in the case of a Floating Rate Tranche, the aforementioned spread previously quoted by the Bank,

applicable to the Tranche until the Maturity Date or until the Interest Revision/Conversion Date, if any.

- (c) Each Disbursement Request shall be signed by an Authorised Signatory with individual representation right or two or more Authorised Signatories with joint representation right. **[External counsel to advise on the Treasurer's role]**
- (d) Subject to Article 1.2.C(b), each Disbursement Request is irrevocable.

1.2.C Disbursement Notice

- (a) Not less than 10 (ten) days before the proposed Scheduled Disbursement Date of a Tranche the Bank shall, if the Disbursement Request conforms to Article 1.2, deliver to the Borrower a Disbursement Notice which shall specify:
 - (i) the amount of the Tranche in EUR;
 - (ii) the Scheduled Disbursement Date;
 - (iii) the interest rate basis for the Tranche, being: (1) a Fixed Rate Tranche; or (2) a Floating Rate Tranche all pursuant to the relevant provisions of Article 3.1;
 - (iv) the Payment Dates and the first interest Payment Date for the Tranche;
 - (v) the terms for repayment of principal for the Tranche in accordance with the provisions of Article 4.1;
 - (vi) the Repayment Dates and the first and the last Repayment Date for the Tranche;
 - (vii) the Interest Revision/Conversion Date, if requested by the Borrower, for the Tranche; and
 - (viii) for a Fixed Rate Tranche the Fixed Rate and for a Floating Rate Tranche the Spread applicable to the Tranche until the Interest Revision/Conversion Date, if any or until the Maturity Date.
- (b) If one or more of the elements specified in the Disbursement Notice does not reflect the corresponding element, if any, in the Disbursement Request, the Borrower may following receipt of the Disbursement Notice revoke the Disbursement Request by written notice to the Bank to be received no later than 12h00 noon in Luxembourg time on the next business day when the Bank is open and thereupon the Disbursement Request and the Disbursement Notice shall be of no effect. If the Borrower has not revoked in writing the Disbursement Request within such period, the Borrower will be deemed to have accepted all elements specified in the Disbursement Notice.
- (c) If the Borrower has presented to the Bank a Disbursement Request in which the Borrower has not specified the fixed interest rate or spread as set out in Article 1.2.B(b), the Borrower will be deemed to have agreed in advance to the Fixed Rate or Spread as subsequently specified in the Disbursement Notice.

1.2.D Disbursement Account

Disbursement shall be made to the Disbursement Account specified in the relevant Disbursement Request provided that such Disbursement Account is acceptable to the Bank.

Notwithstanding Article 5.2(e), the Borrower acknowledges that payments to a Disbursement Account notified by the Borrower shall constitute disbursements under this Contract as if they had been made to the Borrower's own bank account.

Only one Disbursement Account may be specified for each Tranche.

1.3 Currency of disbursement

The Bank shall disburse each Tranche in EUR.

1.4 Conditions of disbursement

1.4.A Condition precedent to the first Disbursement Request

The Bank shall have received from the Borrower in form and substance satisfactory to the Bank:

(a) evidence that the execution of this Contract by the Borrower has been duly authorised and that the person or persons signing this Contract on behalf of the Borrower is/are duly authorised to do so together with the specimen signature of each such person or persons; and

(b) the List of Authorised Signatories and Accounts;

prior to a presentation of a Disbursement Request by the Borrower. Any Disbursement Request made by the Borrower without the above documents having been received by the Bank and to its satisfaction shall be deemed not made.

1.4.B First Tranche

The disbursement of the first Tranche under Article 1.2 is conditional upon receipt by the Bank, in form and substance satisfactory to it, on or before the date falling 5 (five) Business Days before the Scheduled Disbursement Date (and, in the case of deferment under Article 1.5, the Requested Deferred Disbursement Date or the Agreed Deferred Disbursement Date, respectively), of the following documents or evidence:

(a) evidence that the execution of this Contract have been duly authorised by the City Government of Tartu (*[Estonian name to be inserted]*) and that the person or persons signing this Contract on behalf of the Borrower is/are duly authorised to do so together with the specimen signature of each such person or persons; **[external counsel to advise on required scope of Authorizations]**;

(b) a copy of the applicable Budget Strategy for years [●], adopted by the City Council of Tartu (*[Estonian name to be inserted]*) on [●], indicating the available limit for borrowing by the Borrower at least in the amount of the Credit and on the terms (including in particular the maturity) hereof;

(c) a legal opinion from an external legal counsel of the Bank, at the expense of the Borrower, on, among others, (i) the Borrower's legal capacity to enter into the Contract; (ii) validity of the choice of Luxembourgish law and submission to jurisdiction of the Luxembourgish courts, (iii) enforceability of the foreign judgements in Estonia in relation to this Contract and (iv) the prevalence of English language for this Contract and documenting the Credit;

(d) evidence that the Project Coordinator has been appointed;

(e) evidence of compliance by the Borrower with the financial covenants pursuant to Article 6.8;

(f) evidence that relevant notices for the procurement to be made in the Official Journal of the European Union with respect to the Project have been duly published; [to be confirmed if applicable]

(g) evidence that the amount of the first Tranche does not exceed EUR 6,000,000 (six million euro); and

(h) evidence of payment or reimbursement by the Borrower of any legal fees incurred by the Bank in relation to the legal opinion referred to in paragraph (c) above.

1.4.C All Tranches

The disbursement of each Tranche under Article 1.2, including the first, is subject to the following conditions:

(a) that the Bank has received, in form and substance satisfactory to it, on or before the date falling 5 (five) Business Days before the Scheduled Disbursement Date (and, in the case of deferment under Article 1.5, the Requested Deferred Disbursement Date or the Agreed Deferred Disbursement Date, respectively) for the proposed Tranche, of the following documents or evidence:

(i) unless already provided, evidence that the Borrower has obtained all necessary Authorisations, required in connection with the borrowing of the Credit on the terms and conditions hereof, including the terms of the relevant Disbursement Notice;

- (ii) a certificate from the Borrower in the form of Schedule E.1 signed by an authorised representative of the Borrower and dated no earlier than the date falling 15 (fifteen) days before the Scheduled Disbursement Date (and, in the case of deferment under Article 1.5, the Requested Deferred Disbursement Date or the Agreed Deferred Disbursement Date, respectively);
 - (iii) evidence that borrowing of the proposed Tranche has been authorised under the relevant City Budget Regulation ([*Estonian name to be inserted*]) and indicating the available limit for disbursement by the Borrower in a given year at least in the amount of the proposed Tranche and on the terms (including in particular the maturity) of the proposed Tranche;
 - (iv) unless already delivered to the Bank under Article 8.2 **Tõrge! Ei leia viiteallikat.**, the Compliance Certificate confirming the Borrower's compliance with the financial covenants set out in Article 6.8 (*Financial covenants*) as at the end of the most recent financial year that has ended; and
 - (v) a copy of any other authorisation or other document, opinion or assurance which the Bank has notified the Borrower is necessary or desirable in connection with the entry into and performance of, and the transactions contemplated by, this Contract or the Security provided in respect of this Contract (if any) or the legality, validity, binding effect or enforceability of the same;
- (b) that on the Scheduled Disbursement Date (and, in the case of deferment under Article 1.5, on the Requested Deferred Disbursement Date or the Agreed Deferred Disbursement Date, respectively) for the proposed Tranche:
- (i) the representations and warranties which are repeated pursuant to Article 6.11 are correct in all respects; and
 - (ii) no event or circumstance which constitutes or would with the passage of time or giving of notice under this Contract constitute:
 - (1) an Event of Default; or
 - (2) a Prepayment Event,
 has occurred and is continuing unremedied or unwaived or would result from the disbursement of the proposed Tranche.

1.4.D Subsequent Tranches – Project Coordinator

The disbursement of each Tranche under Article 1.2, except for the first Tranche, is conditional upon receipt by the Bank in form and substance satisfactory to it, at least 5 (five) Business Days before the Scheduled Disbursement Date (and, in the case of deferment under Article 1.5, the Requested Deferred Disbursement Date or the Agreed Deferred Disbursement Date, respectively) for the proposed Tranche, of any information, documents and evidence concerning any changes both as to personnel or in capacity of the Project Coordinator to deliver its services, or a confirmation in the form of duly signed certificate from the Borrower in the form of Schedule E.1 that there were no such changes regarding the Project Coordinator from the date of the signing of the such most recent certificate.

1.4.E Disbursements in excess of EUR 6,000,000

The disbursement of each Tranche under Article 1.2, which, when aggregated with any earlier disbursement(s) hereunder, exceeds the amount of EUR 6,000,000 (six million euro), is conditional upon receipt by the Bank in form and substance satisfactory to it, at least 5 (five) Business Days before the Scheduled Disbursement Date (and, in the case of deferment under Article 1.5, the Requested Deferred Disbursement Date or the Agreed Deferred Disbursement Date, respectively) for the proposed Tranche, of a written evidence demonstrating that:

- (a) at least 80% (eighty per cent.) of the Loan has been allocated to Scheme(s) subject to the Letter(s) of Allocation; and/or
- (b) at least 50% (fifty per cent.) of the Loan has been paid out by the Borrower towards any expenditure incurred with respect to the Scheme(s) subject to the Letter(s) of Allocation.

1.4.F Disbursements in excess of EUR 18,000,000

The disbursement of each Tranche under Article 1.2, which, when aggregated with any earlier disbursement(s) hereunder, exceeds the amount of 18,000,000 (eighteen million euro), is conditional upon receipt by the Bank in form and substance satisfactory to it, at least 5 (five) Business Days before the Scheduled Disbursement Date (and, in the case of deferment under Article 1.5, the Requested Deferred Disbursement Date or the Agreed Deferred Disbursement Date, respectively) for the proposed Tranche, of a written evidence demonstrating that the full amount of the Loan disbursed so far to the Borrower, when aggregated with the amount of the proposed Tranche, has been allocated to the Schemes subject to the Letters of Allocation.

1.5 Deferment of disbursement

1.5.A Grounds for deferment

1.5.A(1) BORROWER'S REQUEST

The Borrower may send a written request to the Bank requesting the deferral of the disbursement of a Notified Tranche. The written request must be received by the Bank at least 5 (five) Business Days before the Scheduled Disbursement Date of the Notified Tranche and specify:

- (a) whether the Borrower would like to defer the disbursement in whole or in part and if in part, the amount to be deferred; and
- (b) the date until which the Borrower would like to defer a disbursement of the above amount (the "**Requested Deferred Disbursement Date**"), which must be a date falling not later than:
 - (i) 6 (six) months from its Scheduled Disbursement Date; and
 - (ii) 30 (thirty) days prior to the first Repayment Date; and
 - (iii) the Final Availability Date.

Upon receipt of such a written request, the Bank shall defer the disbursement of the relevant amount until the Requested Deferred Disbursement Date.

1.5.A(2) FAILURE TO SATISFY CONDITIONS TO DISBURSEMENT

- (a) The disbursement of a Notified Tranche shall be deferred if any condition for disbursement of such Notified Tranche referred to in Article 1.4 is not fulfilled both:
 - (i) at the date specified for fulfilment of such condition in Article 1.4; and
 - (ii) at its Scheduled Disbursement Date (or, where the Scheduled Disbursement Date has been deferred previously, the date expected for disbursement).
- (b) The Bank and the Borrower shall agree the date until which the disbursement of such Notified Tranche shall be deferred (the "**Agreed Deferred Disbursement Date**"), which must be a date falling not:
 - (i) earlier than 5 (five) Business Days following the fulfilment of all conditions of disbursement; and
 - (ii) later than the Final Availability Date.
- (c) Without prejudice to the Bank's right to suspend and/or cancel the undisbursed portion of the Credit in whole or in part pursuant to Article 1.6.B, the Bank shall defer disbursement of such Notified Tranche until the Agreed Deferred Disbursement Date.

1.5.A(3) DEFERMENT INDEMNITY

If disbursement of a Notified Tranche is deferred pursuant to paragraphs 1.5.A(1) or 1.5.A(2) above, the Borrower shall pay the Deferment Indemnity.

1.5.B Cancellation of a disbursement deferred by 6 (six) months

If a disbursement has been deferred by more than 6 (six) months in aggregate pursuant to Article 1.5.A, the Bank may notify the Borrower in writing that such disbursement shall be

cancelled and such cancellation shall take effect on the date of such written notification. The amount of the disbursement which is cancelled by the Bank pursuant to this Article 1.5.B shall remain available for disbursement under Article 1.2.

1.6 Cancellation and suspension

1.6.A Borrower's right to cancel

The Borrower may send a written notice to the Bank requesting the cancellation of the undisbursed portion of the Credit. The written notice:

- (a) must specify whether the Borrower would like to cancel the undisbursed portion of the Credit in whole or in part and, if in part, the amount of the Credit the Borrower would like to cancel; and
- (b) must not relate to:
 - (i) a Notified Tranche which has a Scheduled Disbursement Date falling within 5 (five) Business Days of the date of the written notice; or
 - (ii) a Tranche in respect of which a Disbursement Request has been submitted but no Disbursement Notice has been issued.

Upon receipt of such written notice, the Bank shall cancel the requested undisbursed portion of the Credit with immediate effect.

1.6.B Bank's right to suspend and cancel

- (a) At any time upon the occurrence of the following events, the Bank may notify the Borrower in writing that the undisbursed portion of the Credit shall be suspended and/or (apart from on the occurrence of a Market Disruption Event) cancelled in whole or in part:
 - (i) a Prepayment Event;
 - (ii) an Event of Default;
 - (iii) an event or circumstance which would with the passage of time or giving of notice under this Contract constitute a Prepayment Event or an Event of Default; or
 - (iv) a Market Disruption Event provided the Bank has not issued a Disbursement Notice.
- (b) On the date of such written notification the relevant undisbursed portion of the Credit shall be suspended and/or cancelled with immediate effect. Any suspension shall continue until the Bank ends the suspension or cancels the suspended amount.

1.6.C Indemnity for suspension and cancellation of a Tranche

1.6.C(1) SUSPENSION

If the Bank suspends a Notified Tranche upon the occurrence of an Indemnifiable Prepayment Event or an Event of Default, the Borrower shall pay to the Bank the Deferment Indemnity calculated on the amount of disbursement suspended.

1.6.C(2) CANCELLATION

- (a) If a Notified Tranche which is a Fixed Rate Tranche is cancelled:
 - (i) by the Borrower pursuant to Article 1.6.A; or
 - (ii) by the Bank upon an Indemnifiable Prepayment Event or pursuant to Article 1.5.B, the Borrower shall pay to the Bank the Prepayment Indemnity. The Prepayment Indemnity shall be calculated as if the cancelled amount had been disbursed and repaid on the Scheduled Disbursement Date or, to the extent that the disbursement of the Tranche is currently deferred or suspended, on the date of the cancellation notice.
- (b) If the Bank cancels a Notified Tranche upon the occurrence of an Event of Default, the Borrower shall indemnify the Bank in accordance with Article 10.3.

- (c) Save in the cases (a) or (b) above, no indemnity is payable upon cancellation of a Tranche.

1.7 Cancellation after expiry of the Credit

On the day following the Final Availability Date, and unless otherwise specifically agreed to in writing by the Bank, any part of the Credit in respect of which no Disbursement Request has been made in accordance with Article 1.2.B shall be automatically cancelled, without any notice being served by the Bank to the Borrower and without liability arising on the part of either party.

1.8 Sums due under Articles 1.5 and 1.6

Sums due under Articles 1.5 and 1.6 shall be payable in EUR. Sums due under Articles 1.5 and 1.6 shall be payable within 15 (fifteen) days of the Borrower's receipt of the Bank's demand or within any longer period specified in the Bank's demand.

1.9 Allocation and reallocation of Credit or Loan

1.9.A Allocation procedure

Between the date hereof and 31 December 2022 (the "**Allocation Period**"), the Borrower may submit to the Bank a request for allocation (hereinafter referred to as the "**Allocation Request**"). In order to qualify for financing hereunder, each Scheme has to meet the Bank's eligibility criteria and comply with the Technical Description.

1.9.B Allocation Request

- (a) The Borrower may submit to the Bank one or more Allocation Requests under this Contract.
- (b) The availability of the Credit or the Loan (as the case may be) with respect to any Scheme shall be established by successive allocations of the Credit (whether disbursed or not) to eligible Schemes made by the Bank in accordance with the procedure described in this Article 1.9 and in Sections [●] of Schedule A.1.
- (c) The Allocation Request for a Scheme must be submitted prior to the disbursement of the Tranche for the purpose of the funding of the relevant Scheme.
- (d) The principle set out in paragraph (c), above does not apply to Schemes with a total cost less than EUR 25,000,000 (twenty five million euro).
- (e) Each Allocation Request for a Scheme to be co-financed with the ESI Funds must be submitted together with evidence that the ESI Funds required for the financing of such Scheme, have been committed or are available for co-financing of such a Scheme.
- (f) The Bank shall have full discretion whether or not to approve the Allocation Request submitted by the Borrower following such examination of a Scheme as the Bank deems necessary. The Bank shall, in the event of approval of the Allocation Request, issue a letter of allocation ("**Letter of Allocation**"), informing the Borrower of its approval of the Scheme(s) submitted and specifying the amount of the Credit or the Loan, as the case may be, allocated to any such Scheme.

1.9.C Re-allocation

1.9.C(1) RE-ALLOCATION AT THE REQUEST OF THE BORROWER

Until the date falling on 3 (three) months before the Final Availability Date, the Borrower may, subject to the procedure described in Articles 1.9.A and 1.9.B, request the Bank to re-allocate any part of the Credit or the Loan, which has been already allocated. The Borrower's request should include the reasons for the requested re-allocation.

1.9.C(2) RE-ALLOCATION AT THE REQUEST OF THE BANK

The Borrower shall propose to re-allocate any part of the Credit or the Loan which has been allocated in accordance with Article 1.9.B, if any Scheme subject to the Letter of Allocation from

the Bank, is or becomes, in the opinion of the Bank, ineligible for financing by the Bank under the Bank's Statute, policies or guidelines or under article 309 of the Treaty on the Functioning of the European Union. The Bank shall notify its opinion to the Borrower in writing.

1.9.C(3) RE-ALLOCATION PROCEDURES

The Bank shall carry out any such examination or appraisal, based on such information or documents as the Bank may reasonably require from the Borrower with respect to the financing, procurement, implementation, operation and environmental impact of, or for a Scheme proposed for re-allocation.

The Bank shall, in the event of approval, issue a Letter of Allocation.

1.9.D Mid-term review of the Allocation Procedures

The Bank reserves the right to carry out a mid-term review of the progress and scope of the Project and, depending on the findings of such review, to introduce changes to the allocation procedures. The Borrower shall provide, and shall ensure that the Bank is provided with all necessary assistance for this purpose. After the Bank communicates to the Borrower its decision to modify the allocation procedures, the Borrower shall promptly and adequately adjust its internal allocation procedures and shall execute any such documents, including any amendment to this Contract, as may be required by the Bank to reflect the modifications made.

ARTICLE 2

The Loan

2.1 Amount of Loan

The Loan shall comprise the aggregate amount of Tranches disbursed by the Bank under the Credit, as confirmed by the Bank pursuant to Article 2.3.

2.2 Currency of repayment, interest and other charges

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

Other payment, if any, shall be made in the currency specified by the Bank having regard to the currency of the expenditure to be reimbursed by means of that payment.

2.3 Confirmation by the Bank

The Bank shall deliver to the Borrower the amortisation table referred to in Article 4.1, if appropriate, showing the Disbursement Date, currency, the amount disbursed, the repayment terms and the interest rate of and for that Tranche.

ARTICLE 3

Interest

3.1 Rate of interest

For the purposes of this Contract "**Margin**" means 4 (four) basis points (0.04%).

3.1.A Fixed Rate Tranches

The Borrower shall pay interest on the outstanding balance of each Fixed Rate Tranche at the Fixed Rate quarterly, semi-annually or annually in arrear on the relevant Payment Dates as specified in the Disbursement Notice, commencing on the first such Payment Date following the

Disbursement Date of the Tranche. If the period from the Disbursement Date to the first Payment Date is 15 (fifteen) days or less then the payment of interest accrued during such period shall be postponed to the following Payment Date.

Interest shall be calculated on the basis of Article 5.1(a).

3.1.B Floating Rate Tranches

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

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

If pursuant to Articles 1.5 and 1.6 disbursement of any Floating Rate Tranche takes place after the Scheduled Disbursement Date EURIBOR applicable to the first Floating Rate Reference Period shall apply as though the disbursement had been made on the Scheduled Disbursement Date.

Interest shall be calculated in respect of each Floating Rate Reference Period on the basis of Article 5.1.(b)

3.1.C Revision or Conversion of Tranches

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

3.2 Interest on overdue sums

Without prejudice to Article 10 and by way of exception to Article 3.1, if the Borrower fails to pay any amount payable by it under this Contract on its due date, interest shall accrue on any overdue amount payable under the terms of this Contract from the due date to the date of actual payment at an annual rate equal to:

- (a) for overdue sums related to Floating Rate Tranches, the applicable Floating Rate plus 2% (200 basis points);
- (b) for overdue sums related to Fixed Rate Tranches, the higher of:
 - (i) the applicable Fixed Rate plus 2% (200 basis points); or
 - (ii) EURIBOR plus 2% (200 basis points); and
- (c) for overdue sums other than under (a) or (b) above, EURIBOR plus 2% (200 basis points),

and shall be payable in accordance with the demand of the Bank. For the purpose of determining the EURIBOR in relation to this Article 3.2, the relevant periods within the meaning of Schedule B shall be successive periods of one month commencing on the due date. Any unpaid but due interest may be capitalised in conformity with article 1154 of the Luxembourg Civil Code. For the avoidance of doubt, capitalisation of interest shall occur only for interest due but unpaid for a period of more than one year. The Borrower hereby agrees in advance to have the unpaid interest due for a period of more than one year compounded and that as of the capitalisation, such unpaid interest will in turn produce interest at the interest rate set out in this Article 3.2.

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

3.3 Market Disruption Event

If at any time (i) from the issuance by the Bank of the Disbursement Notice in respect of a Tranche, and (ii) until the date falling 30 (thirty) calendar days prior to the Scheduled Disbursement Date, a Market Disruption Event occurs, the Bank may notify to the Borrower that this clause has come into effect. In such case, the following rules shall apply:

- (a) The rate of interest applicable to such Notified Tranche until the Maturity Date or the Interest Revision/Conversion Date if any, shall be the percentage rate per annum which is the sum of:
 - (i) the Margin; and
 - (ii) the rate (expressed as a percentage rate per annum) which is determined by the Bank to be the all-inclusive cost to the Bank for the funding of the relevant Tranche based upon the then applicable internally generated Bank reference rate or an alternative rate determination method reasonably determined by the Bank.

The Borrower shall have the right to refuse in writing such disbursement within the deadline specified in the notice and shall bear charges incurred as a result, if any, in which case the Bank shall not effect the disbursement and the corresponding portion of the Credit shall remain available for disbursement under Article 1.2.B. If the Borrower does not refuse the disbursement in time, the parties agree that the disbursement and the conditions thereof shall be fully binding for both parties.

- (b) The Spread or the Fixed Rate previously notified by the Bank in the Disbursement Notice shall no longer be applicable.

ARTICLE 4

Repayment

4.1 Normal repayment

- (a) The Borrower shall repay each Tranche by instalments on the Repayment Dates specified in the relevant Disbursement Notice in accordance with the terms of the amortisation table delivered pursuant to Article 2.3.
- (b) Each amortisation table shall be drawn up on the basis that:
 - (i) in the case of a Fixed Rate Tranche without an Interest Revision/Conversion Date, repayment shall be made quarterly, semi-annually or annually by equal instalments of principal or constant instalments of principal and interest;
 - (ii) in the case of a Fixed Rate Tranche with an Interest Revision/Conversion Date or a Floating Rate Tranche, repayment shall be made by equal quarterly, semi-annual or annual instalments of principal;
 - (iii) the first Repayment Date of each Tranche shall be a Payment Date falling not earlier than 30 (thirty) days from the Scheduled Disbursement Date and not later than the first Repayment Date immediately following the 5th (fifth) anniversary of the Scheduled Disbursement Date of the Tranche; and
 - (iv) the last Repayment Date of each Tranche shall be a Payment Date falling not earlier than 4 (four) years and not later than 20 (twenty) years from the Scheduled Disbursement Date.

4.2 Voluntary prepayment

4.2.A Prepayment option

Subject to Articles 4.2.B, 4.2.C and 4.4, the Borrower may prepay all or part of any Tranche, together with accrued interest and indemnities if any, upon giving a Prepayment Request with at least 30 (thirty) calendar days' prior notice specifying:

- (a) the Prepayment Amount;
- (b) the Prepayment Date;
- (c) if applicable, the choice of application method of the Prepayment Amount in line with Article 5.5.C(a); and
- (d) the Contract Number.

The Prepayment Request shall be irrevocable.

4.2.B Prepayment indemnity

4.2.B(1) FIXED RATE TRANCHE

Subject to Article 4.2.B(3) below, if the Borrower prepays a Fixed Rate Tranche, the Borrower shall pay to the Bank on the Prepayment Date the Prepayment Indemnity in respect of the Fixed Rate Tranche which is being prepaid.

4.2.B(2) FLOATING RATE TRANCHE

Subject to Article 4.2.B(3) below, the Borrower may prepay a Floating Rate Tranche without indemnity on any relevant Payment Date.

4.2.B(3) REVISION/CONVERSION

Prepayment of a Tranche on its Interest Revision/Conversion Date may be effected without indemnity unless the Borrower has accepted in writing a Fixed Rate under an Interest Revision/Conversion Proposal, as notified under Article 1.2.C(a)(vii) or pursuant to Schedule D.

4.2.C Prepayment mechanics

Upon presentation by the Borrower to the Bank of a Prepayment Request, the Bank shall issue a Prepayment Notice to the Borrower, not later than 15 (fifteen) days prior to the Prepayment Date. The Prepayment Notice shall specify the Prepayment Amount, the accrued interest due thereon, the Prepayment Indemnity payable under Article 4.2.B or, as the case may be, that no indemnity is due, the method of application of the Prepayment Amount and if a Prepayment Indemnity is applicable, the deadline by which the Borrower may accept the Prepayment Notice.

If the Borrower accepts the Prepayment Notice no later than by the deadline (if any) specified in the Prepayment Notice, the Borrower shall effect the prepayment. In any other case, the Borrower may not effect the prepayment.

The Borrower shall accompany the payment of the Prepayment Amount by the payment of accrued interest, the Prepayment Indemnity and the fee under Article 4.2.D, if any, due on the Prepayment Amount, as specified in the Prepayment Notice.

4.2.D Administrative Fee

If the Borrower prepays a Tranche on a date other than a relevant Payment Date, or if the Bank exceptionally accepts, solely upon the Bank's discretion, a Prepayment Request with prior notice of less than 30 (thirty) calendar days, the Borrower shall pay to the Bank an administrative fee in such amount as the Bank shall notify to the Borrower

4.3 Compulsory prepayment

4.3.A Prepayment Events

4.3.A(1) PROJECT COST REDUCTION

If, following the end of the Allocation Period, the total cost of the Project falls below the figure stated in Recital (b) so that the amount of the Credit exceeds:

- (a) 50% (fifty per cent) of such total costs of the Project as allocated to the Project by the Bank under any Letter(s) of Allocation;
- (b) when aggregated with the amount of ESI Funds or of any other funds from the European Union made available for the Project, 90% (ninety per cent.) of such total costs of the

Project as allocated to the Project by the Bank under any Letter(s) of Allocation; or

- (c) 100% (one hundred per cent.) of eligible investment costs (as such costs are defined in the Technical Description), in relation to the Project,

the Bank may forthwith, by notice to the Borrower, cancel the undisbursed portion of the Credit and/or demand prepayment of the Loan Outstanding up to the amount by which the Credit exceeds the limits referred to in paragraphs (a) to (c), above, together with accrued interest and all other amounts accrued and outstanding under this Contract in relation to the proportion of the Loan Outstanding to be prepaid. The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

4.3.A(2) *PARI PASSU* TO NON-EIB FINANCING

If the Borrower voluntarily prepays (for the avoidance of doubt, prepayment shall include a repurchase or cancellation where applicable) a part or the whole of any Non-EIB Financing and:

- (a) such prepayment is not made within a revolving credit facility (save for the cancellation of the revolving credit facility);
- (b) such prepayment is not made out of the proceeds of a loan or other indebtedness having a term at least equal to the unexpired term of the Non-EIB Financing prepaid;
- (c) following such prepayment the amount of the Loan Outstanding and any other direct loans from the Bank to the Borrower constitute more than 50 per cent. of the aggregate outstanding Non-EIB Financing,

the Bank may, by notice to the Borrower, cancel the undisbursed portion of the Credit and demand prepayment of the Loan Outstanding, together with accrued interest and all other amounts accrued and outstanding under this Contract in relation to the proportion of the Loan Outstanding to be prepaid. The proportion of the Loan Outstanding that the Bank may require to be prepaid shall be the same as the proportion that the prepaid amount of the Non-EIB Financing bears to the aggregate outstanding amount of all Non-EIB Financing.

The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

For the purposes of this Article, "**Non-EIB Financing**" includes any loan (save for the Loan and any other direct loans from the Bank to the Borrower), credit bond or other form of financial indebtedness or any obligation for the payment or repayment of money originally granted to the Borrower for a term of more than 3 (three) years.

4.3.A(3) CHANGE OF LAW

The Borrower shall promptly inform the Bank if a Change-of-Law Event has occurred or is likely to occur. In such case, or if the Bank has reasonable cause to believe that a Change-of-Law Event has occurred or is about to occur, the Bank may request that the Borrower consult with it. Such consultation shall take place within 30 (thirty) days from the date of the Bank's request. If, after the lapse of 30 (thirty) days from the date of such request for consultation the Bank is of the opinion that the effects of the Change-of-Law Event cannot be mitigated to its satisfaction, the Bank may by notice to the Borrower, cancel the undisbursed portion of the Credit and/or demand prepayment of the Loan Outstanding, together with accrued interest and all other amounts accrued and outstanding under this Contract.

The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

For the purposes of this Article "**Change-of-Law Event**" means the enactment, promulgation, execution or ratification of or any change in or amendment to any law (including to the provisions of the Local Government Organisation Act or the Financial Management Act), rule or regulation (or in the application or official interpretation of any law, rule or regulation) that occurs after the date of this Contract and which, in the opinion of the Bank:

- (a) would materially impair the Borrower's ability to perform its obligations under this Contract or any Security (if any) provided in respect of this Contract; or

- (b) would affect: (1) the Borrower's ability to levy tax on individuals within its territory or (2) the subsidies or transfers provided by the State of Estonia to the Borrower.

4.3.A(4) ILLEGALITY

If it becomes unlawful in any applicable jurisdiction for the Bank to:

- (a) perform any of its obligations as contemplated in this Contract; or
- (b) fund or maintain the Loan,

the Bank shall promptly notify the Borrower and may immediately (i) suspend or cancel the undisbursed portion of the Credit and/or (ii) demand prepayment of the Loan Outstanding, together with accrued interest and all other amounts accrued and outstanding under this Contract on the date indicated by the Bank in its notice to the Borrower.

4.3.A(5) NON UTILISATION

If:

- (a) at the end of the Allocation Period, any part of the Credit or the Loan has failed to be allocated to any Schemes subject to the Letter(s) of Allocation and pursuant to Article 1.9; or
- (b) any re-allocation pursuant to Article 1.9.C is not possible or possible only in part,

the Bank may, in proportion to the amount that failed to be allocated or re-allocated pursuant to Article 1.9, by notice to the Borrower, cancel the undisbursed portion of the Credit and/or demand immediate prepayment of the Loan Outstanding together with accrued interest and all other amounts accrued and outstanding under this Contract on the date indicated by the Bank in its notice to the Borrower.

4.3.A(6) AFFECTED SCHEME

- (a) The Borrower shall promptly inform the Bank if:
 - (i) it has failed to comply with the Environmental Law or any laws of the European Union and of Estonia with respect to state aid or public procurement with respect to any Scheme;
 - (ii) an ESIF Event has occurred or is likely to occur in relation to any Scheme;
 - (iii) the Bank has issued a Letter of Allocation with respect to a Scheme that, contrary to the representation from the Borrower delivered with any Allocation Request, is subject to the relevant EIA procedures; or
 - (iv) the Borrower has applied the proceeds of the Loan to finance any Scheme that, when applicable, failed to be subject to a relevant EIA procedures or a biodiversity assessment in accordance with the Birds Directive and/or the Habitats Directive.
- (b) If the Borrower notifies the Bank of any Scheme referred to in (a) above, or if the Bank becomes aware of any such Scheme (an "**Affected Scheme**") and notifies the Borrower to that effect, then the Borrower shall, within a period of 60 (sixty) days following its giving, or receiving of any such notice:
 - (i) take steps to remedy, to the Bank's satisfaction, the event referred to in (a) above; and/or
 - (ii) request the Bank to re-allocate any part of the Credit or the Loan allocated to the Affected Scheme to another eligible Scheme pursuant to Article 1.9.C,

failing which, the Bank may by further notice to the Borrower demand that the Borrower prepays the Loan Outstanding in the amount originally allocated to any such Affected Scheme on the date indicated by the Bank in its notice to the Borrower.

- (c) For the purpose of this Contract, an "**ESIF Event**" means any of the following (whether directly or indirectly) in relation to any Scheme:
 - (i) the Borrower is required to reimburse or repay any contribution from ESI Funds in whole or in part as a result of a recovery, financial correction or similar procedures

triggered by any irregularities in relation to such contribution from ESI Funds; or

- (ii) otherwise than for the reasons indicated in item (i) above, ESI Funds cease to be available or have been cancelled in full or in part and the financing of such Scheme from other resources has not been ensured by the Borrower to the satisfaction of the Bank.
- (d) In case of substitution of any Affected Scheme with any other Scheme, the allocation deadlines set out in Article 1.9 shall not apply. The Borrower shall deliver to the Bank a list of any such substitutions in a form acceptable to the Bank.

4.3.B Prepayment mechanics

Any sum demanded by the Bank pursuant to Article 4.3.A, together with any interest or other amounts accrued or outstanding under this Contract including, without limitation, any indemnity due under Article 4.3.C, shall be paid on the date indicated by the Bank in its notice of demand.

4.3.C Prepayment indemnity

In the case of an Indemnifiable Prepayment Event, the indemnity, if any, shall be determined in accordance with Article 4.2.B.

4.4 General

4.4.A No prejudice to Article 10

This Article 4 shall not prejudice Article 10.

4.4.B No reborrowing

A repaid or prepaid amount may not be reborrowed.

ARTICLE 5

Payments

5.1 Day count convention

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

- (a) in respect of interest and indemnities due under a Fixed Rate Tranche, a year of 360 (three hundred and sixty) days and a month of 30 (thirty) days; and
- (b) in respect of interest and indemnities due under a Floating Rate Tranche, a year of 360 (three hundred and sixty) days and the number of days elapsed.

5.2 Time and place of payment

- (a) Unless otherwise specified in this Contract or in the Bank's demand, all sums other than sums of interest, indemnity and principal are payable within 15 (fifteen) days of the Borrower's receipt of the Bank's demand.
- (b) Each sum payable by the Borrower under this Contract shall be paid to the relevant account notified by the Bank to the Borrower. The Bank shall notify the account not less than 15 (fifteen) days before the due date for the first payment by the Borrower and shall notify any change of account not less than 15 (fifteen) days before the date of the first payment to which the change applies. This period of notice does not apply in the case of payment under Article 10.
- (c) The Borrower shall indicate the Contract Number in the payment details for each payment made hereunder.
- (d) A sum due from the Borrower shall be deemed paid when the Bank receives it.

- (e) Any disbursements by and payments to the Bank under this Contract shall be made using account(s) acceptable to the Bank. Any account in the name of the Borrower held with a duly authorised financial institution in the jurisdiction where the Borrower is incorporated or where the Project is undertaken is deemed acceptable to the Bank.

5.3 No set-off by the Borrower

All payments to be made by the Borrower under this Contract shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

5.4 Disruption to Payment Systems

If either the Bank determines (in its discretion) that a Disruption Event has occurred or the Bank is notified by the Borrower that a Disruption Event has occurred:

- (a) the Bank may, and shall if requested to do so by the Borrower, consult with the Borrower with a view to agreeing with the Borrower such changes to the operation or administration of this Contract as the Bank may deem necessary in the circumstances;
- (b) the Bank shall not be obliged to consult with the Borrower in relation to any changes mentioned in paragraph (a) if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes; and
- (c) the Bank shall not be liable for any damages, costs or losses whatsoever arising as a result of a Disruption Event or for taking or not taking any action pursuant to or in connection with this Article 5.4.

5.5 Application of sums received

5.5.A General

Sums received from the Borrower shall only discharge its payment obligations if received in accordance with the terms of this Contract.

5.5.B Partial payments

If the Bank receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrower under this Contract, the Bank shall apply that payment:

- (a) firstly, in or towards pro rata to each of any unpaid fees, costs, indemnities and expenses due under this Contract;
- (b) secondly, in or towards payment of any accrued interest due but unpaid under this Contract;
- (c) thirdly, in or towards payment of any principal due but unpaid under this Contract; and
- (d) fourthly, in or towards payment of any other sum due but unpaid under this Contract.

5.5.C Allocation of sums related to Tranches

- (a) In case of:
 - (i) a partial voluntary prepayment of a Tranche that is subject to a repayment in several instalments, the Prepayment Amount shall be applied pro rata to each outstanding instalment, or, at the request of the Borrower, in inverse order of maturity; or
 - (ii) a partial compulsory prepayment of a Tranche that is subject to a repayment in several instalments, the Prepayment Amount shall be applied in reduction of the outstanding instalments in inverse order of maturity.
- (b) Sums received by the Bank following a demand under Article 10.1 and applied to a Tranche, shall reduce the outstanding instalments in inverse order of maturity. The Bank may apply sums received between Tranches at its discretion.
- (c) In case of receipt of sums which cannot be identified as applicable to a specific Tranche, and on which there is no agreement between the Bank and the Borrower on their application, the Bank may apply these between Tranches at its discretion.

ARTICLE 6

Borrower undertakings and representations

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

6.1 Use of Loan and availability of other funds

The Borrower shall use all amounts borrowed by it under this Contract for the execution of the Project.

The Borrower shall ensure that it has available to it the other funds listed in Recital (b) and that such funds are expended, to the extent required, on the financing of the Project.

6.2 Completion of Project

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

6.3 Increased cost of Project

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

6.4 Procurement procedure

The Borrower shall purchase equipment, secure services and order works for the Project (a) in so far as they apply to it or to the Project, in accordance with European Union law in general and in particular with the relevant European Union Directives and (b) in so far as European Union Directives do not apply, by procurement procedures which, to the satisfaction of the Bank, respect the criteria of economy and efficiency and, in case of public contracts, the principles of transparency, equal treatment and non-discrimination on the basis of nationality.

6.5 Continuing Project undertakings

The Borrower shall:

- (a) **Maintenance:** maintain, repair, overhaul and renew all property forming part of the Project as required to keep it in good working order;
- (b) **Project assets:** unless the Bank shall have given its prior consent in writing, either directly or through its budgetary units or Subsidiaries, retain title to and possession of all or substantially all the assets comprising the Project or, as appropriate, replace and renew such assets and maintain the Project in substantially continuous operation in accordance with its original purpose; the Bank may withhold its consent only where the proposed action would prejudice the Bank's interests as lender to the Borrower or would render the Project ineligible for financing by the Bank under its Statute or under article 309 of the Treaty on the Functioning of the European Union;
- (c) **Insurance:** ensure that all works and property forming part of the Project are adequately insured in accordance with the standard practice in Estonia for similar works and property of public interest;
- (d) **Rights and Permits:** maintain in force all rights of way or use and all Authorisations necessary for the execution and operation of the Project;

- (e) **Environment:**
- (i) implement and operate the Project in compliance with Environmental Law;
 - (ii) obtain and maintain requisite Environmental Approvals for the Project; and
 - (iii) comply with any such Environmental Approvals;
 - (iv) ensure that, unless the Borrower has obtained relevant Authorisations and the Environmental Impact Study/Statement / Non-Technical Summary of the EIA has been made available to the public, no proceeds of the Loan will be used to finance any Scheme that is subject to a relevant EIA procedure or biodiversity assessment in accordance with the Birds Directive and the Habitats Directive; and
 - (v) procure and deliver to the Bank, as soon as available, however, no later than before its submission of the Project completion report (pursuant to Article 8.1 below), energy performance certificate(s), specifying the relevant building address and energy performance, in accordance with the Council Directive on Energy Performance of Buildings (Directive 2010/31/EU) in relation to any Scheme comprising a building or buildings that require an energy performance certificate and provide the Bank with all corresponding information that may be required by the Bank;
- (f) **Integrity:** take, within a reasonable timeframe, appropriate measures in respect of any of its employees with direct control and/or decision powers over the Project, the Credit or the Loan who have been convicted by a final and irrevocable court ruling of a Criminal Offence perpetrated in the course of the exercise of his/her professional duties, in order to ensure that such member is excluded from any activity in relation to the Credit, Loan or the Project;
- (g) **Integrity Audit Rights:** ensure that all contracts under the Project to be procured after the date of signature of this Contract in accordance with EU Directives on procurement provide for:
- (i) the requirement that the relevant contractor promptly informs the Bank of a genuine allegation, complaint or information with regard to Criminal Offence related to the Project;
 - (ii) the requirement that the relevant contractor keeps books and records of all financial transactions and expenditures in connection with the Project; and
 - (iii) the Bank's right, in relation to an alleged Criminal Offence, to review the books and records of the relevant contractor in relation to the Project and to take copies of documents to the extent permitted by law;
- (h) **Allocation Procedures:** comply with the allocation procedures applicable to the Project under this Contract, as may be modified by the Bank from time to time in accordance with Article 1.9.D;
- (i) **Allocation monitoring:** ensure that at the end of the physical implementation of all Schemes under the Project the amount of the Loan disbursed towards such Schemes does not exceed the amount of allocations made by the Bank in relation to all such Schemes under the Letters of Allocation;
- (j) **Project Coordinator:** shall not terminate the appointment of the Project Coordinator and procure that it remains responsible for preparing the Allocation Requests and Project progress reporting under this Contract;
- (k) **Road Safety Audits:** ensure that safety audits and safety inspection of the roads shall be carried out:
- (i) with respect to each road Scheme co-financed with the ESI Funds; and
 - (ii) on the best effort basis with respect to any road Scheme which is not co-financed with the ESI Funds,

in accordance with the relevant national legislation transposing into Estonian law the Directive 2008/96/EC of the European Parliament and of the Council of 19 November 2008 on road infrastructure safety management;

- (l) **State aid:** implement and operate the Project in conformity with any laws of the European Union and Estonia with respect to state aid;
- (m) **No double financing:** ensure that no Scheme is financed from the proceeds of any loan made available to the Borrower by the Bank other than the Loan; and
- (n) **ESI Funds:**
 - (i) when available, upon the Bank's request, provide the Bank with a certified copy of an official application of the Borrower or the Project Company for the ESI Funds in respect of any Scheme and inform the Bank periodically on the progress of the grant application process; and
 - (ii) ensure that all terms and conditions regarding the ESI Funds (whether contractual or statutory) are complied with.

6.6 **Disposal of assets**

- (a) Except as provided in paragraph (c) below or with a prior written consent of the Bank, the Borrower shall not dispose of any part of its assets.
- (b) The Borrower shall procure that, except with a prior written consent of the Bank, none of the Subsidiaries shall dispose of any assets forming part of the Project.
- (c) Subject to paragraph (d) below, paragraph (a) above does not apply to any disposal of assets for fair market value and at arm's length:
 - (i) where, following such disposal, the book value of the Borrower's fixed assets free from any Security (whether permitted or not) and as reflected in the asset evidence of the Borrower pursuant to the latest audited annual report of the Borrower, is not at any time during the life of the Loan, lower than EUR 300,000,000 (three hundred million euro);
 - (ii) made by the Borrower by way of in-kind contribution to its Subsidiaries; or
 - (iii) under any lease or rental agreement entered into by the Borrower as the lessor/landlord with the Subsidiaries, provided that there is no purchase option attached.
- (d) No disposal:
 - (i) referred to in paragraph (c)(i) may be made with respect to the assets forming part of the Project; and
 - (ii) referred to in paragraph (c) may be made with respect to any shares in any Subsidiary holding the assets forming part of the Project, unless following such disposal of shares, such Subsidiary remains to be a Subsidiary.
- (e) For the purposes of this Article "**disposal**" includes any act effecting sale, transfer, lease, tenancy or other disposal, either in a single transaction or in a series of transactions whether related or not and whether voluntarily or involuntarily, and "**dispose**" shall be construed accordingly, provided that the value of any in-kind contribution made by the Borrower shall not be included in the book value of the Borrower's fixed assets free from any Security referred to in paragraph (c)(i) above.

6.7 **Compliance with laws**

The Borrower shall comply, procure and verify compliance (including but not limited to by any entities responsible for the implementation or operation any Scheme or part thereof, such as Subsidiaries or other executive agencies, municipal companies, and budgetary units that may be owned and/or controlled by the Borrower but treated as separate entities in order to carry out some part of the Borrower's executive functions) with all laws and regulations of Estonia and the European Union to which it or the Project is subject including, but not limited to, Environment

(including climate change), social, road safety, state aid, public procurement laws and energy efficiency.

6.8 **Financial covenants**

(a) The Borrower must ensure that:

(i) in respect of the Group:

- (1) the Total Financial Indebtedness of the Group (on consolidated basis) at the end of the relevant Measurement Period shall not exceed 70% (seventy per cent) of the Current Revenues of the Group (on consolidated basis) in such Measurement Period;
- (2) the Debt Service Obligations of the Group (on consolidated basis) in the relevant Measurement Period shall not exceed 15% (fifteen per cent) of the Current Revenues of the Group (on consolidated basis) in such Measurement Period; and
- (3) the Gross Operating Surplus of the Group (on consolidated basis) to the Finance Charges of the Group (on consolidated basis) in the relevant Measurement Period shall not be less than 1.5x; and

(ii) in respect of the Borrower:

- (1) the Total Financial Indebtedness of the Borrower at the end of the relevant Measurement Period shall not exceed 70% (seventy per cent) of the Current Revenues of the Borrower in such Measurement Period;
- (2) the Debt Service Obligations of the Borrower in the relevant Measurement Period shall not exceed 15% (fifteen per cent) of the Current Revenues of the Borrower in such Measurement Period; and
- (3) the Gross Operating Surplus of the Borrower to the Finance Charges of the Borrower in the relevant Measurement Period shall not be less than 1.5x.

(b) For the purpose of this Contract:

"Current Expenses" means, with respect to the Group on consolidated basis or with respect to the Borrower on unconsolidated basis, as relevant, the aggregate of:

- (a) expenditures related to staff (including social security contributions);
- (b) expenditures related to goods and services;
- (c) non-investment-related transfers made by the Borrower to any of its budgetary units or Subsidiaries deducted from the amounts referred under (b) above; and
- (d) any other expenditures classified as operating activity costs under the Accounting Principles,

in each case, recorded in the relevant consolidated (or unconsolidated, as relevant) profit and loss account of the Borrower as having been incurred during the relevant Measurement Period but, for the avoidance of doubt, in each case excluding any investment related expenditures.

"Current Revenues" means, with respect to the Group on consolidated basis or with respect to the Borrower on unconsolidated basis, as relevant, the aggregate of:

- (a) income generated from goods and services;
- (b) income generated from the assets (including financial income);
- (c) income generated from fees and fines;
- (d) tax revenues;
- (e) non-investment-related state transfers, grants and subsidies; and
- (f) any other income classified as operating activity revenue under the Accounting Principles,

in each case as recorded in the relevant consolidated (or unconsolidated, as relevant) profit and loss account of the Borrower as having been generated and/or collected during the relevant Measurement Period but, for the avoidance of doubt, in each case excluding any investment related transfers or subsidies from the Estonian State or the European Union.

"Debt Service Obligations" means, in respect of the Group on consolidated basis or with respect to the Borrower on unconsolidated basis, as relevant, the aggregate of:

- (a) the Finance Charges for a Measurement Period;
- (b) all scheduled and mandatory repayments falling due and any mandatory and voluntary prepayments made by any member of the Group on consolidated basis or with respect to the Borrower on unconsolidated basis, as relevant during that Measurement Period but excluding:
 - (i) any amounts falling due under any overdraft or revolving facility and which were available for simultaneous redrawing according to the terms of that facility; and
 - (ii) any such obligations owed to any member of the Group on consolidated basis or with respect to the Borrower on unconsolidated basis, as relevant;
- (c) the amount of any cash dividends or distributions paid or made by any member of the Group on consolidated basis or with respect to the Borrower on unconsolidated basis, as relevant in respect of that Measurement Period; and
- (d) the amount of the capital element of any payments in respect of that Measurement Period payable under any Finance Lease entered into by any member of the Group on consolidated basis or with respect to the Borrower on unconsolidated basis, as relevant, and so that no amount shall be included more than once.

"Finance Charges" means, for any Measurement Period, the aggregate amount of the accrued interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in respect of the Total Financial Indebtedness paid or payable by any member of the Group (calculated on consolidated basis) or the Borrower (calculated on unconsolidated basis), as relevant in cash or capitalised in respect of that Measurement Period:

- (a) including any upfront fees or costs which are included as part of the effective interest rate adjustments;
- (b) including any commission, fees, discounts and other finance payments payable by (and deducting any such amounts payable to) any member of the Group on consolidated basis or with respect to the Borrower on unconsolidated basis, as relevant under any interest rate hedging arrangement; and
- (c) taking no account of any unrealised gains or losses on any derivative instruments/financial instruments other than any derivative instruments which are accounted for on a hedge accounting basis,

together with the amount of any cash dividends or distributions paid or made by any member of the Group on consolidated basis or with respect to the Borrower on unconsolidated basis, as relevant in respect of that Measurement Period and so that no amount shall be added (or deducted) more than once.

"Gross Operating Surplus" means, with respect to the Group on consolidated basis or with respect to the Borrower on unconsolidated basis, as relevant, the Current Revenues for a Measurement Period less the Current Expenses but excluding, for the avoidance of doubt, any Finance Charges paid or payable during such Measurement Period.

"Measurement Period" means a period of 12 (twelve) months ending on 31 December of each year in respect of any financial covenants calculated with respect to the Group on consolidated basis.

"Total Financial Indebtedness" means, at any time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of any indebtedness of members of the Group for or in respect of:

- (a) moneys borrowed and debit balances at banks or other financial institutions;
- (b) any acceptances under any acceptance credit or bill discount facility (or dematerialised equivalent);
- (c) any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) any Finance Lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any financing arrangement in relation to any asset, service, supply or construction, which has the commercial effect of a borrowing, including under:
 - (i) any public-private partnership (PPP) which is classified as public debt;
 - (ii) any financial instruments of a limited transferability;
 - (iii) any purchase agreements paid in instalments;
 - (iv) any leasing where the risks and benefits are transferred to a party in possession of a leased asset; or
 - (v) any other agreement which provides for payment deferred beyond a period of one year;
- (g) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of (i) an underlying liability of any Subsidiary or any other entity which is not a member of the Group which liability would fall within one of the other paragraphs of this definition or (ii) any liabilities of any member of the Group relating to any post-retirement benefit scheme;
- (h) any amount raised by the issue of shares which are redeemable (other than at the option of the issuer) before the Maturity Date or are otherwise classified as borrowings under the Accounting Principles;
- (i) any amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind the entry into the agreement is to raise finance or to finance the acquisition or construction of the asset or service in question or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 90 days after the date of supply;
- (j) any amount raised under any other transaction (including any forward sale or purchase agreement, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under the Accounting Principles; and
- (k) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (j) above.

6.9 Books and records

The Borrower shall ensure that it has kept and will continue to keep proper books and records of account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower, including expenditures in connection with the Project, in accordance with accounting rules and regulations applicable to municipalities in Estonia as in effect from time to time and its accounting records be audited by the external auditors.

6.10 Project Documentation

The Borrower shall store and maintain up-to-date all relevant documents in respect of the Project, including in particular the environmental studies related to the EIA(s), [the Environmental Impact Study/Statement / Non-Technical Summary of the EIA], the nature/biodiversity assessments, screening decisions, or equivalent documents supporting the compliance with the

Birds Directive and the Habitats Directive, and, at the Bank's request, shall promptly provide any such documentation to the Bank.

6.11 General Representations and Warranties

The Borrower represents and warrants to the Bank that:

- (a) it is a municipality duly incorporated and validly existing under the laws of Estonia and it has power to carry on its activities as it is now being conducted and to own its property and other assets;
- (b) it has the power to execute, deliver and perform its obligations under this Contract and all necessary statutory and other action has been taken to authorise the execution, delivery and performance of the same by it;
- (c) this Contract constitutes its legally valid, binding and enforceable obligations;
- (d) the execution and delivery of, the performance of its obligations under and compliance with the provisions of this Contract do not and will not contravene or conflict with:
 - (i) any applicable law, statute, rule or regulation, or any judgement, decree or permit to which it is subject;
 - (ii) any agreement or other instrument binding upon it which might reasonably be expected to have a material adverse effect on its ability to perform its obligations under this Contract;
 - (iii) any provision of its statutes;
- (e) the latest available [consolidated audited accounts/accounting records] of the Borrower have been prepared on a basis consistent with previous years and have been approved by its auditors as representing a true and fair view of the results of its operations for that year and accurately disclose or reserve against all the liabilities (actual or contingent) of the Borrower;
- (f) there has been no Material Adverse Change since 14 November 2018;
- (g) no event or circumstance which constitutes a Prepayment Event or an Event of Default has occurred and is continuing unremedied or unwaived;
- (h) no litigation, arbitration, administrative proceedings or investigation is current or to its knowledge is threatened or pending before any court, arbitral body or agency which has resulted or if adversely determined is reasonably likely to result in a Material Adverse Change, nor is there subsisting against it or any of its Subsidiaries any unsatisfied judgement or award;
- (i) it has obtained all necessary Authorisations in connection with this Contract and in order to lawfully comply with its obligations hereunder, and the Project and all such Authorisations are in full force and effect and admissible in evidence;
- (j) no Security exists over its assets except for the Permitted Security;
- (k) its payment obligations under this Contract rank not less than *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations under any of its debt instruments except for obligations mandatorily preferred by law and applying to the units of local government generally;
- (l) it is in compliance with Article 6.5(e) and to the best of its knowledge and belief (having made due and careful enquiry) no Environmental Claim has been commenced or is threatened against it;
- (m) it and each of its Subsidiaries is in compliance with all undertakings under this Article 6;
- (n) no financial covenants concluded with any other creditor of the Borrower are more restrictive than the ones contained in this Contract;

- (o) to the best of its knowledge, no funds invested in the Project by the Borrower or by its controlling entities are of illicit origin, including products of money laundering or linked to the financing of terrorism; the Borrower shall promptly inform the Bank if at any time it becomes aware of the illicit origin of any such funds;
- (p) has not failed to adopt any budget resolution on the terms and within the time limits set out in the applicable laws, except when so allowed on the terms of a remedy plan for the Borrower as adopted by the Borrower and which has been approved by the Bank;
- (q) it has not been requested by any competent authority to draw and/or adopt any remedy plan, amend budget strategy or initiate procedure for eliminating risk of difficult financial situation for the Borrower on the terms of the applicable laws, except when already notified to the Bank; and
- (r) it has not failed to comply with any limit on expenditure, borrowing or indebtedness as applicable to the Borrower from time to time.

The representations and warranties set out above shall survive the execution of this Contract and are, with the exception of the representation set out in paragraph (f) above, deemed repeated on each date of the Disbursement Request, date of Compliance Certificate, Disbursement Date and on each Payment Date.

ARTICLE 7

Security

7.1 Negative pledge

The Borrower shall:

- (a) not create or permit to subsist any Security on, or with respect to, any of its present or future business, undertaking, assets or revenues, except for the Permitted Security; and
- (b) procure that none of its Subsidiaries will create or permit to subsist any Security over the assets forming part of the Project.

7.2 Pari passu ranking

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

7.3 Clauses by inclusion

If the Borrower concludes with any other financial creditor or bond investor a financing agreement that includes a loss-of-rating clause or a covenant or other provision regarding its financial ratios, if applicable, that is not provided for in this Contract or is more favourable to the relevant financial creditor than any equivalent provision of this Contract is to the Bank, the Borrower shall promptly inform the Bank and shall provide a copy of the more favourable provision to the Bank. The Bank may request that the Borrower promptly executes an agreement to amend this Contract so as to provide for an equivalent provision in favour of the Bank.

ARTICLE 8
Information and Visits

8.1 Information concerning the Project

The Borrower shall:

- (a) deliver to the Bank:
- (i) the information in content and in form, and at the times, specified in Schedule 0 or otherwise as agreed from time to time by the parties to this Contract; and
 - (ii) any such information or further document concerning the financing, procurement, implementation, operation and environmental matters of or for the Project as the Bank may reasonably require within a reasonable time,
- provided always that if such information or document is not delivered to the Bank on time, and the Borrower does not rectify the omission within a reasonable time set by the Bank in writing, the Bank may remedy the deficiency, to the extent feasible, by employing its own staff or a consultant or any other third party, at the Borrower's expense and the Borrower shall provide such persons with all assistance necessary for the purpose;
- (b) submit for the approval of the Bank without delay any material change to the Project, also taking into account the disclosures made to the Bank in connection with the Project prior to the signing of this Contract, in respect of, inter alia, the price, design, plans, timetable or to the expenditure programme or financing plan for the Project;
- (c) promptly inform the Bank of:
- (i) any action or protest initiated or any objection raised by any third party or any genuine complaint received by the Borrower or any Environmental Claim that is to its knowledge commenced, pending or threatened against it with regard to environmental or other matters affecting the Project;
 - (ii) any fact or event known to the Borrower, which may substantially prejudice or affect the conditions of execution or operation of the Project;
 - (iii) a genuine allegation, complaint or information with regard to Criminal Offence related to the Project or any Scheme;
 - (iv) the illicit origin of funds, including products of money laundering or linked to the financing of terrorism with respect to any Scheme;
 - (v) any non-compliance by it with any applicable Environmental Law;
 - (vi) any suspension, revocation or modification of any Environmental Approval; and
 - (vii) any suspension or cancelation of the implementation of any Scheme,
- and set out the action to be taken with respect to such matters; and
- (d) at the end of the Allocation Period, provide the Bank with sufficient evidence and information in the form satisfactory to the Bank confirming that the Credit does not exceed:
- (i) 50% (fifty per cent) of the total cost of the Project, as allocated to the Project by the Bank under any Letter(s) of Allocation;
 - (ii) when aggregated with any ESI Funds or other money from the EU available for the Project, 90% (ninety per cent.) of the total cost of the Project, as allocated to the Project under any Letter(s) of Allocation; and
 - (iii) 100% (one hundred per cent) of eligible investment costs (as such costs are defined in the Technical Description), in relation to the Project;
- (e) upon request from the Bank, promptly (however, not later than within 10 (ten) Business Days) deliver to the Bank documents referred to in Article 6.5(e)(iv);

- (f) not later than within 5 (five) days after the Borrower becomes aware thereof, inform the Bank of any suspension of any payment by the European Commission in respect of any Scheme and/or of any initiation by the European Commission of an infringement procedure or of legal proceedings before the European Court of Justice for non-compliance of European Union law with respect to any Scheme;
- (g) promptly inform the Bank about any material modifications in the Borrower's planning and development strategies and, if so requested, promptly deliver to the Bank a copy of any such modification or any new strategy, together with any relevant documents;
- (h) promptly inform the Bank for the purpose of Article 4.3.A(5) in case the Loan disbursed towards the Schemes under the Project exceeds the amount of allocations made by the Bank in relation to such Schemes under respective Letter(s) of Allocation;
- (i) deliver, if so requested:
 - (i) a certificate of its insurers showing fulfilment of the requirements of Article 6.5(c);
 - (ii) annually, a list of policies in force covering the insured property forming part of the Project, together with confirmation of payment of the current premiums;
 - (iii) relevant updates (if any) on Project's procurement procedures; and
 - (iv) evidence of the Borrower's and each Subsidiary's compliance with the undertakings under Article 6.5; and
- (j) deliver, as soon as available, however no later than before its submission of the Project completion report (pursuant to Article 8.1 above), the independent road safety audit reports in relation to any and all roads included in the Schemes referred to in Article 6.5(k) together with a report by the Borrower highlighting in a summary table all recommendations of the road auditors, together with:
 - (i) a confirmation that the Borrower has, or will, integrate the recommendations into such road Scheme; or
 - (ii) explanation of alternative measures to be applied by the Borrower when recommendations from the audit have not been undertaken, together with the justification for such alternative measures; and
- (k) not later than within 5 (five) days after the Borrower becomes aware thereof, deliver to the Bank, in form and substance satisfactory to the Bank, all information, documents and evidence concerning any changes, both personal and regarding resources of, the Project Coordinator.

8.2 Information concerning the Borrower

The Borrower shall:

- (a) deliver to the Bank:
 - (i) as soon as they become available but in any event within 180 (one hundred and eighty) days after the end of each of its financial years its audited consolidated and unconsolidated annual report, balance sheet, cash flow statement, profit and loss account and auditors report for that financial year together with a Compliance Certificate as set out in Schedule E.2 signed in accordance with the general representation rules applicable to the Borrower and by the Borrower's auditors confirming compliance by the Borrower and Group with the financial covenants pursuant to Article 6.8 and with evidence of such compliance and related calculations;
 - (ii) from time to time, such further information, evidence or document concerning:
 - (1) its general financial situation or such certificates of compliance with the undertakings of Article 6; and
 - (2) customer or any other type of due diligence matters of, or for, the Borrower, including without limitation to comply with "know your customer" (KYC) or similar identification procedures,

as the Bank may deem necessary or may reasonably require to be provided within a reasonable time, and

- (b) inform the Bank immediately of:
- (i) any material alteration to its statutes or constitutional documents or legal framework under which municipalities operate in Estonia after the date of this Contract;
 - (ii) any material modification after the date of this Contract of any act or other legal prescription directly relating to its constitutional position, territory, budget, financing or responsibilities in particular (including, without limitation, the Local Government Organisation Act) and of any proposal or decision known to it which envisages the introduction of such modification; **[external counsel to advise]**
 - (iii) any fact which obliges it to prepay any financial indebtedness or any European Union funding;
 - (iv) any event or decision that constitutes or may result in a Prepayment Event;
 - (v) any intention on its part to grant any Security over any of its assets in favour of a third party;
 - (vi) any intention on its part to relinquish ownership of any material component of the Project;
 - (vii) any disposal not permitted under Article 6.6;
 - (viii) any fact or event that is reasonably likely to prevent the substantial fulfilment of any obligation of the Borrower under this Contract;
 - (ix) any measure taken by the Borrower pursuant to Article 6.5(f) of this Contract or any material development in the investigation indicated in Article 6.5;
 - (x) any Event of Default having occurred or being threatened or anticipated;
 - (xi) any investigations concerning the integrity of any member of the City of Tartu's executive or law making bodies or any of agent, or any person with a decision making power with respect to the Loan or the Project;
 - (xii) unless prohibited by law, any material litigation, arbitration, administrative proceedings or investigation carried out by a court, administration or similar public authority, which, to the best of its knowledge and belief, is current, imminent or pending against the Borrower or its controlling entities or members of the Borrower's management bodies in connection with Criminal Offence related to the Credit, the Loan or the Project;
 - (xiii) any litigation, arbitration or administrative proceedings or investigation with respect to it or any Subsidiary which is current, threatened or pending and which might if adversely determined result in a Material Adverse Change;
 - (xiv) any decision of the Borrower to conclude with, or for the benefit of, any creditor or bondholder of a documentation that includes a loss-of-rating clause or a covenant or other provision regarding its financial ratios, as referred to in Article 7.3;
 - (xv) any failure to prepare a draft budget resolution or adopt any budget resolution or submit budget strategy on the terms and within the time limits set out in the applicable laws;
 - (xvi) any request to the Borrower from any competent authority that the Borrower draws and/or adopts remedy plan, amends its budget strategy or initiates procedure for eliminating risk of difficult financial situation as soon as available, together with a short information on the terms and conditions of such remedy plan, amendment or procedures;
 - (xvii) any failure or a threat to fail to comply with any applicable limits on expenditure, borrowing or indebtedness;
 - (xviii) any reservations or negative outlook included in any opinion of the auditor of the Borrower; and

- (xix) any circumstance or restriction under applicable law or demand from any competent authority that the Borrower ceases to make drawdowns of any borrowings.

8.3 Visits by the Bank

The Borrower shall allow persons designated by the Bank, as well as persons designated by other institutions or bodies of the European Union when so required by the relevant mandatory provisions of European Union law:

- (a) to visit the sites, installations and works comprising the Project;
- (b) to interview representatives of the Borrower, and not obstruct contacts with any other person involved in or affected by the Project; and
- (c) to review the Borrower's books and records in relation to the execution of the Project and to be able to take copies of related documents to the extent permitted by the law.

The Borrower shall provide the Bank, or ensure that the Bank is provided, with all necessary assistance for the purposes described in this Article.

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

ARTICLE 9

Charges and expenses

9.1 Taxes, duties and fees

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

The Borrower shall pay all principal, interest, indemnities and other amounts due under this Contract gross without any withholding or deduction of any national or local impositions whatsoever required by law or under an agreement with a governmental authority or otherwise. If the Borrower is obliged to make any such withholding or deduction, it shall gross up the payment to the Bank so that after withholding or deduction, the net amount received by the Bank is equivalent to the sum due.

9.2 Other charges

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

9.3 Increased costs, indemnity and set-off

- (a) The Borrower shall pay to the Bank any costs or expenses incurred or suffered by the Bank as a consequence of the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or compliance with any law or regulation which occurs after the date of signature of this Contract, in accordance with or as a result of which:
 - (i) the Bank is obliged to incur additional costs in order to fund or perform its obligations under this Contract, or

- (ii) any amount owed to the Bank under this Contract or the financial income resulting from the granting of the Credit or the Loan by the Bank to the Borrower is reduced or eliminated.
- (b) Without prejudice to any other rights of the Bank under this Contract or under any applicable law, the Borrower shall indemnify and hold the Bank harmless from and against any loss incurred as a result of any full or partial discharge that takes place in a manner other than as expressly set out in this Contract.
- (c) The Bank may set off any matured obligation due from the Borrower under this Contract (to the extent beneficially owned by the Bank) against any obligation (whether or not matured) owed by the Bank to the Borrower regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Bank may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. If either obligation is unliquidated or unascertained, the Bank may set off in an amount estimated by it in good faith to be the amount of that obligation.

ARTICLE 10

Events of Default

10.1 Right to demand repayment

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

10.1.A Immediate demand

The Bank may make such demand immediately without prior notice (*mise en demeure préalable*) or any judicial or extra judicial step:

- (a) if the Borrower does not pay on the due date any amount payable pursuant to this Contract at the place and in the currency in which it is expressed to be payable, unless:
 - (i) its failure to pay is caused by an administrative or technical error or a Disruption Event and
 - (ii) payment is made within 3 (three) Business Days of its due date;
- (b) if any information or document given to the Bank by or on behalf of the Borrower or any representation, warranty or statement made or deemed to be made by the Borrower in, pursuant to or for the purposes of entering into this Contract or in connection with the negotiation or performance of this Contract is or proves to have been incorrect, incomplete or misleading in any material respect;
- (c) if, as a result of an event of default (however described), in relation to any loan, or any obligation arising out of any financial transaction, other than the Loan:
 - (i) the Borrower or any member of the Group is required or is capable of being required or will, following expiry of any applicable contractual grace period, be required or be capable of being required to prepay, discharge, close out or terminate ahead of maturity such other loan or obligation; or
 - (ii) any financial commitment for such other loan or obligation of the Borrower or any member of the Group is cancelled or suspended;
- (d) if the Borrower is unable to pay its debts as they fall due, or suspends its debts, or makes or seeks to make a composition with its creditors;

- (e) if an encumbrancer takes possession of, or a receiver, liquidator, administrator, administrative receiver or similar officer is appointed, whether by a court of competent jurisdiction or by any competent administrative authority [or by any person], of or over, any part of the business or assets of the Borrower or any property forming part of the Project;
- (f) if the Borrower or any other member of the Group defaults in the performance of any obligation in respect of any other loan granted by the Bank or financial instrument entered into with the Bank;
- (g) if the Borrower or any other member of the Group defaults in the performance of any obligation in respect of any other loan made to it from the resources of the Bank or the European Union;
- (h) if any expropriation, attachment, arrestment, distress, execution, sequestration or other process is levied or enforced upon the property of the Borrower or any Subsidiary holding any assets forming part of the Project or upon any property forming part of the Project and is not discharged or stayed within 14 (fourteen) days;
- (i) if a Material Adverse Change occurs, as compared with the Borrower's condition at the date of this Contract;
- (j) if it is or becomes unlawful for the Borrower to perform any of its obligations under this Contract or this Contract is not effective in accordance with its terms or is alleged by the Borrower to be ineffective in accordance with its terms;
- (k) if any competent authority requests the Borrower to or the Borrower decides to draw and/or adopt a remedy plan or procedure for eliminating risk of difficult financial situation or procedure for application of measures for ensuring financial discipline is initiated unless such remedy plan or procedure has been approved by the Bank within 60 (sixty) days following any such request from the competent authority or initiation by the Borrower; or
- (l) if the Borrower fails to adopt a budget resolution on the terms and within the time limits set out in laws and regulations, unless such failure occurs within the terms of a remedy plan for the Borrower as adopted by the Borrower on the terms of applicable law which has been approved by the Bank.

10.1.B Demand after notice to remedy

The Bank may also make such demand without prior notice (*mise en demeure préalable*) or any judicial or extra judicial step (without prejudice to any notice referred to below):

- (a) if the Borrower fails to comply with any provision of this Contract (other than those referred to in Article 10.1.A); or
- (b) if any fact related to the Borrower or the Project stated in the Recitals materially alters and is not materially restored and if the alteration either prejudices the interests of the Bank as lender to the Borrower or adversely affects the implementation or operation of the Project,

unless the non-compliance or circumstance giving rise to the non-compliance is capable of remedy and is remedied within a reasonable period of time specified in a notice served by the Bank on the Borrower.

10.2 Other rights at law

Article 10.1 shall not restrict any other right of the Bank at law to require prepayment of the Loan Outstanding.

10.3 Indemnity

10.3.A Fixed Rate Tranches

In case of demand under Article 10.1 in respect of any Fixed Rate Tranche, the Borrower shall pay to the Bank the amount demanded together with the indemnity on any amount of principal due to be prepaid. Such indemnity shall (i) accrue from the due date for payment specified in the Bank's notice of demand and be calculated on the basis that prepayment is effected on the date

so specified, and (ii) be for the amount communicated by the Bank to the Borrower as the present value (calculated as of the date of the prepayment) of the excess, if any, of:

- (a) the interest net of the Margin that would accrue thereafter on the amount prepaid over the period from the date of prepayment to the Interest Revision/Conversion Date, if any, or the Maturity Date, if it were not prepaid; over
- (b) the interest that would so accrue over that period, if it were calculated at the Redeployment Rate, less 0.15% (fifteen basis points).

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

10.3.B Floating Rate Tranches

In case of demand under Article 10.1 in respect of any Floating Rate Tranche, the Borrower shall pay to the Bank the amount demanded together with a sum equal to the present value of 0.15% (fifteen basis points) per annum calculated and accruing on the amount of principal due to be prepaid in the same manner as interest would have been calculated and would have accrued, if that amount had remained outstanding according to the applicable amortisation schedule of the Tranche, until the Interest Revision/Conversion Date, if any, or the Maturity Date.

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

10.3.C General

Amounts due by the Borrower pursuant to this Article 10.3 shall be payable on the date specified in the Bank's demand.

10.4 Non-Waiver

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

ARTICLE 11

Law and jurisdiction, miscellaneous

11.1 Governing Law

This Contract and any non-contractual obligations arising out of or in connection with it shall be governed by the laws of Luxembourg.

11.2 Jurisdiction

- (a) The courts of Luxembourg-City have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with this Contract (including a dispute regarding the existence, validity or termination of this Contract or the consequences of its nullity) or any non-contractual obligation arising out of or in connection with this Contract.
- (b) The parties agree that the courts of Luxembourg-City are the most appropriate and convenient courts to settle any Disputes between them and, accordingly, that they will not argue to the contrary.

11.3 Place of performance

Unless otherwise specifically agreed by the Bank in writing, the place of performance under this Contract, except for Project related undertakings, shall be the seat of the Bank.

11.4 Evidence of sums due

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

11.5 Entire Agreement

This Contract constitutes the entire agreement between the Bank and the Borrower in relation to the provision of the Credit hereunder, and supersedes any previous agreement, whether express or implied, on the same matter.

11.6 Invalidity

If at any time any term of this Contract is or becomes illegal, invalid or unenforceable in any respect, or this Contract is or becomes ineffective in any respect, under the laws of any jurisdiction, such illegality, invalidity, unenforceability or ineffectiveness shall not affect:

- (a) the legality, validity or enforceability in that jurisdiction of any other term of this Contract or the effectiveness in any other respect of this Contract in that jurisdiction; or
- (b) the legality, validity or enforceability in other jurisdictions of that or any other term of this Contract or the effectiveness of this Contract under the laws of such other jurisdictions.

11.7 Amendments

Any amendment to this Contract shall be made in writing and shall be signed by the parties hereto.

11.8 Counterparts

This Contract may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.

ARTICLE 12

Final clauses

12.1 Notices

12.1.A Form of Notice

- (a) Any notice or other communication given under this Contract must be in writing and, unless otherwise stated, may be made by letter and electronic mail.
- (b) Notices and other communications for which fixed periods are laid down in this Contract or which themselves fix periods binding on the addressee, may be made by hand delivery, registered letter or by electronic mail. Such notices and communications shall be deemed to have been received by the other party:
 - (i) on the date of delivery in relation to a hand-delivered or registered letter;
 - (ii) in the case of any electronic mail sent by the Borrower to the Bank, only when actually received in readable form and only if it is addressed in such a manner as the Bank shall specify for this purpose, or
 - (iii) in the case of any electronic mail sent by the Bank to the Borrower, when the electronic mail is sent.
- (c) Any notice provided by the Borrower to the Bank by electronic mail shall:
 - (i) mention the Contract Number in the subject line; and

- (ii) be in the form of a non-editable electronic image (PDF, TIF or other common non editable file format agreed between the parties) of the notice signed by an Authorised Signatory with individual representation right or by two or more Authorised Signatories with joint representation right of the Borrower as appropriate, attached to the electronic mail.
- (d) Notices issued by the Borrower pursuant to any provision of this Contract shall, where required by the Bank, be delivered to the Bank together with satisfactory evidence of the authority of the person or persons authorised to sign such notice on behalf of the Borrower and the authenticated specimen signature of such person or persons.
- (e) Without affecting the validity of electronic mail or facsimile notices or communication made in accordance with this Article 12.1, the following notices, communications and documents shall also be sent by registered letter to the relevant party at the latest on the immediately following Business Day:
 - (i) Disbursement Request;
 - (ii) revocation of a Disbursement Request according to Article 1.2.C(b);
 - (iii) any notices and communication in respect of the deferment, cancellation and suspension of a disbursement of any Tranche, interest revision or conversion of any Tranche, Market Disruption Event, Prepayment Request, Prepayment Notice, Event of Default, any demand for prepayment, and
 - (iv) any other notice, communication or document required by the Bank.
- (f) The parties agree that any above communication (including via electronic mail) is an accepted form of communication, shall constitute admissible evidence in court and shall have the same evidential value as an agreement under hand.

12.1.B Addresses

The address, fax number and electronic mail address (and the department or officer, if any, for whose attention the communication is to be made) of each party for any communication to be made or document to be delivered under or in connection with this Contract is:

For the Bank

Attention:

Operations in The European Union and
Candidate Countries Directorate (Ops A)

European Investment Bank
100 boulevard Konrad Adenauer
L-2950 Luxembourg

E-mail address: [GENERIC E-MAIL
ADDRESS]

For the Borrower

Attention:

[Department/Division]

City of Tartu
Raekoja plats 1a (City hall), 50089 Tartu

E-mail address: [GROUP/GENERIC E-MAIL
ADDRESS ONLY, NO INDIVIDUAL]

12.1.C Notification of communication details

The Bank and the Borrower shall promptly notify the other party in writing of any change in their respective communication details.

Project Specification and ReportingA.1 Technical Description (Article 6.2)**A.1.1 Purpose, Location**

The Project finances the multi-sectoral investment schemes forming part of the City of Tartu's investment programme that is integral part of the city's development plan and strategy for the years 2018-2025. Tartu is the second largest city of Estonia and the centre of southern Estonia. Tartu is home to the University of Tartu, the oldest university in the country and most renowned within the Baltic region. The city hosts also the headquarters of the country's education ministry. Investments for the coming years are in line with Tartu's strategic target to remain Estonia's intellectual capital and a city of knowledge.

A.1.2 Description

A substantial part of the Project will be dedicated to small to medium-sized education Schemes, additionally some small-size municipal infrastructure Schemes including social infrastructure, urban mobility, cultural heritage and possible other public infrastructure and services under the responsibility of the Borrower may be included. The investments are also expected to support Tartu's smart city and energy efficiency targets. The indicative list of investments are planned to both improve the physical condition of Tartu's education building stock that is currently in poor condition and to transform the traditional classrooms to modern flexible learning environments able to support innovative teaching methods. The indicative schemes include refurbishment and extension of buildings covering different education levels from primary education to lower and upper secondary including also one vocational training facility and some sport halls located on or adjacent to the school sites.

Some of the Schemes will benefit from the EU grant support.

An indicative pipeline of some 20 Schemes has been identified, comprising mostly small size Schemes (below EUR 25 m). Medium-size Schemes between EUR 25m and EUR 50m on other sectors than education as well as large investments with project cost exceeding EUR 50 m are not in the scope of the Project.

No. (order)	Sector	Sector details	Scheme name (brief)	Start	End	M2	Total Investment Cos (EUR) -indicative
1	Education	primary and lower secondary	Kesklinna Kool			4,589	1.38
2	Education	primary and secondary	Annelinna Gümnaasium			7,753	6.22
3	Education	primary and lower secondary	Variku Kool			7,436	5.89
4	Education	primary and lower secondary	Tamme Kool			6,081	1.44
5	Education	primary and lower secondary	Hansa Kool			7,447	6.23
6	Education	primary and lower secondary	Descartes'i Kool			7,707	5.88
7	Education	primary and lower secondary	Kivilinna Kool			7,215	0.30
8	Education	primary and lower secondary	Forseliuse Kool			2,923	0.70
9	Education	primary and lower secondary	Karlova Kool			4,557	1.51
10	Education	comprehensive and high school	Miina Härmä Gümnaasium			5,504	0.13
11	Education	sports	Mart Reiniku Kooli Staadion				0.50
12	Education	sports	Raatuse Kooli Staadion				0.40
13	Education	sports	Hansa Kooli ja Descartes'i Kooli staadion				1.20
14	Education	sports	Karlova Kooli Staadion				0.34
15	Education	sports	Variku Kooli staadion				1.15
16	Education	vocational training	Tartu Kutsehariduskeskus, hooned Kopli 1 ja Põllu 11				0.75
17	Education	across the estate	Muud kulud				3.00
18	Education	across the estate	Koolide Sisustus				6.20
19	Education	pre-primary	La Maarjamõisa rekonstrueerimine				0.43
20	Education	Pre-primary	LA Pääsupesa rekonstrueerimine				2.57
Total							46.22

Urban development

All Schemes related to a specific urban area will have to abide to the integrated planning logic, have reasonable costs and be self-contained (not just a component of a major one), but complementary to the global urban action.

A.1.3 Calendar

The Project will be implemented between 2018 and 2023.

A.1.4 Eligible Sectors

The following table specifies what type of works is targeted within the sectors eligible for the Project:

Sector	Type of Works targeted for EIB funding
Education/Sport Facilities	Schemes aimed at improving the quality and functionality of pre-school and school buildings and higher level education and research facilities (laboratories, etc.) and the related additional infrastructure such as public sport facilities on or adjacent to the school sites (gyms, open-air fields, etc.).
Road network, transport	Re-paving, road reinforcement, safety improvements; cycle and pedestrian paths; parking spaces to encourage modal interchange to/from public transport; bus lanes; city bypasses and roundabouts; other interventions targeted at sustainable mobility.
Social infrastructure	Schemes aimed at improving the provision of social assistance facilities (residences for vulnerable groups such as old people, the disabled, etc.
Municipal Housing	Rehabilitation of existing housing stock to support increased energy efficiency and to integrate renewable energy sources into the built environment; construction of energy efficient social housing buildings; rehabilitation and refurbishment of social housing for rent; construction, demolition and reconstruction of new social housing for rent.
Cultural, historical and built heritage	Rehabilitation of buildings of architectural value; repair and upgrading of monuments, museums, historical palaces, public art centres, etc.
Other public infrastructure and services	Modernisation, reconstruction or renewal of public buildings, open spaces, or other public infrastructure, including safety and fire protection and energy efficiency measures, ICT in public administration, public transport, eGovernment services and broadband. To a limited extent, individual investments related to infrastructure in the area of environment, health, social care, or tourism may also be supported under the operation.

A.1.5 General provisions

The Bank will generally allocate its funds only to eligible Schemes which are economically, technically and financially justified and environmentally sound. All Schemes must comply with EU environmental, procurement and state aid legislation as well as comply with the principles and standards of the Bank's Environmental Policy Statement¹.

The Credit shall not exceed 50% of the total Project investment cost and 100% of the EIB eligible investment cost.

The combined EU and the Bank financing shall not exceed 90% of the total Project investment cost at the level of the Project (operation).

The Project investment cost generally includes (non-exhaustive list) land, studies and engineering, civil works, equipment and installation, non-recoverable VAT, technical and price contingencies.

The following costs are not eligible for the Bank: VAT and other taxes and duties, land acquisition, purchase of buildings, maintenance, repairs and other operating costs, acquisition of second-hand assets, interest during construction, purchase of licences for the use of non-generated public resources (e.g. telecom licences), patents, brands and trademarks. Purely financial transactions are also not eligible.

The Bank does not finance works under "routine maintenance" or repairs. The term "routine maintenance" means: localised repairs (less than 150 m in continuous length) of pavement and

¹ http://www.eib.org/attachments/strategies/eib_statement_esps_en.pdf

shoulder defects, and regular maintenance of road drainage, side slopes, verges and furniture. (Examples: pothole patching, crack sealing, reshaping side drains, repairing and cleaning culverts and drains, vegetation control, dust control, erosion control, snow and sand removal from travelled ways, repainting pavement strips and markings, repairing or replacing traffic signs, guard-rails, signals, lighting standards, roadside cleaning and the maintenance of rest areas, etc.). In the road budget, financing is normally by means of an annual expenditure; these works cannot be financed by the Bank.

The eligibility for the Bank's financing will be checked by the Bank at allocation stage against the above list and the Bank's standard eligibility criteria.

The Bank reserves the right to review allocation procedures in view of the development of the Project.

A.1.6 Allocation Procedure

The Credit or the Loan (as the case may be) will be allocated to the eligible Schemes in the municipal multi-annual investment programmes, satisfying the sectors listed in the Technical Description with procedures modulated according to the Scheme size and in line with applicable framework loan procedures:

- a) Eligible Schemes with an investment cost below EUR 25 m are selected by the Borrower. The choices are subject to ex-post confirmation of eligibility by the Bank's services. The Borrower shall submit an Allocation Request in a form required by the Bank (as defined in paragraph A.1.9 of this Schedule).
- b) Eligible Schemes with a cost between EUR 25 m and EUR 50 m are submitted ex-ante to the Bank for approval before funding, using a project fiche template (as defined in paragraph A.1.9 of this Schedule) or a feasibility study. The Bank keeps the right to ask for additional information; partial or in-depth appraisal of the Scheme will be undertaken, if judged necessary.
- c) Schemes with a cost above EUR 50 m are excluded from the Project.
- d) The Borrower shall ensure environmental compliance of the Schemes concerned in line with:
 - EIA Directive 2014/52/EU amending 2011/92/EU:
 - For Schemes requiring an EIA (Annex II screened in or Annex I of EIA Directive):
 - Copy of the Environmental Decision(s) (or equivalent) and Environmental Impact Assessment (EIA) Study with a summary description of the environmental measures adopted (mitigating, compensation, etc.) provided to the Bank upon request.
 - Copy of the corresponding Non-Technical Summary (NTS) or a link to a public version of it on a relevant public entity's official web site provided to the Bank before the funds are allocated.
 - For Schemes which fall under Annex II of the EIA Directive and not requiring an EIA:
 - The Borrower shall ensure that a screening procedure taking into account the criteria listed in Annex III of EU EIA Directive was carried out by the environmental competent authority. The screening decision can be common for several schemes. A copy of this decision might be requested by the Bank.
 - EU Habitats and Birds Directives (92/43/EEC and 2009/147/EC)
 - For Schemes with potential or likely significant effects on a Site of Community Importance (SCI) (Natura 2000 or otherwise) and subject to a screening under the EU Habitats and Birds Directives: Form A or its equivalent signed by the competent authority responsible for the monitoring of Natura 2000. This declaration should confirm that the required assessments under the EU Habitats and Birds Directives have been carried out (if necessary), that the Scheme will have no significant impact on any protected site and that the appropriate mitigation measures have been identified.

- For Schemes with a significant impact, potential or likely, on a SCI, requiring an assessment under Article 6(4) of the Habitats Directive: Form B or its equivalent - signed by the competent authority responsible for monitoring Natura 2000 Sites, together with the justification of overriding public interest as well as the opinion of the European Commission, if applicable.
- These declarations shall be provided to the Bank before the funds are allocated.
- Water Framework Directive (2000/60/EC) (WFD)
 - For Schemes triggering art. 4.7 of the WFD, the promoter has to provide evidence of the compliance with the WFD before the Bank funds are allocated.
- Historical buildings
 - For Schemes including historical building(s) and other infrastructure with cultural heritage value
 - Copy of the building permit and the permit from the related authority permitting intervention of the historical building/infrastructure with cultural heritage value shall be provided to the Bank upon request.
- e) The Borrower shall store and keep the relevant documents updated, including documents supporting the compliance with the social and environmental legislation. In case the Bank requires such documentation for any of the Schemes included in this operation, the Borrower shall promptly provide all documents requested.

A.1.7 Excluded Sectors:

- Manufacture and distribution of weapons and ammunition, arms and military equipment
- Manufacture and distribution of tobacco or alcohol products
- Waste incineration (including RDF) and processing of hazardous waste
- Gambling and betting activities
- Detention facilities e.g. prisons, police stations, schools with custodial functions
- Sectors and activities with a strong ethical dimension considered to carry significant reputation risk

A.1.8 Allocation and monitoring table(s)

The following templates to be filled-in and provided electronically.

Summary allocation and monitoring

Allocation number X
Date dd/mm/yyyy (1)

Name of EIB operation **TARTU EDUCATION AND URBAN INFRASTRUCTURE**
 Number of EIB operation **2018-0163**
 Currency: EUR
 SUMMARY OF ALLOCATION TABLE (FOR ALL SCHEMES INCLUDED IN EIB OPERATION)

EIB allocation request date: dd/mm/yyyy (1)	EIB disbursed amount (EUR)	EIB allocated amount (EUR)	Allocated / Disbursed (in %)	EIB's funds paid to final beneficiaries (in %)
<i>Example</i>				
Disbursement no. 1 (date)	xxxx		xxxx	xxxx
Allocation no. 1 (date, allocation request no.)		xxxx	xxxx	xxxx
Allocation no. 2 (date, allocation request no.)		xxxx	xxxx	xxxx
Disbursement no. 2 (date)	xxxx		xxxx	xxxx
Total	xxxx	xxxx		

Sectors	Total Investment costs (EUR)	Total eligible costs (EUR)	EU contribution (EUR)	Local Administration (EUR)	other resources (EUR)	Number of schemes	range of schemes	
							lowest (EUR)	highest (EUR)
Urban mobility								
Urban revitalisation								
Social Housing								
Education								
Culture								
Sport Facilities								
Other (Please indicate sector)								
EIB project total								
or which EIB's funds are allocated								
Total funds disbursed to final beneficiary								

Person in charge <name and surname>
 <Function>
 <Department>
 Ministry of XX

Signature
 Date
 Place

Standard (detailed) allocation and monitoring table

ALLOCATION NO.
DATE:

Name of EIB Operation: TARTU EDUCATION AND URBAN INFRASTRUCTURE
Number of EIB Operation: 2018-0163
Finance Contract no.: FI ____

Currency: EUR

ALLOCATION and MONITORING TABLE (FOR ALL SCHEMES INCLUDED IN EIB OPERATION) - individual schemes

No. (order)	Scheme name (brief)	Scheme description (main features, objectives, quantification)	Location (address, municipality, district) as per contract counterpart	Final Beneficiary (name and type)	Implementing body	Implementation phase	Implementation		Total Investment Cost (EUR)	Total Eligible Cost (EUR)	EU funds (ERDF, etc.) (EUR)	Local contribution (EUR)	Other Contributions (national, other) (EUR)	Environmental compliance			Procurement	Energy Efficiency			Size		Students		
							start mm/yyyy	end mm/yyyy						EIA (YES/NO)	Nature conservation (Natura 2000)	Historical building / permit from the relevant authority required		Type of tender (thresholds)	Energy consumption prior intervention	Energy consumption at completion (kWh/m2 per annum)	EPC rating at completion	gross-m2	Capacity prior to intervention (no.)	Capacity after intervention (no.)	Number of students enrolled prior to intervention
(1)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
Total																									

EIB

Explicatory notes:

- (6) Project name
- (7) Brief project description of the project (description, justification, quantified outputs)
- (8) Location of the project
- (9) Name and type of final beneficiary: municipality, agency, etc.
- (10) Promoter of the project
- (11) Please indicate the implementation phase of the project at the date of submission (FS, preliminary design, implementation, completedetc.)
- (12),(13) Please indicate the latest estimated dates for start and completion of the project
- (14) Estimated total investment cost paid by the final beneficiary (prior deduction of EU ineligible cost)
- (15) Estimated initial total eligible cost of the project as per EU definition (without VAT, fixed at time of allocation request, this amount should remain unchanged until end of the programme)
- (16)-(17) Similar as (14)
- (18) Estimated other contribution to the total investment cost
- (19) Please indicate: NO: no EIA required; S-O: Annex II project screened out; Yes: Annex I project or Annex II screened in. If YES, provide copy of MTS or a link to a public version of it on a relevant public entity's official web site at allocation or as soon as available

- (20) It refers to Natura 2000 or other habitats areas of international or national importance. Please indicate: NO: Assessment not
- (21) This refers to the conservation status of the building: is the building listed / does it have historical value. Is the competent
- (22) Indicate type of tender (provide EIB with a legend of the type of tenders according to the thresholds applied by Estonia)
- (23),(25) Please provide the Bank details of the energy consumption (kWh/m2) both prior the intervention and after the intervention (target, if not yet completed) with the (targeted) Energy Performance Rating.
- (26) Please provide the total gross-m2 of the building, when scheme concerns building construction, refurbishment etc.
- (27),(28) In a case of a school intervention, please provide figures of the student capacity and number of pupils enrolled prior and after the intervention/refurbishment. The capacity refers to the number of students the school would be equipped to enrol, while the number of students enrolled refers to the actual number of students learning in this school.

Road Schemes

ALLOCATION NO.: X
DATE: DD/MM/YYYY

Name of EIB Operation: TARTU EDUCATION AND URBAN INFRASTRUCTURE
Number of EIB Operation: 2018-0163
Finance Contract no.: FI
Currency: EUR

ADDITIONAL ALLOCATION and MONITORING TABLE (FOR ROAD SCHEMES) - individual schemes

Project reference number	Name of scheme	Managing / Implementation Authority (1)	Road No. / Name	Road type (2)	Road		Cost ('000 EUR)	Cost/km	Traffic / AADT (4)	Type of Work/ Type of Defect (5)	Expected construction period	Justification / Notes/ ERR (6)
					No. of lanes (3)	Length (km)						
TOTAL							0					

Legend

- | | | |
|---|---------------------------|---|
| 1 | Implementation authority | e.g. NDS, region, municipality (name), other road organisation (name), etc. |
| 2 | Road type | 1. Motorway; 2 Expressway / Primary road; 3. Feeder / Secondary road; 4. Local road |
| 3 | No. of lanes | Total in both directions: e.g. 2 lanes = 1x1 |
| 4 | Traffic / AADT | Average Annual Daily Traffic, (vehicles/day) |
| 5 | Type of Work | 1. Rehabilitation; 2. Upgrading; 3. New construction (new alignment/widening); 4. Safety improvements |
| | | Defects according to standard codes in use and adopted by national road authorities |
| 6 | Justification/ Notes/ ERR | A - increasing the road traffic safety and improving the environment |
| | | B - increasing the service level (traffic capacity, traffic management - including intelligent traffic systems) |
| | | C - increasing the load bearing capacity |
| | | Economic rate of return - if done |

Urban transport

ALLOCATION NO. X
DATE: DD/MM/YYYY

Name of EIB Operation: TARTU EDUCATION AND URBAN INFRASTRUCTURE
Number of EIB Operation: 2018-0163
Finance Contract no.: FI
Currency: EUR

ADDITIONAL ALLOCATION and MONITORING TABLE (FOR URBAN TRANSPORT SCHEMES) - individual schemes

Project reference number	Name of scheme	type of urban transport (metro, tram, bus)	Implementation authority (1)	Section		Rolling stock (number)	Cost (000 EUR)	Cost/km	Traffic (2)	Type of Work (3)	Expected construction period	Justification/ Notes/ ERR (4)
				Number of tracks/bus lanes	Length km							
TOTAL						0						

Legend

- 1 *Implementation authority* e.g. regional rail organisation (name), private rail company (name), etc
- 2 *Traffic* Passenger kilometers
- 3 *Type of Work* 1. Rehabilitation; 2. Upgrading; 3. Reconstruction; 4. Signalling; 5. Electrification 6. New construction (new)
- 4 *Justification/Notes/ERR* A - Renewal of life-expired assets
 B - increasing the service level of existing lines (higher frequencies; improve reliability)
 C - improving transport quality (real time information, facilities for disabled, facilities to improve comfort)
 D - improving accessibility of public transport services (new lines, new stations)
 E - compliance with EU Directives (interoperability, railway safety, ERMTS)
 Economic rate of return - if done

Project fiche

PROJECT FICHE (for schemes with total costs between EUR 25m-50m)
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Tartu Education and Urban Infrastructure (EE)

2018-0163

This fiche could be replaced by any internal document (e.g. application submitted by the beneficiary) providing the same information.

<u>Scheme Name:</u>	<u>Scheme promoter:</u>
<u>Scheme reference number:</u>	<u>Location:</u>
<u>Implementing body:</u>	<u>Sector:</u>
	<u>Type:</u> new project/ extension/ rehabilitation
	<u>Date:</u>
	<u>Signature:</u>
<u>Contact Person:</u>	
<u>Contact (e-mail, telephone):</u>	

1. Scheme

1.1 Background

1.2 Reasons for undertaking the Project and key objectives

(Please refer to the strategic plans to which project is integrated)

1.3 Technical description of the project including relevant key dimensions and capacities

1.4 Entity(ies) responsible for project design, construction and supervision

1.5 Investment cost (total) in EUR

Engineering and supervision	-
Land	-
Civil works (Building work)	-
Equipment	-
Miscellaneous	-
Technical contingencies	-
Price contingencies (...% escalation p.a.), if applicable	-
Interest during construction	-
Total	-

1.6 Financial plan and requested allocation

Sources of financing	in EUR
EU funds	
National budget	
Other	
Total	
of which requested EIB loan	

1.7 Expected expenditure schedule (in PLN)

year	2018	N	Total
EUR					

1.8 Expected technical/ economical life-span (years)

1.9 Implementation period (dates: month, year)

- a) Start:
- b) Completion:

1.10 Authorisation required to implement/operate the project

Please provide the name(s) of the authority(ies) issuing the relevant permit(s) and whether or not the authorisation(s) has (have) been issued. If permits are not issued, please indicate the expected date.

1.11 Jobs affected by the investment

Number of jobs that will be created, secured or lost as a consequence of the project

a) during construction:	
b) post construction (operation and maintenance) – secured:	

1.12 Physical indicators

Please indicate (quantify) planned physical output/result of the project.

Indicator name and definition	Baseline (year)	Target value (year)
a) ...		
b)		
c)		

1.13 Procurement

Number of contracts, their value and types of tender procedures, timetable

1.14 Environmental impacts

- a) Please explain briefly the effects of the project on the environment.
- b) Does the Project have any particular environmental risks or benefits?
- c) Compliance with environmental requirements (local, national, EU) and a summary description of mitigating measures adopted, if any; indicate if an EIA is required and if the project is located within/impacts a Natura 2000 sites or any other nature conservation site- in the affirmative cases, please provide information on the relevant assessment and administrative decisions for such projects, the Bank services may require further information. Please enclose the Non-Technical Summary of the EIA, and Form A or Form B signed by the environmental competent authority (if appropriate).

1.15 Operation and maintenance of the facilities:

- a) Organisation in charge of the operation and maintenance of the Scheme:
- b) Operating and maintenance costs and available budget for operation and maintenance:

1.16 Economic and financial aspects

- a) Population served by the Scheme, or other pertinent demand analysis. In the case of road scheme actual and forecast traffic flows have to be included.
- b) If applicable, a summary of cost-benefit or economic feasibility analysis
- c) If applicable, cost recovery mechanism (Will users be required to contribute to the cost of the Scheme? Tariff policy?)

2. Overall conclusions and recommendations

Place:

Date:

Promoter:

Responsible person:

A.2 Information Duties under Article 8.1(a)

1. Dispatch of information: designation of the person responsible

The information below has to be sent to the Bank under the responsibility of:

	Financial Contact	Technical Contact
Company	City of Tartu	City of Tartu
Contact person	Lauri Kikerpill	Märt Mõttus
Title	Chief Analyst	Senior Specialist, Construction Services
Function / Department financial and technical	Department of Finance	Department of Municipal Property
Address	Raekoja plats 3, Tartu, Estonia	Küüni 3, Tartu, Estonia
Phone	+372 736 1153	+372 736 1165
Fax	Not used	Not used
Email	Lauri.Kikerpill@raad.tartu.ee	Mart.Mottus@raad.tartu.ee

The above-mentioned contact persons are the responsible contacts for the time being.

The Borrower shall inform the Bank immediately in case of any change.

2. Information on the 'Project's implementation

The Borrower shall deliver to the Bank the following information on Project progress during implementation at the latest by the deadline indicated below.

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

3. Information on the end of works and first year of operation

The Borrower shall deliver to the Bank the following information on Project completion and initial operation at the latest by the deadline indicated below.

Document / information	Date of delivery to the Bank

<p>Project Completion Report, including:</p> <ul style="list-style-type: none"> - <i>A final Technical Description of the Project as completed, explaining the reasons for any significant change compared to the Technical Description in A.1.;</i> - <i>The date of completion of each of the main Project's components, explaining reasons for any possible delay;</i> - <i>The final cost of the Project, explaining reasons for any possible cost variations vs. initial budgeted cost;</i> - <i>The share of the final Project cost dedicated to energy efficiency measures;</i> - <i>Employment effects of the Project: person-days required during implementation as well as permanent new jobs created;</i> - <i>A description of any major issue with impact on the environment or social impacts</i> - <i>Update on the Project's demand or usage and comments;</i> - <i>Any significant issue that has occurred and any significant risk that may affect the Project's operation;</i> - <i>Any legal action concerning the Project that may be on going.</i> - <i>Non-confidential project-related pictures, if available.</i> - <i>An update on the following Monitoring Indicators:</i> - <i>see the list below</i> 	<p>31 March 2025</p>
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Monitoring indicators

Expected results	Unit	Baseline	Value expected at project completion	Actual value at project completion
Project investment cost	EUR million		46.22	
Start of works			01.01.2018	
End of works			31.12.2023	

Key results indicators

Employment during construction	Person-years		1,000	
Additional employment during operation	FTE		50	
Energy Efficiencies realised	MWh/a		700MWh	

Outputs

Places created in educational facilities		8876	9302	
New or rehabilitated education facilities	M2	61,211	61,211	
Number of culture, recreation and sports facilities built or renovated	No.	0	6	
Number of social facilities built or renovated	No.	0	13	
Users benefited	Person/day	6541	6803	

Outcomes

Number of visitors per year to new or renovated culture, recreation and sport facilities	No.	0	51,500	
Population benefitting from upgraded or new urban infrastructure and services through multi-sector municipal framework loans	No.	0	101,348	
Students enrolled in municipality-run schools	No.	12,316	12,811	
Share of children pre-school age enrolled in pre-schools	%	94.8 %	96.5%	
Share of pupils who dropped out from primary	%	0.08%	0.04%	
Share of pupils who successfully graduate from basic education	%	97.7 %	98.9%	
Share of graduates from secondary education enrolling in higher education	%	68.0 %	74.5%	

Language of reports

English

Definition of EURIBOR**A. EURIBOR**

"EURIBOR" means:

- (a) in respect of a relevant period of less than one month, the Screen Rate (as defined below) for a term of one month;
- (b) in respect of a relevant period of one or more months for which a Screen Rate is available, the applicable Screen Rate for a term for the corresponding number of months; and
- (c) in respect of a relevant period of more than one month for which a Screen Rate is not available, the rate resulting from a linear interpolation by reference to two Screen Rates, one of which is applicable for a period next shorter and the other for a period next longer than the length of the relevant period,

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

For the purposes of paragraphs (b) and (c) above:

- (a) "**available**" means the rates, for given maturities, that are calculated and published by Global Rate Set Systems Ltd (GRSS), or such other service provider selected by the European Money Markets Institute (EMMI), under the sponsorship of EMMI and EURIBOR ACI, or any successor to that function of EMMI and EURIBOR ACI as determined by the Bank; and
- (b) "**Screen Rate**" means the rate of interest for deposits in EUR for the relevant period as published at 11h00, Brussels time, or at a later time acceptable to the Bank on the day (the "**Reset Date**") which falls 2 (two) Relevant Business Days prior to the first day of the relevant period, on Reuters page EURIBOR 01 or its successor page or, failing which, by any other means of publication chosen for this purpose by the Bank.

If such Screen Rate is not so published, the Bank shall request the principal euro-zone offices of four major banks in the euro-zone, selected by the Bank, to quote the rate at which EUR deposits in a comparable amount are offered by each of them as at approximately 11h00, Brussels time, on the Reset Date to prime banks in the euro-zone interbank market for a period equal to the Representative Period. If at least 2 (two) quotations are provided, the rate for that Reset Date will be the arithmetic mean of the quotations.

If fewer than 2 (two) quotations are provided as requested, the rate for that Reset Date will be the arithmetic mean of the rates quoted by major banks in the euro-zone, selected by the Bank, at approximately 11h00, Brussels time, on the day which falls 2 (two) Relevant Business Days after the Reset Date, for loans in EUR in a comparable amount to leading European banks for a period equal to the Representative Period.

If no rate is available as provided above, EURIBOR shall be the rate (expressed as a percentage rate per annum) which is determined by the Bank to be the all-inclusive cost to the Bank for the funding of the relevant Tranche based upon the then applicable internally generated Bank reference rate or an alternative rate determination method reasonably determined by the Bank.

B. GENERAL

For the purposes of the foregoing definitions:

- (a) All percentages resulting from any calculations referred to in this Schedule will be rounded, if necessary, to the nearest one thousandth of a percentage point, with halves being rounded up
- (b) The Bank shall inform the Borrower without delay of the quotations received by the Bank.

- (c) If any of the foregoing provisions becomes inconsistent with provisions adopted under the aegis of EMMI and EURIBOR ACI (or any successor to that function of EMMI and EURIBOR ACI as determined by the Bank) in respect of EURIBOR, the Bank may by notice to the Borrower amend the provision to bring it into line with such other provisions.

Forms for Borrower

C.1 Form of Disbursement Request (Article 1.2.B)

Disbursement Request

Estonia – TARTU EDUCATION AND URBAN INFRASTRUCTURE

Date:

Please proceed with the following disbursement:

Loan Name (*):

TARTU EDUCATION AND URBAN INFRASTRUCTURE

Signature Date (*):

Contract FI number:

89300

Currency & amount requested

Currency	Amount

Proposed disbursement date:

INTEREST	Int. rate basis (Art. 3.1)	<input type="text"/>
	Rate (% or Spread) (please indicate only ONE) [OR Maximum Rate (% or Maximum Spread)]	<input type="text"/>
	Frequency (Art. 3.1)	Annual <input type="checkbox"/> Semi-annual <input type="checkbox"/> Quarterly <input type="checkbox"/>
	Payment Dates (Art. 5)	<input type="text"/>
CAPITAL	Interest Revision/Conversion date (if any)	<input type="text"/>
	Repayment frequency	Annual <input type="checkbox"/> Semi-annual <input type="checkbox"/> Quarterly <input type="checkbox"/>
	Repayment methodology (Art. Article 4)	Equal instalments <input type="checkbox"/> Constant annuities <input type="checkbox"/>
	First repayment date	<input type="text"/>
	Maturity Date:	<input type="text"/>

Reserved for the Bank	(contract currency)
Total Credit Amount:	<input type="text"/>
Disbursed to date:	<input type="text"/>
Balance for disbursement:	<input type="text"/>
Current disbursement:	<input type="text"/>
Balance after disbursement:	<input type="text"/>
Disbursement deadline:	<input type="text"/>
Max. number of disbursements:	<input type="text"/>
Minimum Tranche size:	<input type="text"/>
Total allocations to date:	<input type="text"/>
Conditions precedent:	Yes / No

Account to be credited:

Account N°:

Account Holder/Beneficiary:

(please, provide IBAN format if the country is included in IBAN Registry published by SWIFT, otherwise appropriate account format in line with the local banking practice)

Bank name and address:

Bank identification code (BIC

Payment details to be provided:

Please transmit information relevant to:

Name(s) of the Borrower's Authorised Signatory(ies) (as defined in the Contract):

.....

Signature(s) of the Borrower's Authorised Signatory(ies) (as defined in the Contract):

.....

IMPORTANT NOTICE TO THE BORROWER:

PLEASE ENSURE THAT THE LIST OF AUTHORISED SIGNATORIES AND ACCOUNTS PROVIDED TO THE BANK HAS BEEN DULY UPDATED PRIOR TO THE SUBMISSION OF ANY DISBURSEMENT REQUEST. IN THE EVENT THAT ANY SIGNATORIES OR ACCOUNTS APPEARING IN THIS DISBURSEMENT REQUEST ARE NOT INCLUDED IN THE LATEST LIST OF AUTHORISED SIGNATORIES AND ACCOUNTS RECEIVED BY THE BANK, THIS DISBURSEMENT REQUEST SHALL BE REGARDED AS NOT HAVING BEEN MADE.

IN ADDITION, IF THIS IS THE FIRST DISBURSEMENT REQUEST UNDER THE FINANCE CONTRACT, THE CONDITIONS SET OUT IN ARTICLE 1.4A OF THE FINANCE CONTRACT MUST HAVE BEEN MET TO THE SATISFACTION OF THE BANK PRIOR TO THE DATE HEREOF.

Interest Rate Revision and Conversion

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

A. Mechanics of Interest Revision/Conversion

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

- (a) the Fixed Rate and/or Spread that would apply to the Tranche, or of its part indicated in the Interest Revision/Conversion Request pursuant to Article 3.1; and
- (b) that such rate shall apply until the Maturity Date or until a new Interest Revision/Conversion Date, if any, and that interest is payable quarterly, semi-annually or annually in accordance with Article 3.1, in arrear on designated Payment Dates.

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

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

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

B. Effects of Interest Revision/Conversion

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

Prior to the Interest Revision/Conversion Date, the relevant provisions of this Contract and Disbursement Notice shall apply to the Tranche in its entirety. From and including the Interest Revision/Conversion Date onwards, the provisions contained in the Interest Revision/Conversion Proposal relating to the new Fixed Rate or Spread shall apply to the Tranche (or any part thereof, as indicated in the Interest Revision/Conversion Request) until the new Interest Revision/Conversion Date, if any, or until the Maturity Date.

C. No or Partial Interest Revision/Conversion

If the Borrower does not submit an Interest Revision/Conversion Request or does not accept in writing the Interest Revision/Conversion Proposal for the Tranche or if the parties fail to effect an amendment requested by the Bank pursuant to paragraph A above, the Borrower shall repay the Tranche (or the part thereof, as indicated in the Interest Revision/Conversion Request) on the Interest Revision/Conversion Date, without indemnity.

In case of a partial Interest Revision/Conversion, the Borrower will repay, without indemnity, on the Interest Revision/Conversion Date any part of the Tranche which was not covered by the Interest Revision/Conversion Request and which is therefore not subject to the Interest Revision/Conversion.

Certificates to be provided by the BorrowerE.1 Form of Certificate from Borrower (Article 1.4.C)

To: European Investment Bank
 From: City of Tartu
 Date:
 Subject: Certificate for the Finance Contract between European Investment Bank and City of Tartu dated [●] (the "**Finance Contract**")
 Project Name: Tartu Education and Urban Infrastructure
 Contract Number: 89300 Operation Number: 2018-0163

Dear Sirs,

We refer to the Finance Contract.

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

For the purposes of Article 1.4 of the Finance Contract we hereby certify to you as follows:

- (a) no Prepayment Event has occurred and is continuing unremedied or unwaived;
- (b) we are in compliance with the financial covenants pursuant to Article 6.8 and attached is evidence of such compliance and related calculations;
- (c) no Security of the type prohibited under Article 7.1 has been created or is in existence;
- (d) there has been no material change to any aspect of the Project or in respect of which we are obliged to report under Article 8.1, save as previously communicated by us;
- (e) no event or circumstance which constitutes or would with the passage of time or giving of notice under the Finance Contract constitute an Event of Default has occurred and is continuing unremedied or unwaived;
- (f) no litigation, arbitration administrative proceedings or investigation is current or to our knowledge is threatened or pending before any court, arbitral body or agency which has resulted or if adversely determined is reasonably likely to result in a Material Adverse Change, nor is there subsisting against us or any of our Subsidiaries any unsatisfied judgment or award;
- (g) the representations and warranties to be made or repeated by us under Article 6.11 are true in all respects;
- (h) no Material Adverse Change has occurred, as compared with the situation at the date of the Finance Contract;
- (i) the borrowing of the Tranche subject to the Disbursement Request of [●] has been duly authorised by the Borrower and will not exceed any limit for borrowing as approved by the Borrower [in its resolution approving the borrowing from the Bank];
- (j) there were no changes both personal and regarding resources of the Project Coordinator from the date of the signing of the most recent Certificate from the Borrower;
- (k) no Schemes in sectors other than education with a cost above EUR 25 million or its equivalent in other currency will be financed with the proceeds of the proposed Tranche;
- (l) [no Schemes that requires an EIA will be financed with the proceeds of the proposed Tranche] **OR** [the following Schemes that required an EIA will be financed with the proceeds of the proposed Tranche and we attach [the Environmental Impact Study/Statement / Non-Technical Summary of the EIA] **OR** [a link to a public version of the [the Environmental Impact Study/Statement / Non-Technical Summary of the EIA], together with a copy of the relevant consent showing that public consultation has been performed and its results taken into consideration;] **[TBC]**
- (m) [no Schemes subject to assessment for Natura 2000 or otherwise will be financed with the proceeds of the proposed Tranche;]

- (n) [the following Schemes that required assessment, but without significant impact, potential or likely, on a conservation site (Natura 2000 or otherwise), will be financed with the proceeds of the proposed Tranche and we attach a declaration from the Competent Authority that the Schemes are in compliance with EU Habitats and Birds Directives (either Forms A or its equivalent or a simplified declaration or; a list of Schemes signed by the Competent Authority certifying that none of the Schemes has any significant impact on any protected site)];
- (o) [the following Schemes that required assessment, with a significant impact, potential or likely, on a conservation site, will be financed with the proceeds of the proposed Tranche and we attach Form B [or its equivalent] signed by the Competent Authority together with the opinion of the European Commission (if required by the article 6(4) of the Habitats Directive);] [and]
- (p) [the proposed Tranche [will not finance any Schemes to be co-financed with the ESI Funds] **OR** [will finance the following Schemes that are co-financed with the ESI Funds: *[PLEASE LIST SUCH SCHEMES]* and we have delivered to the Bank evidence required under Article 1.9.B(e) in relation to each and every such Scheme.]

Yours faithfully,

For and on behalf of City of Tartu

Date:

E.2 Form of Compliance Certificate

To: European Investment Bank
From: City of Tartu
Date:
Subject: Compliance Certificate for the Finance Contract between European Investment Bank and City of Tartu dated [●] (the "**Finance Contract**")
Project Name: Tartu Education and Urban Infrastructure

Contract Number: 89300 Operation Number: 2018-0163

Dear Sirs,

We refer to the Finance Contract. This is a Compliance Certificate. Terms defined in the Finance Contract have the same meaning when used in this Compliance Certificate.

We hereby confirm:

- (a) on a [insert the date of calculation of the financial covenants], [insert financial covenant name and repeat for every financial covenant] amounts to [insert number] compared to [minimum / maximum] level of [insert number];
- (b) [no asset disposal prohibited under Article [6.6] has taken place] / [insert information regarding asset disposal];
- (c) [no security of the type prohibited under Article 7.1 has been created or is in existence;]
- (d) [the aggregate value of assets disposals made by the Borrower in [the budget year [YEAR] / the first half of the budget year [YEAR] amounts to [●]];]
- (e) [the book value of the Borrower's fixed assets free from any Security (whether permitted or not), as reflected in the asset evidence of the Borrower pursuant to its latest audited annual report is higher than EUR [●] and amounts to EUR [●]];]
- (f) we and our Subsidiaries comply with the provisions Article 7.2 (Negative pledge);
- (g) [no event or circumstance which constitutes or would with the passage of time or giving of notice under the Finance Contract constitute an Event of Default has occurred and is continuing unremedied or unwaived. [If this statement cannot be made, this certificate should identify any potential event of default that is continuing and the steps, if any, being taken to remedy it].
- (h) [the following are the Subsidiaries of the Borrower:
[●];
[●];
[●];
[●].]

Yours faithfully,

For and on behalf of City of Tartu / [auditor of the Borrower]

[director]

[director]

Resolution of [council of the City of Tartu] and authorisation of signatory

Form A/B according to the Habitats Directive and Birds Directive

A Form A – No risk of significant effect

**DECLARATION BY THE AUTHORITY RESPONSIBLE FOR MONITORING
SITES OF NATURE CONSERVATION IMPORTANCE²**

Responsible Authority.....

Having examined³ the project application

(title).....

which is to be located at

we declare that (tick the appropriate box):

- The project is not likely to have significant effects on a site of nature conservation importance on the following grounds:

.....

Therefore an appropriate assessment required by article 6 (3) of Directive 92/43/EEC was not deemed necessary.

- Following an appropriate assessment, according to article 6(3) of Directive 92/43/EEC, the project will not have significant negative effects on a site of nature conservation importance.

A map at scale of 1:100.000 (or the nearest possible scale) is attached, indicating the location of the project as well as the site of nature conservation importance concerned, if any.

Signed:

Date

(Authority responsible for monitoring sites of nature conservation importance)

Official Seal:

² This includes sites protected as part of the Natura 2000 network (including Special Areas of Conservation and Special Protection Areas), potential Natura 2000 sites, Ramsar sites, International Bird Areas, sites of the Emerald Network, or others as relevant.

³ Taking into account the requirements of Art. 6(3) of Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora.

**INFORMATION FROM THE AUTHORITY RESPONSIBLE FOR MONITORING
SITES OF NATURE CONSERVATION IMPORTANCE⁴**

Responsible Authority.....

Having examined⁵ the project application

(title).....

which is to be located at

provides the following information

Country:

Competent national authority:

Address:

Contact person:

Tel., fax, e-mail:

Date:

⁴ This includes sites protected as part of the Natura 2000 network (including Special Areas of Conservation and Special Protection Areas), potential Natura 2000 sites, Ramsar sites, International Bird Areas, sites of the Emerald Network, or others as relevant.

⁵ taking into account the requirements of Art. 6(4) of Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora.

1. PROJECT

Name of the site affected:

This site is (please tick):

- a site identified by the national competent authority as qualifying under Art. 4(1) and (2) of the **Birds** directive (2009/147/EC) (Special Protection Area equivalent to Natura 2000)
- a site identified by the national competent authority as qualifying under Art. 4 (1) of the **Habitats** directive (92/43/EEC) (Special Area of Conservation equivalent to Natura 2000)
- for **European** Union Member States only, does the site concern a priority habitat or species?
 yes no
- a site listed in the latest inventory on **Important Bird Areas** (IBA 2000) or (if available) in an equivalent more detailed scientific inventories endorsed by national authorities
- a wetland of international importance designated under the **Ramsar** Convention or qualifying for such protection
- a site to which the Bern convention on the conservation of European Wildlife and Natural Habitats (Art. 4) applies, in particular a site meeting the criteria of the **Emerald network**

areas protected under national nature conservation legislation

Summary of the project having an effect on the site :

2. NEGATIVE EFFECTS

Summary of the assessment of the negative effects on the site:

N.B.: this summary should focus on the adverse effect expected on the conservation value of the site (habitats and species), include the appropriate maps and describe the already decided mitigation measures.

3. ALTERNATIVE SOLUTIONS

Summary of alternative solutions studied:

Reasons why the competent national authorities have concluded that there is absence of alternative solutions:

4. IMPERATIVE REASONS

Reason to nevertheless carry out this plan or project:

- imperative reasons of overriding public interest, including those of a social or economic nature (in the absence of priority habitat/species)
- human health
- public safety
- beneficial consequences of primary importance for the Environment
- other imperative reasons of overriding public interest⁶

Short description of the reason :

⁶ If the project is in the EU, obtain the opinion of the Commission (see Article 6(4).2 of the Habitats Directive)

5. COMPENSATION MEASURES

Foreseen compensatory measures and timetable: