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Legal collateral opinion- Situs Version

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21 February 2013

Dear Sirs

FOA Collateral Opinion

You have asked us to give an opinion in respect of the laws of Hungary ("**this jurisdiction**") in respect of the Security Interests given under Agreements in the forms specified in Annex 1 to this opinion letter (each an "**Agreement**") or under an Equivalent Agreement (as defined below).

Terms used in this opinion letter and not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

We understand that your fundamental requirement is for the effectiveness of the Security Interest Provisions of the Agreement to be substantiated by a written and reasoned opinion. Our opinion on the validity of the Security Interest Provisions is given in paragraph 3 of this opinion letter.

References herein to "*this opinion*" are to the opinions given in paragraph 3.

1. TERMS OF REFERENCE AND DEFINITIONS

1.1 Subject as provided at paragraph 1.2, this opinion is given

1.1.1 generally, in respect of Parties which are **companies** incorporated under the Companies Act or personal businesses under the Private Entrepreneur Act, or (only to the extent rules applicable to these organisations are common with companies incorporated under the Companies Act further to the scope of the Insolvency Act) which are economic organisations under the Insolvency Act even if not listed under paragraph 1.2 of this opinion letter; and

1.1.2 in respect of paragraph 3.3, the entities referred to in such paragraph,

insofar as each may act as a counterparty (a "**Counterparty**") providing Collateral (as defined in paragraph 1.3) to a member firm of the Futures and Options Association (each a "**Firm**") under an Agreement.

1.2 However, this opinion is also given in respect of Counterparties providing Collateral to a Firm that are any of the following, subject to the terms of reference, definitions, modifications and additional assumptions and qualifications set out in the applicable Schedule:

1.2.1 **Banks and other credit institutions** ("*pénzügyi inézmények*") incorporated under the Banking Act (Schedule 1);

1.2.2 **Investment firms** ("*befektetési szolgáltató*") incorporated under the Investment Firms Act (Schedule 2);

1.2.3 **Insurance undertakings** ("*biztosítótársaságok*") incorporated under the Insurance Act (Schedule 3);

1.2.4 **Pension funds** ("*nyugdíjpénztárak*" and "*önkéntes nyugdíjpénztárak*") established under the Pension Fund Act and under the Voluntary Mutual Fund Act (Schedule 4);

1.2.5 **Individuals** ("*magánszemélyek*") (Schedule 5);

1.2.6 **Funds** ("*befektetési alapok*") organised under the Funds Act (Schedule 6);

1.2.7 **Charitable bodies** (foundations) ("*alapítványok*") (Schedule 7);

1.2.8 **Municipalities** ("*önkormányzatok*") (Schedule 8); and

1.2.9 **Sovereign and public sector/government entities** (Schedule 9).

insofar as each may act as a Counterparty to a Firm under an Agreement.

1.3 This opinion is given in respect of cash and account-held securities which are the subject of the Security Interest Provisions ("**Collateral**"). The amount and value of such Collateral may fluctuate from time to time on a day to day, and possibly intra-day basis.

1.4 In this opinion letter:

1.4.1 "**Associations Act**" means Act CLXXV of 2011 on the right of association, charitable status and the operation of and subsidies to civil organizations;

1.4.2 "**Banking Act**" means Act CXII of 1996 on credit institutions and financial services enterprises;

1.4.3 "**Capital Markets Act**" means Act CXX of 2001 on capital markets;

1.4.4 "**Civil Code**" means Act IV of 1959 on the Hungarian civil code;

1.4.5 "**Companies Act**" means Act IV of 2006 on business associations;

1.4.6 "**Conflicts Law**" means Law Decree 13 of 1979 on private international law;

1.4.7 "**Court Enforcement Act**" means Act LIII of 1994 on judicial enforcement;

1.4.8 "**Debt Restructuring Act**" means Act XXV of 1996 on the debt restructuring procedures of local municipalities

1.4.9 "**Equivalent Agreement**" means an agreement:

(a) which is governed by the law of England and Wales;

(b) which has broadly similar function to any of the Agreements listed in Annex 1;

(c) which contains the Core Provisions (with no amendments, or with Non-material Amendments); and

(d) which neither contains (nor is modified, amended, or superseded by) any other provision which may invalidate, adversely affect, modify, amend, supersede, conflict with, provide alternatives to, compromise or fetter the operation, implementation, enforceability and effectiveness of all or part of the Core Provisions (in each case, excepting Non-material Amendments);

References to the "**Agreement**" in this letter (other than specific cross references to clauses in such Agreement and references in the first paragraph of this letter) shall be deemed also to apply to an Equivalent Agreement;

1.4.10 "**EU**" means the European Union;

1.4.11 "**Financial Collateral Directive**" means Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements;

1.4.12 "**Funds Act**" means Act CXCIII of 2011 on investment funds and other collective investment forms;

1.4.13 "**HFSA**" means the Hungarian Financial Supervisory Authority (in Hungarian: "*Pénzügyi Szervezetek Állami Felügyelete*"); and

1.4.14 "**Insolvency Act**" means Act XLIX of 1991 on bankruptcy proceedings and liquidation proceedings;

1.4.15 The laws and procedures referred to in paragraph 4.2 are together called "**Insolvency Proceedings**";

1.4.16 "**Insolvency Regulation**" means Council Regulation (EC) No. 1346/2000 of 29 May 2000 on insolvency proceedings;

1.4.17 "**Insolvency Representative**" means a liquidator (in Hungarian: "*felszámoló*"), administrator or bankruptcy trustee (in Hungarian: "*vagyonfelügyelő*"), administrative receiver (in Hungarian: "*végelszámoló*"), or analogous or equivalent official in this jurisdiction;

1.4.18 "**Insurance Act**" means Act LX of 2003 on insurance companies and insurance business;

1.4.19 "**Investment Firms Act**" means Act CXXXVIII of 2007 on investment firms and commodity dealers, and on the regulations governing their activities;

1.4.20 "**Municipalities Act**" means Act LXV of 1990 on local municipalities;

1.4.21 "**National Properties Act**" means Act CXCVI of 2011 on national properties;

1.4.22 "**Pension Fund Act**" means Act LXXXII of 1997 on pension funds;

1.4.23 "**Private Entrepreneur Act**" means Act CXV of 2009 on private entrepreneurs and personal businesses;

1.4.24 "**Rome I**" means Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations;

1.4.25 "**Security Interest**" means the security interest created pursuant to the Security Interest Provisions;

1.4.26 "**Voluntary Mutual Fund Act**" means act CXVI of 1993 on voluntary mutual insurance funds;

1.4.27 A "**Non-material Amendment**" means an amendment having the effect of one of the amendments set out at Annex 3;

1.4.28 "**enforcement**" means, in the relation to the Security Interest, the act of:

(i) sale and application of proceeds of the sale of Collateral against monies owed, or

(ii) appropriation of the Collateral,

in either case in accordance with the Security Interest Provisions.

1.4.29 in other instances other than those referred to at 1.4.28 above, references to the word "**enforceable**" and cognate terms are used to refer to the ability of a Party to exercise its contractual rights in accordance with their terms and without risk of successful challenge. We do not opine on the availability of any judicial remedy;

1.4.30 references to "**Core Provisions**" include Core Provisions that have been modified by Non-Material Amendments;

1.4.31 terms defined or given a particular construction in the Agreement have the same meaning in this opinion letter unless a contrary indication appears; and

1.4.32 certain terms relating specifically to the Agreement or to the provisions thereof are set out at Annex 2.

2. ASSUMPTIONS

We assume the following:

2.1 That the Agreements are legally binding and enforceable against both Parties under the laws by which they are expressed to be governed.

2.2 That the Security Interest Provisions are enforceable under the governing law of the Agreement to create a Security Interest.

2.3 That each Party has the capacity, power and authority under all applicable law(s) to enter into the Agreement; to perform its obligations under the Agreement; and that each Party has taken all necessary steps to execute, deliver and perform the Agreement.

2.4 That each Party has obtained, complied with the terms of and maintained all authorisations, approvals, licences and consents required to enable it lawfully to enter into and perform its obligations under the Agreement and Transactions and to ensure the legality, validity, enforceability or admissibility in evidence of the Agreement in this jurisdiction.

2.5 That the Agreement has been properly executed by both Parties.

2.6 That the Agreement is entered into prior to the commencement of any insolvency, bankruptcy or analogous proceedings in respect of either Party.

2.7 That the Agreement has been entered into, and each of the transactions referred to therein is carried out, by each of the parties thereto in good faith, for the benefit of each of them respectively, on arms' length commercial terms and for the purpose of carrying on, and by way of, their respective businesses.

2.8 That the Agreement accurately reflects the true intentions of each Party.

2.9 That no provisions of the Agreement, or a document of which the Agreement forms part, or any other arrangement between the Parties, invalidate the enforceability or effectiveness of the Security Provisions or the Rehypothecation Clause under the governing law of the Agreement.

2.10 That no provision of the Agreement that is necessary for the giving of our opinions and advice in this opinion letter has been altered in any material respect. In our view, an alteration contemplated in the definition of "Equivalent Agreement" above would not constitute a material alteration for this purpose. We express no view whether an alteration not contemplated in the definition of Equivalent Agreement would or would not constitute a material alteration of the Agreement.

2.11 That there is no other agreement, instrument or other arrangement between the Firm and the Counterparty which modifies or supersedes the Agreement.

2.12 That all acts, conditions or things required to be fulfilled, performed or effected in connection with the Agreement and the creation and perfection of the security interests thereunder pursuant to laws of any jurisdiction other than this jurisdiction have been duly fulfilled, performed and effected.

2.13 That there are no provisions of the laws of any jurisdiction (apart from this jurisdiction) which would be contravened by the execution or the delivery of the Agreement.

2.14 That, except with respect to our opinion at paragraph 3.3, any accounts and the assets expressed to be subject to a Security Interest pursuant to the Security Provisions may be located either within or outside this jurisdiction.

2.15 That any cash comprising the Collateral is in a currency that is freely transferable internationally under the laws of all relevant jurisdictions.

2.16 That each branch constitutes an "establishment"[1] within the meaning of the Insolvency Regulation.

2.17 That the Hungarian Party will not be insolvent within the meaning of the Insolvency Act (and similar or equivalent provisions of sector specific acts) as a consequence of entering into the Agreement and no action has been taken for the final solvent dissolution of the Hungarian Party or no petition has been filed to initiate any bankruptcy or liquidation proceedings against it which is pending at the date of the Agreement.

2.18 That all acts, conditions or things required to be fulfilled, performed or effected in connection with the core provisions of the Agreement (for instance, appropriateness and suitability tests) have been duly fulfilled, performed and effected and to the extent applicable to the relevant Party, it duly provides the other Party with information

[1] Under the Insolvency Regulation "establishment" means any place of operations where the debtor carries out a non-transitory economic activity with human means and goods.

required in respect of that Party in accordance with its client classification and otherwise as required under the laws of this jurisdiction.

3. OPINIONS

On the basis of the foregoing terms of reference and assumptions and subject to the qualifications set out in paragraph 4 below, we are of the following opinion.

3.1 Valid Security Interest

3.1.1 Collateral posted outside this jurisdiction

The Security Interest Provisions would create a valid security interest over the Collateral posted outside this jurisdiction, subject to the qualifications detailed under paragraph 4.2 below.

3.1.2 Collateral posted inside this jurisdiction

The Security Interest Provisions would create a valid security interest over the Collateral posted inside this jurisdiction, subject to the qualifications detailed under paragraph 4.3 below.

3.1.3 Following the occurrence of an Event of Default, including as a result of the opening of any Insolvency Proceedings, the Non-Defaulting Party would be entitled to enforce the Security Interest in respect of the Collateral.

3.1.4 There is no rule of the laws of this jurisdiction which would impose a moratorium or stay which would prevent, delay or otherwise affect the right of the Non-Defaulting Party to enforce the Security Interest in respect of the Collateral.

3.1.5 Following exercise of the Firm's rights under the Security Interest Provisions, there are no rules of law of this jurisdiction which would affect the ranking of the Firm's rights to the proceeds of realisation of the Collateral located inside this jurisdiction in relation to the interests of the Counterparty and any other person. However, as explained in paragraph 4.2 below, the courts of this jurisdiction may give effect to the insolvency laws of the Counterparty's home jurisdiction, where different from this jurisdiction.

3.1.6 Following exercise of the Firm's rights under the Security Interest Provisions, the ranking of the Firm's rights to the proceeds of realisation of any Collateral located outside this jurisdiction in relation to the interests of the Counterparty and any other person would be a matter to be determined under the law of the place where such Collateral is situated.

3.2 Further acts

In respect of Collateral posted outside this jurisdiction by entities established outside or inside this jurisdiction, no further acts, conditions or things would be required by the law of that jurisdiction to be done, fulfilled or performed under the laws of this jurisdiction in order to enable the Non-Defaulting Party to enforce the Security Interest in respect of the Collateral.

In respect of Collateral posted in this jurisdiction by entities located inside or outside this jurisdiction, the following acts, conditions or things would be required by the law of this jurisdiction to be done, fulfilled or performed under the laws of this jurisdiction in order to enable the Non-Defaulting Party to enforce the Security Interest in respect of the Collateral:

3.2.1 if the account in which the Collateral is held is not maintained by the beneficiary of such Collateral in order to secure the position of the beneficiary, it is necessary to send appropriate instructions in advance to the account holder bank regarding the creation and existence of the Collateral, including the beneficiary's rights of enforcement and, if applicable, instructions to credit the Collateral on a blocked account and the acknowledgement of the relevant account holder bank may also be necessary;

3.2.2 whether or not effective Collateral could be perfected and such Collateral could be appropriately enforced is largely dependent on the account holder bank as well. Each such bank has different terms and conditions on the practical issues of creating and enforcing security interest in respect of a client account. Therefore, it is of major importance to discuss with such bank the formal requirements, notices and instructions it requires to be able to fulfil the beneficiary's requests without the risk of questioning the effectiveness of the Collateral and requiring (e.g. upon enforcement) evidence that the parties have agreed on the creation of the Collateral. Banks usually require the parties to provide them with appropriate notices signed by each party on the creation of the Collateral, the mechanism of enforcement, contact details and evidence of signing authority, etc. Again, there shall be of concern only if the account holder bank is a third person and not the beneficiary.

3.3 Foreign Collateral Providers

Moreover, the opinions given at paragraphs 3.1 and 3.2 also apply in respect of Counterparties incorporated in a form of a credit institution, insurer or company (or any equivalent in its respective jurisdiction), that is not established or resident in this jurisdiction, where any accounts and the assets expressed to be subject to a Security Interest pursuant to the Security Provisions are located within this jurisdiction.

3.4 **Right of re-use**

With respect to the Eligible Counterparty Agreement 2011, the Retail Client Agreement 2011, the Professional Client Agreement 2011 (or an Equivalent Agreement in the form of one of the foregoing), the Rehypothecation Clause would be effective in accordance with its terms, such that that Firm is entitled to borrow, lend, appropriate, dispose of or otherwise use for its own purposes all non-cash Collateral, subject to the further rights and obligations set out in the Rehypothecation Clause.

The opinion given at this paragraph 3.4 does not apply in respect of an Equivalent 2011 Agreement without Core Rehypothecation Clause.

4. QUALIFICATIONS

The opinions in this opinion letter are subject to the following qualifications.

4.1 Limits of opinion

The opinions given in this opinion letter are strictly limited to the matters stated in paragraph 3 (*Opinion*) as may be amended by any Schedule and do not extend to any other matters. This opinion letter and the opinions given in it are governed by Hungarian law and relate only to Hungarian law as applied by the Hungarian courts as at today's date. All non-contractual obligations and any other matters arising out of or in connection with this Opinion Letter are governed by Hungarian law.

We express no opinion as to:

4.1.1 the laws of any jurisdiction other than Hungary;

4.1.2 the capacity, authority of, and fulfilment of legal requirements by, any Party to lawfully enter into the Agreement and whether there are restrictions (whether statutory, contractual or based on constitutional documents) in respect of any Party to conclude the Agreement or any Transaction;

4.1.3 the details of any Insolvency Proceedings, deadlines available for creditors to report their claims or legal remedies available for such creditors; the waterfall of satisfying creditor claims or issues relating to the types of assets forming part of the liquidation pool;

4.1.4 the enforceability of the choice of jurisdiction;

4.1.5 the enforceability of a foreign judgement or arbitration award regarding the Agreement;

4.1.6 whether the Agreement breaches any other agreement or instrument;

4.1.7 whether the claims secured by any Collateral would enjoy any form of priority or whether the beneficiaries would have a preferred secured creditor

status under Hungarian law in case of liquidation of a Party by virtue of such the Agreement (nevertheless, we note that the Hungarian liquidator will need to observe the provisions laid down under the Insolvency Regulation, in particular in respect of the assets of a Party located in another Member State which are subject to a security interest created under the laws of another Member State, insofar as the opening of insolvency proceedings in a Member State will not affect security interests over assets situated in another Member State);

4.1.8 whether the Parties have good legal title to the assets or rights which are expressed to be subject to a security interest under the relevant Agreements, or as to the existence or value of any such assets or rights; and

4.1.9 the ranking or priority of any security interest created under any of the Agreements.

4.2 **Qualification to paragraph 3.1.1 (*Collateral posted outside this jurisdiction*)**

Our opinion relates to Security Interest which qualifies as a financial collateral within the meaning of the Financial Collateral Directive under the governing law of the Agreement and considering that under the Financial Collateral Directive Member States shall not require that the creation, validity perfection, enforceability or admissibility in evidence of a financial collateral arrangement or the provision of financial collateral under a financial collateral agreement be dependent on the performance of any formal act, we consider that Hungarian courts would most likely recognize and enforce the Collateral concluded under English law if the Collateral is posted outside this jurisdiction by entities established outside or inside this jurisdiction.

Conflicts Law and the Rome I confer on the parties to an international contractual transaction almost total autonomy in choosing the law which is to govern such a contract, provided that the presence of a "foreign" (i.e. non-Hungarian) element in the transaction can be proven. The fact that one of the parties to the Agreement is a non-Hungarian resident also satisfies the above requirement. Therefore, the parties to the Agreement may validly enter into contracts governed by, and interpreted in accordance with, English law or any other (non-Hungarian) law, provided that the mandatory provisions of the Conflicts Law or other Hungarian laws (if applicable at all) do not provide otherwise.

4.3 **Qualification to paragraph 3.1.2 (*Collateral posted inside this jurisdiction*)**

4.3.1 *Relevant Hungarian laws*

a) Under articles 21 and 21/A of the Conflicts Law the Hungarian law implements the international principles of "*lex rei sitea*" and "*lex cartea sitea*". In accordance with the foregoing any "*in rem*" right or rights to charged assets and ownership rights and proprietary rights (rights "*in rem*"

– such as a charge) to any charged asset or dematerialised (electronic- or book-entry-) securities held in a securities- or custody account shall be governed by the laws of the jurisdiction where the securities- or custody account is maintained on which that/those right(s) is/are credited for the beneficiary. Notwithstanding, we note that it may be argued that the foregoing provisions of the Conflicts Law only require that the perfection, existence and termination of the rights "*in rem*" that are governed by Hungarian law, which may indirectly also mean if the underlying provisions of the agreement are "*de facto*" in compliance with the mandatory Hungarian provisions on the perfection, existence and termination of the relevant "*in rem*" collateral, then the underlying agreement shall not necessarily governed by Hungarian law.

b) Pursuant to the Civil Code, financial collateral could be created in the form of a security deposit. In order to perfect a security deposit, the underlying asset should either be transferred to the beneficiary or otherwise be out of the disposal right of the collateral provider and under the control of the beneficiary.

c) According to the Capital Markets Act, securities encumbered by a right of a third party on the basis of a court judgement or agreement shall be transferred by the account holder (custodian) to a blocked securities sub-account.

Based on the above referred provisions, one may argue that if a security is held on a securities account which is maintained in Hungary, encumbrance over such security, i.e. such as the Collateral, could be created only by complying with Hungarian law and such security may need to be transferred to a blocked securities sub-account.

Further to the above, we note that our analysis above only applicable, if the Collateral is delivered or is at the disposal of or otherwise held by the beneficiary (or its nominees) of such Collateral (and such Security Interest qualify as a financial collateral within the meaning of the Financial Collateral Directive under the governing law of the Agreement). In such case, on the basis of such delivery, transfer, disposal or any other similar act as a result of which the Collateral is out of the disposal of the chargor, and thus the perfection of the Collateral complies with the mandatory Hungarian laws, we consider that the risk described above is marginal.

4.3.2 *EU law perspective*

Financial Collateral Directive

Each of the referred provisions of the Conflicts Law and the Civil Code reflect the Hungarian implementation of the Financial Collateral Directive. However, the way of implementation raises a number of issues:

a) it is not clear from the Conflicts Law what do securities account and custody account mean (do they refer only to the ultimate accounts held in the name of a client who has title to the assets credited on such accounts or do they cover accounts on higher level as well (such as settlement accounts, central accounts at clearing systems etc.?);

b) it is neither clear what does the term "*credited*" mean exactly (does this refer to actual transfer to the beneficiary or it covers also situations where an encumbrance is merely registered or indicated on a particular account?);

c) the Conflicts Law does not mention the term "*relevant account*" which is referred to in paragraph (h) of Article 1 of Article 2 of the Financial Collateral Directive.

Due to the above referred lack of clarity, there is a risk that one might interpret Hungarian law in a way set out under paragraph 4.3.1 of this opinion. However, it is a requirement under EU law that implemented provisions should be interpreted in accordance with the underlying directive.

The language of section 1 of Article 9 of the Financial Collateral Directive is slightly different from the one in the Conflicts Law. Such section stipulates that *"Any question with respect to any of the matters specified in paragraph 2 arising in relation to* ***book entry securities*** *collateral shall be governed by the law of the country in which the* ***relevant account*** *is maintained."*

The two bolded definitions of the Financial Collateral Directive have substantial relevance in terms of providing guidance on the adequate interpretation of Hungarian law:

a) book entry securities collateral is defined as financial collateral provided under a financial collateral arrangement which consists of financial instruments, ownership interest (title) to which is evidenced by entries in a register or account maintained by or on behalf of an intermediary; and

b) relevant account means the register or account – which may be maintained by the collateral taker – in which the entries are made by which the book entry securities collateral is provided to the collateral taker.

<u>Rome I</u>

We note that since Hungary is a member to the EU, Rome I is directly applicable as well. Under Rome I, if certain circumstances are met, in relation to "*in rem*" rights attached to an asset the parties may agree on the applicability of a governing law other than the law prevailing on the location

of such asset (i.e. contrary to the Conflicts Law they may "*contract-out*" of the applicability of Hungarian law in relation to the Collateral). Nonetheless, we note that it is untested whether or not the parties' choice of English (or any other non-Hungarian) law (as per Rome I) to an agreement establishing Collateral relating to an asset located in Hungary would be upheld by Hungarian courts (although we are of the view that this should be upheld)

4.3.3 *Conclusion*

In accordance with the above, assuming that on the basis of English law governed Agreements and perfection requirements, a Collateral over securities held in Hungary is created under English law, there are arguments which underpin that the applicable provisions of Hungarian law shall not be interpreted in a way so that it requires the creation of such Collateral under Hungarian law (especially if in fact the English law creation complies with corresponding Hungarian law). Should this understanding be upheld by the courts of Hungary, would the Hungarian law not require the beneficiary of such Collateral to take any particular steps in Hungary for the purposes of facilitating enforceability. This interpretation is especially upheld if the relevant account in which the Collateral is held is at the disposal of the beneficiary of such Collateral. We note however that if such account is not maintained by the beneficiary the enforcement of the Collateral may require further actions.

4.4 Insolvency

The opinions set out in this opinion letter are subject to any limitations arising from insolvency, liquidation, bankruptcy, moratorium, reorganisation, compulsory dissolution, enforcement (such as the Insolvency Act, the Debt Restructuring Act, Act V of 2006 on Public Company Information, Company Registration and Final Settlement, the Court Enforcement Act and the Insolvency Regulation) and similar laws affecting the rights of creditors or secured creditors generally. For the purposes of our opinions in this opinion letter the following qualifications could be considered as relevant:

4.4.1 *General remarks*

(a) Currency

Insolvency Proceedings under Hungarian law are conducted with reference to Hungarian forint, the official currency of Hungary. There is no specific provision under the Insolvency Act for the conversion of non-forint assets into Hungarian forints but in practice the Insolvency Representatives may require that all claims or debts be converted to an equivalent amount in Hungarian forints. The Liquidation Amount, therefore, may need to be converted into Hungarian forint in order for it to be enforced in the relevant Insolvency Proceedings.

(b) Reliance on public records

The relevant public records do not contain information with respect to whether any steps have been taken or any petition has been filed by any person to initiate a bankruptcy, liquidation, final solvent dissolution or any other similar proceedings of a company or any of its assets. Such information only appears after the competent Hungarian court issues a final and non-appealable order to this effect. Therefore it is not possible to determine on the basis of searches of public registers whether any such steps have been taken or whether any such court order has been made in relation to a company. In particular, notice of these matters may not yet have been filed with the Court of Registration at the time of concluding the Agreement (or if filed, may not yet be publicly available).

4.4.2 *Bankruptcy*

(a) In bankruptcy (reorganisation) proceedings the debtor requests relief from its financial obligations temporarily in an attempt to seek a composition agreement with its creditors. The goal of the bankruptcy procedure is to reorganise the debtor company with the consent of most of its creditors by granting it a moratorium, resulting in an automatic 120 days suspension of its payment obligations (which is extendable to 240/365 days with the consent of a certain proportion of creditors). We note that only the debtor company is entitled to file petition for bankruptcy proceedings with the court.

(b) The bankruptcy trustee has the right to challenge contracts concluded or legal declarations made by the bankrupt company following the commencement date of bankruptcy proceedings, if the subject matter of such contract or legal declaration is an undertaking by the bankrupt company and such contract or legal declaration is made without the approval of the bankruptcy trustee. The bankruptcy trustee may seek recovery of payments made by the insolvent company following the commencement date of bankruptcy proceedings in respect of claims existing at the commencement date of bankruptcy proceedings (in Hungarian: "*csődeljárás kezdő időpontja*"), however, neither this rule nor the moratorium (including the preliminary moratorium (commencing by filing the bankruptcy application and lasting until the court order is published) and the 120 days automatic period of moratorium as well as any extended moratorium period) prevents a creditor to enforce a security deposit or exercise a close-out netting under a contract concluded before the commencement date of the bankruptcy proceedings, provided that one or both of the Parties is/are (a) company(ies) listed below:

(i) a public sector entity in accordance with Schedule No. 1 to the Banking Act and according to the national laws of EEA Member States on the implementation of Article 1(2)a) of Directive 2002/47/EC of the European Parliament and of the Council; or

(ii) either the Hungarian Central Bank, the central bank of another EEA Member State, the European Central Bank, the Bank for International Settlements, or a financial institution specified in Schedule No. 1 to the Banking Act;

(iii) a credit institution established in any EEA Member State, including the bodies governed by the national laws of EEA Member States on the implementation of Article 2 of Directive 2006/48/EC of the European Parliament and of the Council relating to the taking up and pursuit of the business of credit institutions;

(iv) an investment firm established in any EEA Member State and governed by the national laws of EEA Member States on the transposition of Directive 2004/39/EC of the European Parliament and of the Council;

(v) a financial company established in any EEA Member State and governed by the national laws of EEA Member States on the transposition of Directive 2006/48/EC of the European Parliament and of the Council;

(vi) an insurance company established in any EEA Member State and governed by the national laws of EEA Member States on the transposition of Council Directive 92/49/EEC and Council Directive 2002/83/EC;

(vii) an undertaking for collective investment in transferable securities ("**UCITS**") established in any EEA Member State and governed by the national laws of EEA Member States on the transposition of Council Directive 85/611/EEC;

(viii) a management company engaged in the management of UCITS; or

(ix) a central counterparty or body authorized to engage in clearing and settlement operations and central depository services established in any EEA Member State, governed by the national laws of EEA Member States on the transposition of Article 1(2)d) of Directive 2002/47/EC of the European Parliament and of the Council.

In the absence of case-law on this matter it is uncertain whether or not a security deposits created or close-out netting provision concluded on or following the date of the preliminary moratorium (in Hungarian: "*ideiglenes fizetési haladék*") but prior to the commencement date of the bankruptcy proceedings could be exercised.

(c) During the period of the moratorium (including the preliminary and the 120 days period automatic moratorium as well as any extended moratorium period) the creditor of a bankrupt company is not entitled to rescind or terminate a contract with the bankrupt company on the basis that the bankrupt company does not pay its debts thereunder, however pursuant to the Bankruptcy Act the termination and rescission are not excluded for other reasons. Consequently, the Non-Defaulting Party may not terminate the Agreement or any Transaction thereunder on the basis of non-payment during the period of the moratorium even if it constitutes an Event of Default.

Notwithstanding this, within the scope of the Insolvency Act in - line with the specific provisions thereof applicable to the enforcement of security deposits and the exercise of close-out netting set out in paragraph (a) above – the Non-Defaulting Party may (a) exercise the close-out netting and then (b) satisfy its net claim from any security deposit granted to it for securing the counterparty's obligations, provided that the Agreement is not terminated (or terminated on the basis of other than non-payment), but only the relevant Transactions are closed in accordance with the provisions of the Agreement.

(d) During the moratorium no set-off may be made against the debtor company.

4.4.3 *Liquidation*

(a) Liquidation proceedings is a procedure initiated by a creditor of the company or by the debtor company itself (or in some cases *ex officio* by the court of registration or criminal court), in a situation where the company is insolvent and unable to perform its financial obligations. The liquidation proceedings ends (unless the company manages to become solvent again) by the dissolution of the debtor company. The court, in its resolution ordering the commencement of the liquidation proceedings designates a professional, independent liquidator. The liquidator has the power to monitor the company's business activities to protect the creditors' interests.

(b) Under the Insolvency Act a petition for the opening of liquidation proceedings can be solely based on an inability to pay. A company is insolvent if:

(i) it failed to comply with its contractual payment obligations within 20 days from the due date, and such obligations were not challenged or they were explicitly acknowledged by the company and the company did not pay its debts following the respective payment notice of the creditor; or

(ii) it failed to pay its debts based on a final and binding court order (or payment order issued by a notary public) within the deadline set forth therein; or

(iii) it failed to comply with its obligations set forth in a composition agreement concluded in a bankruptcy or liquidation procedure; or

(iv) an enforcement procedure against it was unsuccessful; or

(v) the court has terminated the bankruptcy procedure against it; or

(vi) in the procedure initiated by the debtor company or the receiver (the person responsible for the solvent dissolution ((in Hungarian: "*végelszámolás*") of the company) the amount of the company's debts exceeds the value of its assets, or the company could not (or it is foreseeable that it will not) repay its debts when due, and the members/shareholders of the company do not undertake to provide funds for the payment of such debts when they become due.

(c) Under certain circumstances a simplified liquidation procedure applies. In respect of companies with strategic importance to the national economy specific rules apply to the process.

(d) The liquidation of a foreign company has normally a direct effect on its Hungarian branch (the EU Insolvency Regulation applies here as well). If there is no bilateral or international agreement or reciprocity between Hungary and the jurisdiction concerned, a separate liquidation procedure could be commenced against the Hungarian branch (should the foreign company enter into liquidation). If the foreign parent becomes insolvent with respect to the activity of the Hungarian branch, and no such agreement or reciprocity referred to above exists, creditors may initiate the liquidation of the branch. The branch shall be considered by the Hungarian court as insolvent if (i) it (or its parent) failed to comply with its contractual and non-disputed payment obligations within 60 days from the due date or (ii) an enforcement procedure against it was unsuccessful.

(e) Any creditor of an insolvent company or the Insolvency Representative has the right to challenge transactions concluded by such insolvent company which is of a type falling under any of the criteria set out

under subparagraphs (i)-(iii) below. The persons referred to above have the right to challenge such transactions within 90 days from the date of becoming aware of the existence of such transactions, but in any event within one year from the date of publication of a court order relating to the commencement of the liquidation proceedings. The types of transactions open to challenge are the following:

(i) contracts concluded or legal declarations made by the insolvent company within five years of the date preceding the date when a competent court received a petition for the initiation of liquidation proceedings or at any time thereafter, if such contract or legal declaration resulted in the decrease in the value of the insolvent company's assets, and the intent of the insolvent company was to defraud any or all of the creditors, and the contracting party, or beneficiary of the legal declaration had or should have had knowledge of such intent;

(ii) contracts concluded or legal declarations made by the insolvent company within two years of the date preceding the date when a competent court received a petition for the initiation of liquidation proceedings or at any time thereafter, if the subject matter of such contract or legal declaration is (A) a free asset transfer by the insolvent company; (B) an undertaking by the insolvent company in respect of its assets for no consideration; or (C) an arrangement resulting in evidently disproportional benefit in value to the contracting party;

(iii) contracts concluded or legal declarations made by the insolvent company within ninety days of the date preceding the date when a competent court received a petition for the initiation of liquidation proceedings or at any time thereafter, if the subject matter of such contract or legal declaration is to grant preference to any one creditor, in particular an amendment of an existing contract for the benefit of such creditor, or provision of collateral to an unsecured creditor.

(f) The Insolvency Representative, acting on behalf of the insolvent company, is entitled to seek to recover within the time periods referred to in the first paragraph of section (e) above, any service rendered by the insolvent company within 60 days of the date preceding the date when a competent court received a petition for the initiation of liquidation proceedings or at any time thereafter, if the provision of such service resulted in a preference to any one creditor and was not made in its normal course of business. In particular, payment of a debt prior to its original maturity is considered as granting preference to a creditor. The right to seek recovery as set out in this paragraph does not apply in the case of netting under a close-out netting arrangement,

i.e. the application of close-out netting in accordance with the Agreement in itself cannot be regarded as a trigger for seeking recovery.

(g) The Insolvency Representative is entitled to terminate the contracts previously concluded by the insolvent company with immediate effect, in which case the other contracting party has 40 days from the date of such termination to enforce its claim arising as a result of the termination by reporting the claim to the liquidator. However, the Insolvency Representative is not entitled to terminate only some of the agreements/transactions falling under the provisions of the contract stipulating the application of close-out netting, but only concurrently all agreements/transactions, i.e. the liquidator is not entitled to "cherry pick" the transactions where the insolvent company is "in the money".

(h) Pursuant to the Insolvency Act, in connection with any agreement for close-out netting concluded prior to the commencement date of the liquidation proceedings, the creditor shall submit the net claim it has against the insolvent company to the liquidator and the liquidator shall acknowledge such net claim. When calculating the amount of net claim under a close-out netting provision, the settlement date shall be the date specified by the parties to the agreement for such purpose, being in each case a date not later than the final date which is generally available for the filing of creditors' claims.

(i) In the course of liquidation proceedings creditors may seek satisfaction from security deposits granted prior to the commencement date of the liquidation proceedings within three (3) months therefrom.

(j) However, pursuant to article 40.(4) of the Insolvency Act:

(i) the contractual close-out netting; and

(ii) the substitution of securities under a security deposit agreement governed by Hungarian law;

could not be challenged by the liquidator under paragraph (e) (iii) and the liquidator's right to seek recovery (as set out under paragraph (f) above) could neither be exercised.

(k) In liquidation proceedings, set-off may be exercised against the insolvent company only if the underlying claim has been registered by the liquidator as non-disputed claim and provided that the underlying claim has not been assigned (transferred). A managing director (or equivalent officer), executive employee, any member of any of the formers' kin and mate, any company being under the influential control of the debtor or which possesses an influential control over the

debtor company may not exercise any set-off right. If the beneficiary of a call option or repurchase arrangement exercises the option and the purchase, no set-off may be exercised. This applies also to the person acquiring to an asset of the insolvency estate within a public auction.

(l) Specific proceedings against strategic companies

(i) The Hungarian government may mandate a state-owned liquidator for procedures involving companies of special importance to the national economy. The government may decide on a case by case basis by decree which entity should qualify as such a company. The state-owned liquidator is conferred with extra powers, whilst creditors' rights are significantly narrowed compared to "*normal*" liquidation and bankruptcy procedures. The state-owned liquidator may decide in its sole discretion, without notifying the creditors, whether to proceed with public or private sale of the insolvency estate.

(ii) Under certain circumstances (in particular, if a company's activity is considered by the government as important for public purposes, for the national security or for military purposes), more specific rules may apply. For example, if such a company becomes bankrupt/insolvent, and an insolvency procedure is initiated, a special moratorium shall apply (before the actual commencement of the insolvency procedure). The special moratorium commences on the day on which the court publishes in the Company Gazette the fact that a liquidation proceeding was initiated against the debtor company and, pursuant to a governmental decree, the company is a company with strategic importance. If the court orders the commencement of the liquidation of the company, the period of the special moratorium is extended with 90 days. The purpose of the special moratorium is to temporarily secure the operation of the debtor company. During the effectiveness of the special moratorium no payment may be made without the counter-signature of the appointed state-owned liquidator and the counterparty to the agreement concluded with the debtor company may not terminate, or rescind from, the respective agreement; moreover, such agreements may not be terminated on the basis of the insolvency of the debtor company or the commencement of the special moratorium.

(iii) The above rules, however, does not affect the analysis set out above under this paragraph 4.4 (*Insolvency*) regarding the exercise of close-out netting save for the 3-months period to enforce a security deposit which, in respect of proceedings dealt with under this paragraph (l) is only 2 months.

4.5 Termination of a company and seizure of its assets outside insolvency

4.5.1 *Solvent dissolution (in Hungarian "végelszámolás")*

(a) If a company is solvent, it may still resolve the commencement of its winding-up. Simultaneously with the decision on the commencement of the winding-up procedure a receiver should be appointed to fulfil the obligations of the executive officers. During the winding-up procedure the receiver has to assess the company's financial position, recover its claims, pay its debts, enforce its claims and discharge its obligations, and sell off its assets, if necessary, and has to terminate the company's operations. If the company cannot settle all of its debts (i.e. the company is insolvent), the winding-up procedure turns into a liquidation proceeding. Under certain circumstances simplified winding-up procedure applies, however, this type of procedure is not available to all entities.

(b) Branches may be terminated on the request of its parent, provided that:

(i) it has no public debts;

(ii) it has no creditor or its creditors are either satisfied or proper security interest secures the branch's obligations;

(iii) there is no pending court or administrative procedure in Hungary against the parent in respect of its activity conducted in Hungary or the parent grants adequate security interest to cover any potential obligations arising out of such procedure; and

(iv) there is no pending liquidation procedure against either the parent or the branch.

The conditions of (i)-(iii) may be set aside if the jurisdiction of the parent has treaty with Hungary on the recognition of jurisdiction and enforcement of foreign court judgements or if such matters are dealt with by EU law.

4.5.2 *Oversight procedure (in Hungarian: "törvényességi felügyelet")*

(a) The purpose of the oversight procedure is to restore lawful operation of a company. The oversight procedure is primarily conducted by the Court of Registration but in respect of certain types of companies or other persons (e.g. banks, foundations) the relevant ordinary court, the HFSA, the prosecutor and/or the relevant supervisory organ is responsible for supervision alone or together

with the Court of Registration (in the latter case the Court of Registration has competence basically to supervise lawful operation under the Companies Act and similar laws applicable to companies generally, whilst the specific supervisory body supervises the entity in question with respect to the lawfulness of its sector specific operation under the sector specific laws applicable to it).

(b) The competent Court of Registration may impose the following measures, depending on the reason or the importance of the action based on which the procedure has been opened:

(i) notify the company to restore lawful operations within a set deadline;

(ii) impose a fine;

(iii) amend the company's resolution that was found unlawful or in violation of the company's constitutional documents, and instruct the company to adopt a new resolution within the prescribed deadline, if necessary;

(iv) convene the executive body of the company in order to have the lawful operation of the company restored;

(v) appoint a supervising commissioner for a maximum period of ninety days if the company's lawful operation cannot be ensured by other means.

(c) If lawful operation is not restored following the measures taken by the court, or if the Court of Registration considers that further actions are unlikely to be effective in restoring lawful operations, the Court of Registration may dissolve the company and order the company's liquidation and/or its deregistration.

4.5.3 *Judicial enforcement*

(a) The Court Enforcement Act elaborates the procedure of enforcement. Many enforcement procedures are available based on the type of enforcement (e.g. enforcement of a Hungarian court judgement, enforcement of a Hungarian notarised deed, enforcement of a foreign judgement, enforcement of a judgement of a court of a member state of the EU, appointment of sequester, arrestation of assets, supportive measures etc.). Enforcement procedures normally do not affect the legal status of the person against which enforcement is conducted, but rather its assets. If an asset is encumbered by a pledge, mortgage or charge, the pledge, charge, mortgagee (as the case may be) is entitled to join to the enforcement

procedure should such procedure be commenced by a third person regarding the encumbered asset.

4.6 **Risks associated with amounts and securities standing on the balance of a person's bank account**

(a) Under Hungarian law it is presumed that amounts and securities standing on the balance of a person's bank account belong to, and owned by, such person (unless the account is blocked for a beneficiary or an entry otherwise indicates that the balance is encumbered to a beneficiary). Consequently, within an insolvency, a Hungarian court, bankruptcy trustee or liquidator may not consider automatically these amounts as falling outside the pool of assets of the relevant Hungarian Party and such fact will need to be properly evidenced. Similarly, amounts standing to the credit of any person's accounts could be subject of a prompt collection, blocking or other similar actions of third party creditors, judicial enforcement officers, account holder banks and similar persons, in which case the beneficiary of a Collateral might need to provide evidence and commence legal proceedings in respect of collecting amounts so blocked or transferred, but to which it has legal title in accordance with the Agreement. In respect of amounts already blocked for the benefit of the beneficiary or already transferred further from such accounts to it or otherwise collected in accordance with the provisions of the Agreements and thus are standing to the credit of accounts of the beneficiary, will not be subject to the above considerations.

(b) Account holder banks may also debit any amount of cash collateral or utilise securities to parents or satisfy their claims first arising out from their opening and maintaining accounts and executing orders, etc.

(c) Please note that following the execution of the respective Agreement containing the relevant Collateral as required under paragraph 3.2 above, the relevant Party may need to issue certain notices to the relevant account holding bank.

4.7 **Stay of action as a result of an interim measure of a court**

A court upon the request of the Defaulting Party may, in its interim measure, order the stay of action, if e.g. the Defaulting Party initiates a litigation on the invalidity of the Agreement and the court find it likely that by enforcement, the legal interests of the Defaulting Party could be jeopardized.

4.8 **Challenge outside insolvency**

If any Party to the Agreement has failed to comply with regulatory rules or restrictions on investment or mandatory legal requirements, the supervisory entity (e.g. the HFSA, prosecutor) may challenge the Agreement or any Transaction or otherwise

may impose a fine, prohibit the respective Party to conduct its business under the Agreement or apply any other measure available to it. For instance, if the Agreement is concluded with consumers in breach of regulatory or consumer protection laws, the HFSA may resolve that concluding the Agreement with consumers was unlawful. In this case consumers may successfully challenge the Agreement in front of courts.

4.9 Public policy

We are not aware of any principle of public policy in Hungary which is contradicted by the Agreement, although it should be noted that it is not possible to express a definitive view of the exact scope of Hungarian public policy at any particular time. Where any obligations of a person are to be performed outside Hungary, those obligations may not be enforceable under Hungarian law to the extent the performance of such would be illegal or contrary to public policy under the laws of that other jurisdiction.

Hungary is a civil law jurisdiction and it should be noted that, generally speaking, save from certain decisions of the Curia, the recently renamed Hungarian Supreme Court, a decision of a Hungarian court is not binding on subsequent courts. Hungarian courts base their decisions entirely on legislation, rather than on a combination of statutes and legal precedents. The published decisions of the Hungarian courts, however, provide guidance to the lower-grade courts to make an appropriate decision.

4.10 Application of a special regime

In case of extreme circumstances (temporary) requisition may be effected by the Hungarian Government or other designated authorities through ordering a special regime. Such circumstances includes the state of national crisis, state of emergency, state of preventive protection, unexpected attacks, and state of danger. Under the special regime the exercise of fundamental rights may be suspended or restricted which may affect the Agreement. The procedural rules on such special regime are detailed, among others, by Act CXIII of 2011 on home-defence and Act CXXVIII of 2011 on defence in case of catastrophe (each of them entered into force on 1 January 2012).

4.11 Sanctions

If any party to the Agreement is controlled by a person or is itself incorporated in the laws of a country which is subject of United Nations or European Union sanctions, as implemented, the obligations of the other Party to such Party may be unenforceable or void.

4.12 Discharging liability

The effectiveness of provisions of the Agreement discharging any party thereto from certain duty or liability duty otherwise imposed on or owed by such party may be limited by law.

4.13 **Consequences of delay or failure to exercise right**

A failure to exercise a right which is or becomes open for a Party under the Agreement may result in the waiving of such right, notwithstanding any provision in the Agreement to the contrary which purports to preserve such right.

4.14 **Severability provisions**

The question as to whether or not any provision of the Agreement which may be declared invalid may be severed from the other provisions thereof would be determined by a Hungarian court in its discretion; the severability of provisions of any agreement is generally accepted if the agreement so provides, but the invalidity of certain provisions may cause the entire agreement to be invalid.

4.15 **Exercise of statutory power**

Any provision of the Agreement which constitutes, or purports to constitute, a restriction on the exercise of any statutory power by any Party to the Agreement or any other person may be ineffective.

4.16 **Enforceability of claims**

In this Opinion Letter "**enforceable**" has the meaning ascribed thereto under paragraph 1.4.29. However, it does not mean that those obligations will be enforced in all circumstances in accordance with the terms of the relevant Agreement. In particular:

4.16.1 the power of a Hungarian court to order specific performance of, or to issue any injunction, for an obligation or other remedy is discretionary and, accordingly, a Hungarian court might make an award of damages where specific performance of an obligation or other equitable remedy is sought;

4.16.2 where any party to the Agreement is vested with a discretion or may determine a matter in its opinion, Hungarian law requires that such discretion cannot be abused;

4.16.3 claims under the Agreement may be or become subject to a defence of set-off or counterclaim;

4.16.4 if any arbitral award or judgement is obtained in a currency other than forint it is possible that it could only be enforced in Hungary in forints. In the event of any proceeding being brought in a Hungarian court in respect of a monetary obligation expressed to be payable in a currency other than Hungarian forints, a Hungarian court may give judgement as an order to pay the Hungarian forints equivalent of such currency at the time of actual payment of the debtor;

4.16.5 any provision providing that any calculation, determination or certification is to be conclusive and binding may not be effective if such calculation, determination or certification is fraudulent or manifestly incorrect and a Hungarian court may regard any certification, determination or calculation as no more than *prima facie* evidence; and

4.16.6 The obligations of the respective Parties can be cancelled or modified by a competent court if, following an extraordinary change of circumstances, the performance of the agreement in question would result in excessive difficulties or threaten one of the Parties with substantial loss which the Parties did not foresee when concluding such agreement.

The above are relevant only if a Hungarian court – for any available reason – finds its jurisdiction to hear the case arising from the English/New York law governed Agreement.

There are no other material issues relevant to the issues addressed in this opinion which we wish to draw to your attention.

This opinion is given for the sole benefit of the Futures and Options Association and such of its members (excluding associate members) as subscribe to the Futures and Options Association's opinions library (and whose terms of subscription give them access to this opinion). This opinion may not be relied upon by any other person unless we otherwise specifically agree with that person in writing, although we consent to its being shown (on a non-reliable basis) to members of the Futures and Options Association and their affiliates (being members of such persons' groups, as defined by the UK Financial Services and Markets Act 2000) and to the UK Financial Services Authority (and its successor organisations) in connection with the compliance of such members and such affiliates with their obligations under prudential regulation.

Yours faithfully,

Dr. Attila Ungár

Lakatos, Köves és Társai Ügyvédi Iroda

SCHEDULE 1
BANKS AND OTHER CREDIT INSTITUTIONS

Subject to the modifications and additions set out in this Schedule 1 (*Banks and other credit institutions*), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are banks or credit institutions. For the purposes of this Schedule 1 (*Banks and other credit institutions*), "**Bank**" means a credit institution or financial enterprise under the Banking Act.

Except where the context otherwise requires, references in this Schedule to "*paragraph*" are to paragraphs in the opinion letter (but not to its Annexes or Schedules) and references to "*sections*" are to sections of this Schedule.

1. MODIFICATIONS TO QUALIFICATIONS

1.1 Insolvency Proceedings

The only bankruptcy, composition, rehabilitation (e.g. liquidation, administration, receivership or voluntary arrangement) or other insolvency laws and procedures to which a Party would be subject in this jurisdiction are the following:

Bankruptcy (in Hungarian: "*csődeljárás*")

No bankruptcy proceedings may be brought against any Bank.

Liquidation (in Hungarian: "*felszámolás*")

(a) The HFSA has exclusive competence to initiate a liquidation proceeding against a Bank. The HFSA initiates the liquidation proceeding if (i) it has revoked the authorisation of the Bank for not having paid its undisputed debts within 5 days following the due date and its assets do not cover the claims of the known creditors or (ii) if the Bank is a branch office and any insolvency proceeding have been brought against its foreign parent company (however, liquidation proceeding cannot be brought against a Hungarian branch of a Bank, which is incorporated in any EU member state). The court shall commence the liquidation proceedings without investigating the solvency status of the Bank.

(b) Under certain circumstances a simplified liquidation procedure applies. In respect of companies with strategic importance to the national economy specific rules apply to the process (as also referred to under paragraph 4 (*Qualifications*)).

Solvent dissolution (in Hungarian "*végelszámolás*")

(a) A resolution on the solvent dissolution may be brought only by the HFSA (as a result of – among others – the withdrawal of license). A receiver should be

appointed by the HFSA to fulfil the obligations of the executive officers. The HFSA may also appoint a supervisory officer who shall be in charge until the receiver is appointed. During the winding-up procedure the receiver has to assess the Bank's financial position, recover its claims, pay its debts, enforce its claims, discharge its obligations, sell off its assets if necessary, and has to terminate the Bank's operations. Solvent dissolution proceeding cannot be brought against a Hungarian branch of a Bank, which is incorporated in any EU member state.

(b) A branch may be terminated on the request of its parent, provided that:

(i) it has no public debts;

(ii) it has no creditor or its creditors are either satisfied or proper security interest secures the branch's obligations;

(iii) there is no pending court or administrative procedure in Hungary against the parent in respect of its activity conducted in Hungary or the parent grants adequate security interest to cover any potential obligations arising out of such procedure; and

(iv) there is no pending liquidation procedure against either the parent or the branch.

The conditions of (i)-(iii) may be set aside if the jurisdiction of the parent has treaty with Hungary on the recognition of jurisdiction and enforcement of foreign court judgements or if such matters are dealt with by EU law.

1.2 **Insolvency of Foreign Parties**

Subject also to the considerations mentioned under section 1.1 (*Insolvency Proceedings*) where the Defaulting Party is incorporated or formed under the laws of another jurisdiction (a "**foreign Defaulting Party**") there can be no separate Insolvency Proceedings in this jurisdiction in relation to the foreign Defaulting Party and the authorities in this jurisdiction would defer to the proceedings in the foreign Defaulting Party's home jurisdiction. However, Banks do not fall under the scope of the EU Insolvency Regulation. The HFSA and/or other relevant authorities may take actions and steps to coordinate the insolvency proceedings among EU member states involved.

2. MODIFICATIONS TO THE QUALIFICATIONS

2.1 The qualifications at paragraph 4 are deemed modified as follows:

The Insolvency Representative may not challenge the Agreement on the basis of the Insolvency Act provided that the Insolvency Proceedings is conducted in respect of a

Hungarian branch, the Agreement is governed by the laws of an EU member state (other than Hungary) and the other Party evidences that under such governing law the Agreement cannot be challenged.

SCHEDULE 2
INVESTMENT FIRMS

Subject to the modifications and additions set out in this Schedule 2 (*Investment firms*), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are investment firms. For the purposes of this Schedule 2 (*Invsetment firms*), "**Investment Firm**" means an entity regulated under the Investment Firms Act.

Except where the context otherwise requires, references in this Schedule to "*paragraph*" are to paragraphs in the opinion letter (but not to its Annexes or Schedules) and references to "*sections*" are to sections of this Schedule.

1. MODIFICATIONS TO QUALIFICATIONS

On the basis of the terms of reference and assumptions and subject to the qualifications (in each case set out in this opinion letter as modified, or added to, by this Schedule), we are of the following opinion.

1.1 Insolvency Proceedings

Bankruptcy (in Hungarian: "*csődeljárás*")

No bankruptcy proceedings may be brought against any Investment Firm.

Liquidation (in Hungarian: "*felszámolás*")

(a) The HFSA has exclusive competence to initiate a liquidation proceeding against an Investment Firm. The HFSA initiates the liquidation proceeding if (i) it has revoked the authorisation of the Investment Firm for not having paid its undisputed debts within 5 days following the due date and its assets do not cover the claims of the known creditors (or in respect of a commodity exchange service provider, following it has satisfied all undisputed claims of its clients or if has transferred its contractual obligations to another commodity exchange service provider) or (ii) if the Investment Firm is a branch office and any insolvency proceeding have been brought against its foreign parent company. The court shall commence the liquidation proceedings without investigating the solvency status of the Investment Firm.

(b) Under certain circumstances a simplified liquidation procedure applies. In respect of companies with strategic importance to the national economy specific rules apply to the process (as also referred to under paragraph 4 (*Qualifications*)).

Solvent dissolution (in Hungarian "*végelszámolás*")

(a) A resolution on the solvent dissolution may be brought only by the HFSA (as a result of – among others – the withdrawal of license). A receiver should be

appointed by the HFSA to fulfil the obligations of the executive officers. The HFSA may also appoint a supervisory officer who shall be in charge until the receiver is appointed. During the winding-up procedure the receiver has to assess the Investment Firm's financial position, recover its claims, pay its debts, enforce its claims, discharge its obligations, sell off its assets if necessary, and has to terminate the Investment Firm's operations.

(b) A branch may be terminated on the request of its parent, provided that:

(i) it has no public debts;

(ii) it has no creditor or its creditors are either satisfied or proper security interest secures the branch's obligations;

(iii) there is no pending court or administrative procedure in Hungary against the parent in respect of its activity conducted in Hungary or the parent grants adequate security interest to cover any potential obligations arising out of such procedure; and

(iv) there is no pending liquidation procedure against either the parent or the branch.

The conditions of (i)-(iii) may be set aside if the jurisdiction of the parent has treaty with Hungary on the recognition of jurisdiction and enforcement of foreign court judgements or if such matters are dealt with by EU law.

1.2 **Insolvency of Foreign Parties**

Subject also to the considerations mentioned under section 1.1 (*Insolvency Proceedings*) where the Defaulting Party is incorporated or formed under the laws of another jurisdiction (a "**foreign Defaulting Party**") there can be no separate Insolvency Proceedings in this jurisdiction in relation to the foreign Defaulting Party and the authorities in this jurisdiction would defer to the proceedings in the foreign Defaulting Party's home jurisdiction. However, Investment Firms do not fall under the scope of the EU Insolvency Regulation. The HFSA and/or other relevant authorities may take actions and steps to coordinate the insolvency proceedings among EU member states involved.

2. ADDITIONAL QUALIFICATIONS

The opinions in this opinion letter are subject to the following additional qualifications.

2.1 Pursuant to article 135.(1) of the Investment Firms Act, the HFSA may prohibit any payment by a regulated entity from the date of the submission of the application for initiation of liquidation proceedings if it finds that the proper management of the

estate of the Investment Firm for the purposes of protecting creditors' interests is not secured. In the absence of case-law it is uncertain whether or not close-out netting could be exercised in such a scenario despite the fact that in respect of financial collaterals (security deposits) granted by a counterparty, exercising the close-out netting should be available in accordance with Article 7 of the Financial Collateral Directive.

SCHEDULE 3
INSURANCE UNDERTAKINGS

Subject to the modifications and additions set out in this Schedule 3 (*Insurance undertakings*), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are insurance service providers. For the purposes of this Schedule 2 (*Insurance undertakings*), "**Insurance Undertaking**" means an entity regulated under the Insurance Act.

Except where the context otherwise requires, references in this Schedule to "*paragraph*" are to paragraphs in the opinion letter (but not to its Annexes or Schedules) and references to "*sections*" are to sections of this Schedule.

1. MODIFICATIONS TO QUALIFICATIONS

On the basis of the terms of reference and assumptions and subject to the qualifications (in each case set out in this opinion letter as modified, or added to, by this Schedule), we are of the following opinion.

1.1 Insolvency Proceedings

The only bankruptcy, composition, rehabilitation (e.g. liquidation, administration, receivership or voluntary arrangement) or other insolvency laws and procedures to which a Party would be subject in this jurisdiction are the following:

Bankruptcy (in Hungarian: "*csődeljárás*")

No bankruptcy proceedings may be brought against any Insurance Undertaking.

Liquidation (in Hungarian: "*felszámolás*")

(a) The HFSA has exclusive competence to initiate a liquidation proceeding against an Insurance Undertaking. The HFSA initiates the liquidation proceeding if (i) despite the measures imposed by the HFSA it has failed to pay its undisputed debts within 15 business days or it has failed to implement the reorganisation plan within the time period determined by the HFSA or (ii) its debts permanently exceed its own equity. Liquidation proceeding cannot be brought against a Hungarian branch of an Insurance Undertaking, which is incorporated in any EU member state.

(b) Under certain circumstances a simplified liquidation procedure applies. In respect of companies with strategic importance to the national economy specific rules apply to the process (as also referred to under paragraph 4 (*Qualifications*)).

Solvent dissolution (in Hungarian "*végelszámolás*")

(a) In order to initiate a solvent dissolution proceedings against an Insurance Undertaking, the authorisation of HFSA is necessary. During the winding-up procedure the receiver has to assess the Insurance Undertaking's financial position, recover its claims, pay its debts, enforce its claims, discharge its obligations, sell off its assets if necessary, and has to terminate the Bank's operations. Solvent dissolution proceeding cannot be brought against a Hungarian branch of a Bank, which is incorporated in any EU member state.

(b) A branch may be terminated on the request of its parent, provided that:

(i) it has no public debts;

(ii) it has no creditor or its creditors are either satisfied or proper security interest secures the branch's obligations;

(iii) there is no pending court or administrative procedure in Hungary against the parent in respect of its activity conducted in Hungary or the parent grants adequate security interest to cover any potential obligations arising out of such procedure; and

(iv) there is no pending liquidation procedure against either the parent or the branch.

The conditions of (i)-(iii) may be set aside if the jurisdiction of the parent has treaty with Hungary on the recognition of jurisdiction and enforcement of foreign court judgements or if such matters are dealt with by EU law.

(c) In respect of Insurance Undertakings operating as associations no simplified winding-up procedure may apply.

1.2 Insolvency of Foreign Parties

Subject also to the considerations mentioned under section 1.1 (*Insolvency Proceedings*) where the Defaulting Party is incorporated or formed under the laws of another jurisdiction (a "**foreign Defaulting Party**") there can be no separate Insolvency Proceedings in this jurisdiction in relation to the foreign Defaulting Party and the authorities in this jurisdiction would defer to the proceedings in the foreign Defaulting Party's home jurisdiction. However, Insurance Undertakings do not fall under the scope of the EU Insolvency Regulation. The HFSA and/or other relevant authorities may take actions and steps to coordinate the insolvency proceedings among EU member states involved.

2. MODIFICATIONS TO QUALIFICATIONS

2.1 The qualifications at paragraph 4 are deemed modified as follows:

The Insolvency Representative may not challenge the Agreement on the basis of the Insolvency Act provided that the Agreement is governed by the laws of an EU member state (other than Hungary) and the other Party evidences that under such governing law the Agreement cannot be challenged.

SCHEDULE 4
PENSION FUNDS

Subject to the modifications and additions set out in this Schedule 4 (*Pension funds*), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are pension funds. For the purposes of this Schedule 4 (*Pension funds*), "**Pension Fund**" means an entity regulated under the Pension Fund Act or the Voluntary Mutual Fund Act.

Except where the context otherwise requires, references in this Schedule to "*paragraph*" are to paragraphs in the opinion letter (but not to its Annexes or Schedules) and references to "*sections*" are to sections of this Schedule.

1. MODIFICATIONS TO QUALIFICATIONS

On the basis of the terms of reference and assumptions and subject to the qualifications (in each case set out in this opinion letter as modified, or added to, by this Schedule), we are of the following opinion.

1.1 Insolvency Proceedings

Bankruptcy (in Hungarian: "*csődeljárás*")

No bankruptcy proceedings may be brought against any Pension Fund.

Liquidation (in Hungarian: "*felszámolás*")

(a) Liquidation proceedings may be initiated if the Pension Fund is insolvent (it does not discharge its payment obligations within 60 (in respect of services to its clients – 90) days of their due date). The HFSA is also entitled to initiate a liquidation proceeding against a Pension Fund if (i) its financial position prevents it to operate in accordance with its rules of operation; (ii) material breaches of law could not be rectified by other means; (iii) the HFSA has withdrawn its licence; (iv) its solvent dissolution is not closed within the statutory period; or (v) the Pension Fund is not found at its registered address.

(b) Under certain circumstances a simplified liquidation procedure applies. In respect of companies with strategic importance to the national economy specific rules apply to the process (as also referred to under paragraph 4 (*Qualifications*)).

Solvent dissolution (in Hungarian "*végelszámolás*")

A Pension Fund may resolve the commencement of its winding-up. Simultaneously with the decision on the commencement of the winding-up procedure a receiver should be appointed to fulfil the obligations of the executive bodies. During the winding-up procedure the receiver has to assess the Pension Fund's financial position,

recover its claims, pay its debts, enforce its claims and discharge its obligations, and sell off its assets, if necessary, and has to terminate the Pension Fund's operations. If the Pension Fund cannot settle all of its debts (i.e. the company is insolvent), the winding-up procedure turns into a liquidation proceeding. Under certain circumstances simplified winding-up procedure applies.

We confirm that the events specified in the Insolvency Events of Default Clause adequately refer to all Insolvency Proceedings, if supplemented by the following events: coercive dissolution, prohibition to continue its activities and any similar events.

1.2 Insolvency of Foreign Parties

Subject also to the considerations mentioned under section 1.1 (*Insolvency Proceedings*) where the Defaulting Party is incorporated or formed under the laws of another jurisdiction (a "**foreign Defaulting Party**") there can be no separate Insolvency Proceedings in this jurisdiction in relation to the foreign Defaulting Party and the authorities in this jurisdiction would defer to the proceedings in the foreign Defaulting Party's home jurisdiction. However, Pension Funds do not fall under the scope of the EU Insolvency Regulation. The HFSA and/or other relevant authorities may take actions and steps to coordinate the insolvency proceedings among EU member states involved.

SCHEDULE 5
INDIVIDUALS

Subject to the modifications and additions set out in this Schedule 3 (*Individuals*), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are individuals. For the purposes of this Schedule 3 (*Individuals*), "**Individual**" means a natural person as defined by the Civil Code.

Except where the context otherwise requires, references in this Schedule to "*paragraph*" are to paragraphs in the opinion letter (but not to its Annexes or Schedules) and references to "*sections*" are to sections of this Schedule.

1. MODIFICATIONS TO QUALIFICATIONS

On the basis of the terms of reference and assumptions and subject to the qualifications (in each case set out in this opinion letter as modified, or added to, by this Schedule), we are of the following opinion.

1.1 Death

In case of the death of an Individual any creditor could enforce its claim only within the course of the relevant probate action; however, this does not affect the enforcement of collateral.

2. ADDITIONAL QUALIFICATIONS

The opinions in this opinion letter are subject to the following additional qualifications.

Complying with consumer protection laws and informing the Individual in detail on the Agreement could be very important. Individuals in Hungary are far less familiar with financial transactions than Individuals in other countries of the EU. Individuals successfully challenged banking and investment transactions on the basis that they were in error when concluding the agreement, they have not been provided with adequate information, they have not fully understood the foreign language documentation etc. Such challenges have been successful irrespective of any documentary evidence that for instance the Individual has signed a declaration that it accepts English as the contracting language or the language of the underlying documents. These risks are obviously lower in case the Individual concerned qualifies as a professional or qualified investor. Consumer protection risks are also lower if the Individual is a private entrepreneur and it enters into the Agreement within such capacity.

SCHEDULE 6
FUNDS

Subject to the modifications and additions set out in this Schedule 6 (*Funds*), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are funds. For the purposes of this Schedule 6 (*Funds*), "**Fund**" means an investment fund/unit under the Funds Act.

Except where the context otherwise requires, references in this Schedule to "*paragraph*" are to paragraphs in the opinion letter (but not to its Annexes or Schedules) and references to "*sections*" are to sections of this Schedule.

1. MODIFICATIONS TO QUALIFICATIONS

On the basis of the terms of reference and assumptions and subject to the qualifications (in each case set out in this opinion letter as modified, or added to, by this Schedule), we are of the following opinion.

1.1 Insolvency Proceedings

Termination (in Hungarian: "*megszüntetés*")

(a) A Fund may be dissolved by termination. The resolution on the commencement of the termination procedure is made be either the HSFA or the fund manager. Commencing the termination procedure is mandatory if:

(i) the net asset value of the public, open-ended Fund falls below HUF 20 million in average for three months;

(ii) the net asset value of the Fund turned to negative;

(iii) the licence of the fund manager to manage funds is withdrawn by the HFSA;

(iv) the HFSA has obliged the fund manager to transfer the management of the Fund but no other fund manager has agreed to assume the management of the Fund; or

(v) following the end of suspending the trade or redemption of investment certificates (units) the conditions of continuous trade of the same are not secured.

The termination procedure commences without the need of a separate resolution if the term of a Fund expires (if applicable) or if the investors have submitted instructions regarding the redemption of all investment certificates (units).

(b) During the termination procedure the Fund operates on a business as usual basis (with certain exemptions).

(c) In the course of a termination procedure the assets of the Fund shall be sold. If the own equity of the Fund is negative, creditors are satisfied in accordance with the waterfall set out in the Insolvency Act.

Bankruptcy (in Hungarian: "*csődeljárás*")

In bankruptcy (reorganisation) proceedings the debtor requests relief from its financial obligations temporarily in an attempt to seek a composition agreement with its creditors. The goal of the bankruptcy procedure is to reorganise the debtor company with the consent of most of its creditors by granting it a moratorium, resulting in an automatic 120 days suspension of its payment obligations (which is extendable to 240/365 days with the consent of a certain proportion of creditors). We note that only the debtor company is entitled to file petition for bankruptcy proceedings with the court.

Liquidation (in Hungarian: "*felszámolás*")

(a) Apart from the events when liquidation proceedings may be initiated against companies generally, the HFSA may initiate the liquidation proceeding against the fund manager if (i) it has revoked the authorisation of the fund manager for not having paid its undisputed debts within 5 days following the due date and its assets do not cover the claims of the known creditors or (ii) if the fund manager is a branch office and any insolvency proceeding have been brought against its foreign parent company. If liquidation proceedings against the fund manager is initiated by the HFSA, the court shall commence the liquidation proceedings without investigating the solvency status of the fund manager.

(b) Under certain circumstances a simplified liquidation procedure applies. In respect of companies with strategic importance to the national economy specific rules apply to the process (as also referred to under paragraph 4 (*Qualifications*)).

Solvent dissolution (in Hungarian "*végelszámolás*")

The qualification relating to solvent dissolution shall apply mutatis mutandis to the fund manager. If the fund manager is also an Investment Firm as defined in Schedule 2 (*Investment Firms*), the corresponding section of that Schedule 2 shall also need to take into account.

We confirm that the events specified in the Insolvency Events of Default Clause adequately refer to all Insolvency Proceedings, if supplemented by the following event: termination procedure regarding a Fund.

The considerations above apply only to the fund manager, but not the Fund:

1.2 Insolvency of Foreign Parties

Subject also to the considerations mentioned under section 1.1 (*Insolvency Proceedings*) where the Defaulting Party is incorporated or formed under the laws of another jurisdiction (a "**foreign Defaulting Party**") there can be no separate Insolvency Proceedings in this jurisdiction in relation to the foreign Defaulting Party and the authorities in this jurisdiction would defer to the proceedings in the foreign Defaulting Party's home jurisdiction. However, fund managers and Funds do not fall under the scope of the EU Insolvency Regulation. The HFSA and/or other relevant authorities may take actions and steps to coordinate the insolvency proceedings among EU member states involved.

SCHEDULE 7
CHARITABLE BODIES

Subject to the modifications and additions set out in this Schedule 7 (*Charitable bodies*), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are charitable bodies. For the purposes of this Schedule 7 (*Charitable bodies*), "**Foundation**" means a foundation defined under the Civil Code and the Association Act.

Except where the context otherwise requires, references in this Schedule to "*paragraph*" are to paragraphs in the opinion letter (but not to its Annexes or Schedules) and references to "*sections*" are to sections of this Schedule.

1. MODIFICATIONS TO QUALIFICATIONS

On the basis of the terms of reference and assumptions and subject to the qualifications (in each case set out in this opinion letter as modified, or added to, by this Schedule), we are of the following opinion.

1.1 Insolvency Proceedings

Termination (in Hungarian: "*megszüntetés*")

A Foundation may be dissolved by termination. Termination is effected by deletion of the Foundation from the registry of the court. The court deletes the Foundation from the registry if:

(a) the purpose determined in its constitution has been achieved;

(b) the term determined in its constitution has expired;

(c) the condition determined in its constitution has met; or

(d) the court orders the its deletion or merge with another foundation.

Based on the petition of the prosecutor the court deletes the Foundation also if its purpose has become impossible to achieve (in this case the founder could also request deletion) or if further to change in law the court would have to refuse its registration. The court is entitled to delete the Foundation of the management body endangers the purpose of the Foundation and the founder fails to appoint a new management body following the notification by the court.

The termination procedure normally followed by a winding-up (dissolution) procedure.

Bankruptcy (in Hungarian: "*csődeljárás*")

In bankruptcy (reorganisation) proceedings the debtor requests relief from its financial obligations temporarily in an attempt to seek a composition agreement with its creditors. The goal of the bankruptcy procedure is to reorganise the debtor company with the consent of most of its creditors by granting it a moratorium, resulting in an automatic 120 days suspension of its payment obligations (which is extendable to 240/365 days with the consent of a certain proportion of creditors). We note that only the debtor company is entitled to file petition for bankruptcy proceedings with the court.

Liquidation (in Hungarian: "*felszámolás*")

(a) Liquidation proceedings is a procedure initiated by a creditor of the company or by the debtor company itself (or in some cases *ex officio* by the court of registration or criminal court), in a situation where the company is insolvent and unable to perform its financial obligations. The liquidation proceedings ends (unless the company manages to become solvent again) by the dissolution of the debtor company. The court, in its resolution ordering the commencement of the liquidation proceedings designates a professional, independent liquidator. The liquidator has the power to monitor the company's business activities to protect the creditors' interests.

(b) Under the Insolvency Act a petition for the opening of liquidation proceedings can be solely based on an inability to pay. A Foundation is insolvent if:

(i) it failed to comply with its contractual payment obligations within 60 days from the due date, and such obligations were not challenged or they were explicitly acknowledged by the Foundation and the Foundation did not pay its debts following the respective payment notice of the creditor (no liquidation may be commenced if the Foundation has acknowledged or undisputed receivables *vis-á-vis* a state organ or municipality under a subsidy relationship); or

(ii) it failed to pay its debts based on a final and binding court order (or payment order issued by a notary public) within the deadline set forth therein; or

(iii) it failed to comply with its obligations set forth in a composition agreement concluded in a bankruptcy or liquidation procedure; or

(iv) an enforcement procedure against it was unsuccessful; or

(v) the court has terminated the bankruptcy procedure against it; or

(vi) in the procedure initiated by the debtor Foundation or the receiver (the person responsible for the solvent dissolution

("*végelszámolás*") of the Foundation) the amount of the Foundation's debts exceeds the value of its assets, or the Foundation could not (or it is foreseeable that it will not) repay its debts when due, and the founder does not undertake to provide funds for the payment of such debts when they become due.

In case of sections (i) and (ii) above the Foundation may request the court to grant a maximum 90 days moratorium with the obligation to prepare a reorganisation plan. The court commences the liquidation if by the deadline the Foundation has not submitted the reorganisation plan, the agreement with the creditors and the resolutions of the executive bodies of the Foundation resolving issues regarding the management of the financial difficulties.

(c) Under certain circumstances a simplified liquidation procedure applies. In respect of companies with strategic importance to the national economy specific rules apply to the process (as also referred to under paragraph 4 (*Qualifications*)).

Solvent dissolution (in Hungarian "*végelszámolás*")

The qualification relating to solvent dissolution shall apply mutatis mutandis to the Foundation. No simplified dissolution procedure applies in case of Foundations.

SCHEDULE 8
MUNICIPALITIES

Subject to the modifications and additions set out in this Schedule 4 (*Municipalities*), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are municipalities. For the purposes of this Schedule 4 (*Municipalities*), "**Municipality**" means a local municipality regulated under the Municipalities Act.

Except where the context otherwise requires, references in this Schedule to "*paragraph*" are to paragraphs in the opinion letter (but not to its Annexes or Schedules) and references to "*sections*" are to sections of this Schedule.

1. MODIFICATIONS TO QUALIFICATIONS

On the basis of the terms of reference and assumptions and subject to the qualifications (in each case set out in this opinion letter as modified, or added to, by this Schedule), we are of the following opinion.

1.1 Enforceability of the Security Deposit

A creditor should exercise its security deposit right within 30 days from the commencement of the debt restructuring proceedings.

1.2 Termination of certain security interests

Upon the commencement of the debt restructuring proceeding, each and every mortgage, charge, pledge over the assets of the municipality, call-option right, repurchase right and contractual restriction on sale or encumbrance shall cease to exist.

1.3 Furthermore, the qualifications at paragraph 4 are deemed modified as follows.

According to the Debt Restructuring Act, set-off rights could be exercised against the Municipality only in respect of claims that have arisen before the commencement date of the debt restructuring procedure. Moreover, as a second condition, the creditor of the Municipality should notify the administrator on its claims within 60 days from the publication of the commencement date of the debt restructuring procedure. Without such notification, the creditor may not exercise its set-off right against the Municipality. According to article 13.(1)(d) of the Debt Restructuring Act the Municipality – in principle – may not perform any of its existing payment obligations following the commencement date of the debt restructuring procedure. In addition, pursuant to article 31.(1)(b) of the same act, not only claims secured by pledge, charge or mortgage fall under the second category of the waterfall of creditors' claims but claims secured by security deposits as well (to the extent such security deposits are not exercised as set out above under section 1.1 (*Enforceability of the Security Deposit*) and only if such pledge, charge, mortgage or security deposit was created at least 6 months prior to the commencement of the debt restructuring procedure. This

means that a claim secured by such security interests *vis-á-vis* a Municipality may not be satisfied (save for the case, and only to the extent, where security deposit is enforced, as referred to above) directly from the asset of the security interest and each such security interest merely provides a privileged secured creditor status.

1.4 The following challenge risks have to be taken into consideration. Within 90 days from the commencement of the debt restructuring procedure, the administrator may challenge contracts concluded or legal declarations made by the Municipality within one year of the commencement date of the restructuring procedure or at any time thereafter, if the subject matter of such contract or legal declaration is (A) a free asset transfer by the insolvent Municipality; (B) an undertaking by the insolvent Municipality in respect of its assets for no consideration; or (C) an arrangement resulting in evidently disproportional benefit in value to the contracting party. On the basis of the above described provisions of the Debt Restructuring Act we are of the view that challenging the Collateral could be made on the basis of the general civil law challenge rights provided under the Civil Code (including, among others, misleading, error, prominent disproportionality), and not on the bases provided for in the Debt Restructuring Act.

2. ADDITIONAL QUALIFICATIONS

2.1 Choice of law and issues relating to national property

According to the National Properties Act, financial instruments and receivables of the Municipality also fall under the category of national property. Although the National Properties Act stipulates that its scope shall not extend to receivables and monetary obligations forming part of national property, its text is vague and since the National Properties Act entered into force only in 2012, its application and interpretation has not yet tested. It is a question for instance whether or not the financial instruments forming part of the national property are covered by exemption of receivables and monetary obligations. If not there is a risk that the following rules may apply to the Agreement:

2.1.1 national property cannot be disposed (transferred, etc.) or encumbered. Certain exemptions apply in respect of certain assets (e.g. if an act of Parliament or decree of the government enables the disposal of an asset);

in respect of an agreement relating to national property situated within the borders of Hungary (in this respect a security on a Hungarian securities account may also qualify as such property) only Hungarian language, Hungarian governing law and the jurisdiction of Hungarian courts (excluding arbitration) could be stipulated. The question what are the requirements of an agreement to relate to national property and thus to fall under the scope of this provisions remains open.

According to a recent amendment to the National Properties Act the above restriction does not apply to agreements relating to (i) tradable securities, (ii)

financial market instruments, (iii) securities issued by collective investment forms and (iv) option, forward, swap or forward rate agreements relating to securities, foreign exchanges, interest rates or returns and any other derivative transactions, instruments, financial indexes or arrangements which may be settled by physical delivery or monetary payment.

SCHEDULE 9
SOVEREIGN AND PUBLIC SECTOR/GOVERNMENT ENTITIES

Subject to the modifications and additions set out in this Schedule 5 (*Sovereign and public sector/government entities*), the opinions, assumptions and qualifications set out in this opinion letter will also apply in respect of Parties which are the state or public sector entities. For the purposes of this Schedule 5 (*Sovereign and public sector/government entities*), "**Government Entity**" means the state, any government organ and company owned by the state.

Except where the context otherwise requires, references in this Schedule to "*paragraph*" are to paragraphs in the opinion letter (but not to its Annexes or Schedules) and references to "*sections*" are to sections of this Schedule.

1. ADDITIONAL QUALIFICATIONS

The opinions in this opinion letter are subject to the following additional qualifications.

1.1 Choice of law and issues relating to national property

According to the National Properties Act, financial instruments and receivables of the state also fall under the category of national property. Although the National Properties Act stipulates that its scope shall not extend to receivables and monetary obligations forming part of national property, its text is vague and since the National Properties Act entered into force only in 2012, its application and interpretation has not yet tested. It is a question for instance whether or not the financial instruments forming part of the national property are covered by exemption of receivables and monetary obligations. If not there is a risk that the following rules may apply to the Agreement:

1.1.1 national property cannot be disposed (transferred, etc.) or encumbered. Certain exemptions apply in respect of certain assets (e.g. if an act of Parliament or decree of the government enables the disposal of an asset);

in respect of an agreement relating to national property situated within the borders of Hungary (in this respect a security on a Hungarian securities account may also qualify as such property) only Hungarian language, Hungarian governing law and the jurisdiction of Hungarian courts (excluding arbitration) could be stipulated. The question what are the requirements of an agreement to relate to national property and thus to fall under the scope of this provisions remains open.

According to a recent amendment to the National Properties Act the above restriction does not apply to agreements relating to (i) tradable securities, (ii) financial market instruments, (iii) securities issued by collective investment forms and (iv) option, forward, swap or forward rate agreements relating to

securities, foreign exchanges, interest rates or returns and any other derivative transactions, instruments, financial indexes or arrangements which may be settled by physical delivery or monetary payment.

1.2 **Immunity**

In any proceedings taken in or outside Hungary in relation to the Agreement, a Government Entity may claim immunity from suit, enforcement or other legal process for itself or any of its respective assets. Although under civil law contracts – with certain exemptions – no such immunity may be granted explicitly by laws, in practice there have been cases where the state refused to implement the judgement of an international court.

ANNEX 1
FORM OF FOA AGREEMENTS

1. Professional Client Agreement (2007 Version), including Module G (*Margin and Collateral*) (the "**Professional Client Agreement 2007**")

2. Professional Client Agreement (2009 Version), including Module G (*Margin and Collateral*) (the "**Professional Client Agreement 2009**")

3. Professional Client Agreement (2011 Version) including Module G (*Margin and Collateral*) (the "**Professional Client Agreement 2011**")

4. Retail Client Agreement (2007 Version) including Module G (*Margin and Collateral*) (the "**Retail Client Agreement 2007**")

5. Retail Client Agreement (2009 Version) including Module G (*Margin and Collateral*) (the "**Retail Client Agreement 2009**")

6. Retail Client Agreement (2011 Version) including Module G (*Margin and Collateral*) (the "**Retail Client Agreement 2011**")

7. Eligible Counterparty Agreement (2007 Version) including Module G (*Margin*) (the "**Eligible Counterparty Agreement 2007**")

8. Eligible Counterparty Agreement (2009 Version) including Module G (*Margin*) (the "**Eligible Counterparty Agreement 2009**")

9. Eligible Counterparty Agreement (2011 Version) including Module G (*Margin*) (the "**Eligible Counterparty Agreement 2011**")

For the avoidance of doubt none of the forms of the Agreements listed at this Annex 1 include or incorporate the Title Transfer Securities and Physical Collateral Annex to the Netting Modules published by the Futures and Options Association.

Where the form of any Agreement listed in this Annex 1 (as published by the Futures and Options Association) (the "**FOA Published Form Agreement**") expressly contemplates the election of certain variables and alternatives, the Agreements listed above shall be deemed to include any such document in respect of which the parties have made such expressly contemplated elections (and have made any deletions required by such elections, where such deletions are expressly contemplated in the event of such election by the applicable FOA Published Form Agreement).

Each of the Agreements listed in this Annex 1 may be deemed to include Agreements identical to the relevant FOA Published Form Agreement, save for the substitution of Two Way Clauses in place of the equivalent terms in the FOA Published Form Agreement.

ANNEX 2
DEFINED TERMS RELATING TO THE AGREEMENTS

1. The "**Eligible Counterparty Agreements**" means each of the Eligible Counterparty Agreement 2007, the Eligible Counterparty Agreement 2009 and the Eligible Counterparty Agreement 2011 (each as listed and defined at Annex 1).

2. The "**Professional Client Agreements**" means each of the Professional Client Agreement 2007, the Professional Client Agreement 2009 and the Professional Client Agreement 2011 (each as listed and defined at Annex 1).

3. The "**Retail Client Agreements**" means each of the Retail Client Agreement 2007, the Retail Client Agreement 2009 and the Retail Client Agreement 2011 (each as listed and defined at Annex 1).

4. An "**Equivalent 2011 Agreement without Core Rehypothecation Clause**" means an Equivalent Agreement in the form of the Eligible Counterparty Agreement 2011, Retail Client Agreement 2011 or Professional Client Agreement 2011 but which does not contain the Rehypothecation Clause.

5. "**Core Provisions**" means:

   (a) with respect to all Equivalent Agreements, the Security Interest Provisions; and

   (b) with respect to Equivalent Agreements that are in the form of the Eligible Counterparty Agreement 2011, Retail Client Agreement 2011 or Professional Client Agreement 2011 (but not with respect to an Equivalent 2011 Agreement without Core Rehypothecation Clause), the Rehypothecation Clause.

6. "**Rehypothecation Clause**" means:

   (i) in the case of Agreements in the form of the Professional Client Agreement 2011, clause 8.13 (***Rehypothecation***);

   (ii) in the case of Agreements in the form of the Retail Client Agreement 2011, clause 8.15 (***Rehypothecation***);

   (iii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2011, clause 7.13 (***Rehypothecation***); and

   (iv) in the case of an Equivalent Agreement, a clause that is identically the same in form and language as a clause referred to in any of the foregoing paragraphs (i) to (iii) of this definition (except insofar as variations may be required for internal cross-referencing purposes);

7. "**Security Interest Provisions**" means:

(a) the "**Security Interest Clause**", being:

(i) in the case of Agreements in the form of the Professional Client Agreement 2007, clause 8.6 (***Security interest***);

(ii) in the case of Agreements in the form of the Professional Client Agreement 2009, clause 8.6 (***Security interest***);

(iii) in the case of Agreements in the form of the Professional Client Agreement 2011, clause 8.7 (***Security interest***);

(iv) in the case of Agreements in the form of the Retail Client Agreement 2007, clause 8.8 (***Security interest***);

(v) in the case of Agreements in the form of the Retail Client Agreement 2009, clause 8.8 (***Security interest***);

(vi) in the case of Agreements in the form of the Retail Client Agreement 2011, clause 8.9 (***Security interest***);

(vii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2007, clause 7.6 (***Security interest***);

(viii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2009, clause 7.6 (***Security interest***);

(ix) in the case of Agreements in the form of the Eligible Counterparty Agreement 2011, clause 7.7 (***Security interest***); and

(x) in the case of an Equivalent Agreement, a clause that is identically the same in form and language as a clause referred to in any of the foregoing paragraphs (i) to (ix) of this definition (except insofar as variations may be required for internal cross-referencing purposes);

(b) the "**Power to Charge Clause**", being:

(i) in the case of Agreements in the form of the Professional Client Agreement 2007, clause 8.10 (***Power to charge***);

(ii) in the case of Agreements in the form of the Professional Client Agreement 2009, clause 8.10 (***Power to charge***);

(iii) in the case of Agreements in the form of the Professional Client Agreement 2011, clause 8.10 (***Power to charge***);

(iv) in the case of Agreements in the form of the Retail Client Agreement 2007, clause 8.12 (***Power to charge***);

(v) in the case of Agreements in the form of the Retail Client Agreement 2009, clause 8.12 (***Power to charge***);

(vi) in the case of Agreements in the form of the Retail Client Agreement 2011, clause 8.12 (***Power to charge***);

(vii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2007, clause 7.10 (***Power to charge***);

(viii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2009, clause 7.10 (***Power to charge***);

(ix) in the case of Agreements in the form of the Eligible Counterparty Agreement 2011, clause 7.10 (***Power to charge***); and

(x) in the case of an Equivalent Agreement, a clause that is identically the same in form and language as a clause referred to in any of the foregoing paragraphs (i) to (ix) of this definition (except insofar as variations may be required for internal cross-referencing purposes);

(c) the "**Power of Sale Clause**", being:

(i) in the case of Agreements in the form of the Professional Client Agreement 2007, clause 8.11 (***Power of sale***);

(ii) in the case of Agreements in the form of the Professional Client Agreement 2009, clause 8.11 (***Power of sale***);

(iii) in the case of Agreements in the form of the Professional Client Agreement 2011, clause 8.11 (***Power of sale***);

(iv) in the case of Agreements in the form of the Retail Client Agreement 2007, clause 8.13 (***Power of sale***);

(v) in the case of Agreements in the form of the Retail Client Agreement 2009, clause 8.13 (***Power of sale***);

(vi) in the case of Agreements in the form of the Retail Client Agreement 2011, clause 8.13 (***Power of sale***);

(vii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2007, clause 7.11 (***Power of sale***);

(viii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2009, clause 7.11 (***Power of sale***);

(ix) in the case of Agreements in the form of the Eligible Counterparty Agreement 2011, clause 7.11 (***Power of sale***); and

(x) in relation to an Equivalent Agreement, a clause that is identically the same in form and language as the clauses referred to in any of the foregoing paragraphs (i) to (ix) of this definition (except insofar as variations may be required for internal cross-referencing purposes);

(d) the "**Power of Appropriation Clause**", being:

(i) in the case of Agreements in the form of the Professional Client Agreement 2007, clause 8.12 (***Power of appropriation***);

(ii) in the case of Agreements in the form of the Professional Client Agreement 2009, clause 8.12 (***Power of appropriation***);

(iii) in the case of Agreements in the form of the Professional Client Agreement 2011, clause 8.12 (***Power of appropriation***);

(iv) in the case of Agreements in the form of the Retail Client Agreement 2007, clause 8.14 (***Power of appropriation***);

(v) in the case of Agreements in the form of the Retail Client Agreement 2009, clause 8.14 (***Power of appropriation***);

(vi) in the case of Agreements in the form of the Retail Client Agreement 2011, clause 8.14 (***Power of appropriation***);

(vii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2007, clause 7.13 (***Power of appropriation***)

(viii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2009, clause 7.13 (***Power of appropriation***);

(ix) in the case of Agreements in the form of the Eligible Counterparty Agreement 2011, clause 7.12 (***Power of appropriation***); and

(x) in the case of an Equivalent Agreement, a clause that is identically the same in form and language as a clause referred to in any of the foregoing paragraphs (i) to (ix) of this definition (except insofar as variations may be required for internal cross-referencing purposes);

(e) the "**Lien Clause**", being:

(i) in the case of Agreements in the form of the Professional Client Agreement 2007, clause 8.13 (***General lien***);

(ii) in the case of Agreements in the form of the Professional Client Agreement 2009, clause 8.13 (***General lien***);

(iii) in the case of Agreements in the form of the Professional Client Agreement 2011, clause 8.14 (***General lien***);

(iv) in the case of Agreements in the form of the Retail Client Agreement 2007, clause 8.15 (***General lien***);

(v) in the case of Agreements in the form of the Retail Client Agreement 2009, clause 8.15 (***General lien***);

(vi) in the case of Agreements in the form of the Retail Client Agreement 2011, clause 8.16 (***General lien***);

(vii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2007, clause 7.12 (***General lien***);

(viii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2009, clause 7.12 (***General lien***);

(ix) in the case of Agreements in the form of the Eligible Counterparty Agreement 2011, clause 7.14 (***General lien***); and

(x) in the case of an Equivalent Agreement, a clause that is identically the same in form and language as a clause referred to in any of the foregoing paragraphs (i) to (ix) of this definition (except insofar as variations may be required for internal cross-referencing purposes); and

(f) the "**Client Money Additional Security Clause**", being:

(i) in the case of Agreements in the form of the Professional Client Agreement 2007, clause 7.8 (***Additional security***) at module F Option 4 (where incorporated into such Agreement);

(ii) in the case of Agreements in the form of the Professional Client Agreement 2009, clause 7.9 (***Additional security***) at module F Option 1 (where incorporated into such Agreement);

(iii) in the case of Agreements in the form of the Professional Client Agreement 2011, clause 7.9 (***Additional security***) at module F Option 1 (where incorporated into such Agreement);

(iv) in the case of Agreements in the form of the Retail Client Agreement 2007, clause 7.8 (***Additional security***) at module F Option 4 (where incorporated into such Agreement);

(v) in the case of Agreements in the form of the Retail Client Agreement 2009, clause 7.9 (***Additional security***) at module F Option 1 (where incorporated into such Agreement);

(vi) in the case of Agreements in the form of the Retail Client Agreement 2011, clause 7.9 (***Additional security***) at module F Option 1 (where incorporated into such Agreement);

(vii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2007, clause 6.8 (***Additional security***) at module F Option 4 (where incorporated into such Agreement);

(viii) in the case of Agreements in the form of the Eligible Counterparty Agreement 2009, clause 6.9 (***Additional security***) at module F Option 1 (where incorporated into such Agreement);

(ix) in the case of Agreements in the form of the Eligible Counterparty Agreement 2011, clause 6.9 (***Additional security***) at module F Option 1 (where incorporated into such Agreement); and

(x) in the case of an Equivalent Agreement, a clause that is identically the same in form and language as the clauses referred to in any of the foregoing paragraphs (i) to (ix) of this definition (except insofar as variations may be required for internal cross-referencing purposes).

8. "**Two Way Clauses**" means each of the Futures and Options Association's Short-Form Two-Way Clauses 2007, the Short-Form Two-Way Clauses 2009, the Short-Form Two-Way Clauses 2011, the Long-Form Two-Way Clauses 2007, the Long-Form Two-Way Clauses 2009 and the Long-Form Two-Way Clauses 2011.

ANNEX 3
NON-MATERIAL AMENDMENTS

1. Any change to the numbering or order of a provision or provisions or the drafting style thereof (e.g., addressing the other party as "you", "Counterparty", "Party A/Party B") provided in each case that the plain English sense and legal effect both of each such provision and of the Agreement as a whole (including the integrity of any cross references and usage of defined terms) remains unchanged.

2. Any change to a provision or provisions by defining certain key terms (e.g., party, exchange, currency, defaulting party or non-defaulting party) and using these terms in large caps throughout the Agreement provided in each case that the plain English sense and legal effect both of each such provision and of the Agreement as a whole (including the integrity of any cross references and usage of defined terms) remains unchanged.

3. An addition to the list of events that constitute an Event of Default (e.g. without limitation, the failure to deliver securities or other assets, a force majeure, cross default or downgrading event the death or incapacity of a Party or its general partner any default under a specified transaction or a specified master agreement), such change may or may not be coupled with a grace period or the serving of a written notice on the Defaulting Party by the Non-Defaulting Party, such change may be expressed to apply to one only of the Parties.

4. Any change to an Insolvency Event of Default (i) introducing a grace period for the filing of a petition for bankruptcy proceedings (of e.g. 15 or 30 days), (ii) modifying or deleting any such grace period, (iii) requiring that the filing of the petition is not frivolous, vexatious or otherwise unwarranted or (iv) that the non-defaulting party has reasonable grounds to conclude that the performance by the defaulting party of its obligations under the Agreement, Transactions, or both, is endangered.

5. Any change to an Insolvency Event of Default more particularly describing (i) the relevant procedures that would or would not constitute such event of default or termination event (ii) the relevant officers the appointment of which would or would not constitute such Insolvency Event of Default.

6. Any change to an Insolvency Event of Default extending its scope to events occurring with respect to the credit support provider, an affiliate, a custodian or trustee of a Party.

7. Any change to an Insolvency Event of Default replacing such event of default with a provision aligned to Section 5(a)(vii) of the 1992 or 2002 ISDA Master Agreement (or relevant part thereof).

8. Any change to the Agreement requiring the Non-defaulting Party when exercising its rights under the Security Interest Provisions (or other provisions) or making determinations to act in good faith and/or a commercially reasonable manner.

9. Any change clarifying that the Non-defaulting Party must, or may not, notify the other party of its exercise of rights under the Security Interest Provisions or other provision.