

## OFFERING CIRCULAR DATED 19 APRIL 2005

**S.C.I.P. - Società Cartolarizzazione Immobili Pubblici S.r.l.**  
(incorporated with limited liability under the laws of the Republic of Italy)

**€1,000,000,000 Class A4 Asset-Backed Step-Up Floating Rate Notes due 2013**  
Issue Price: 100 per cent

**€2,895,000,000 Class A5 Asset-Backed Step-Up Floating Rate Notes due 2025**  
Issue Price: 100 per cent

**€475,000,000 Class B2 Asset-Backed Step-Up Floating Rate Notes due 2025**  
Issue Price: 100 per cent

Application has been made to the Luxembourg Stock Exchange (the "Stock Exchange") to list the €1,000,000,000 Class A4 Asset-Backed Step-Up Floating Rate Notes due 2013 (the "Class A4 Notes"), the €2,895,000,000 Class A5 Asset-Backed Step-Up Floating Rate Notes due 2025 (the "Class A5 Notes" and, together with the Class A4 Notes, the "New Class A Notes") and the €475,000,000 Class B2 Asset-Backed Step-Up Floating Rate Notes due 2025 (the "Class B2 Notes" and, together with the New Class A Notes, the "New Notes") of S.C.I.P. - Società Cartolarizzazione Immobili Pubblici S.r.l. (the "Issuer"), a limited liability company (*società a responsabilità limitata*) incorporated under the laws of the Republic of Italy. The New Notes are expected to be issued on 21 April 2005 (the "New Issue Date").

On 11 December 2002 (the "First Issue Date"), the Issuer issued the €1,500,000,000 Class A1 Asset-Backed Floating Rate Notes due 2006 (the "Class A1 Notes"), the €2,000,000,000 Class A2 Asset-Backed Floating Rate Notes due 2007 (the "Class A2 Notes"), the €1,743,000,000 Class A3 Asset-Backed Floating Rate Notes due 2008 (the "Class A3 Notes" and, together with the Class A1 Notes and the Class A2 Notes, the "First Class A Notes", and the First Class A Notes together with the New Class A Notes, the "Class A Notes"), the €858,000,000 Class B Asset-Backed Floating Rate Notes due 2008 (the "Class B1 Notes", and the Class B1 Notes together with the Class B2 Notes, the "Class B Notes") and the €536,000,000 Class C Asset-Backed Floating Rate Notes due 2008 (the "Class C Notes" and, together with the First Class A Notes and the Class B1 Notes, the "First Notes") as described in an offering circular dated 11 December 2002 (the "First Offering Circular"). As at the date of this Offering Circular, all the Class A1 Notes have been redeemed in full. The First Notes and the New Notes are together referred to as the "Notes" and the holders thereof, the "Noteholders".

This Offering Circular is being provided by the Issuer in connection with the offer of the New Notes and replaces the First Offering Circular in its entirety following, *inter alia*, changes to the terms and conditions of the First Notes upon the issue of the New Notes, as described herein.

**For a discussion of certain risks and other factors that should be considered in connection with an investment in the Notes, see "Certain Investment Considerations" below.**

The principal source of payment of interest and repayment of principal on the Notes will be (i) the revenues arising out of the disposal process of and certain rental payments deriving from the Real Estate Assets (as defined below) transferred to the Issuer by the Contributors (as defined below) and (ii), in respect of the First Notes, the First Notes Reserve Amount (as defined below).

Interest on the First Notes accrued from the First Issue Date and interest on the New Notes will accrue from the New Issue Date. Interest on the Notes will be payable in Euro quarterly in arrears on the 26<sup>th</sup> day of January, April, July and October in each year, provided that if any such day is not a Business Day (as defined in the terms and conditions of the Notes (the "Conditions" and any reference herein to a numbered "Condition" is to the correspondingly numbered provision thereof)), then interest on such Notes will be payable on the next succeeding Business Day (each, a "Payment Date"). The rates of interest applicable to the Notes will be applied for each period from (and including) a Payment Date to (but excluding) the next following Payment Date (each, an "Interest Period", provided that the first Interest Period for the First Notes (the "First Notes Initial Interest Period") was from (and including) the First Issue Date to (but excluding) the Payment Date falling in April 2003 and the first Interest Period for the New Notes (the "New Notes Initial Interest Period") shall be from (and including) the New Issue Date to (but excluding) the Payment Date falling in July 2005).

The rate of interest applicable to the Notes shall be the rate per annum equal to the Euro zone - inter-bank offered rate ("EURIBOR") for three month deposits in Euro (except that, with respect to the New Notes, for the New Notes Initial Interest Period, an interpolated interest rate based on three and four month deposits in Euro will be substituted for three month EURIBOR) determined in accordance with Condition 6 (Interest) plus a margin, (a) in respect of the Class A2 Notes, of 0.27 per cent per annum, (b) in respect of the Class A3 Notes, of 0.32 per cent per annum, (c) in respect of the Class B1 Notes, of 0.65 per cent per annum, (d) in respect of the Class C Notes, of 1.17 per cent per annum, (e) in respect of the Class A4 Notes, of 0.07 per cent per annum up to (and including) the Payment Date falling in April 2006 (the "Class A4 Step-Up Date") and thereafter 0.21 per cent per annum, (f) in respect of the Class A5 Notes, of 0.20 per cent per annum up to (and including) the Payment Date falling in October 2008 (the "Class A5 Step-Up Date") and thereafter 0.40 per cent per annum, and (g) in respect of the Class B2 Notes, of 0.48 per cent per annum up to (and including) the Payment Date falling in January 2009 (the "Class B2 Step-Up Date") and thereafter 0.96 per cent per annum.

The Notes will be subject to mandatory redemption in accordance with Condition 7.2 (Mandatory Redemption). In certain other circumstances Notes may be redeemed at the option of the Issuer at their Principal Amount Outstanding (as defined in the Conditions) together with accrued interest to the date fixed for redemption. See "Transaction Summary Information" below.

Unless previously redeemed or cancelled in accordance with the Conditions, the Class A2 Notes will be redeemed on the Payment Date in April 2007, the Class A3 Notes will be redeemed on the Payment Date in October 2008, the Class B1 Notes will be redeemed on the Payment Date in October 2008, the Class C Notes will be redeemed on the Payment Date in October 2008, the Class A4 Notes will be redeemed on the Payment Date in April 2013, the Class A5 Notes will be redeemed on the Payment Date in April 2025 and the Class B2 Notes will be redeemed on the Payment Date in April 2025 (in each case, the "Legal Maturity Date" of such Class of Notes). If any of the Notes cannot be redeemed in full on the Legal Maturity Date as a result of the Issuer having insufficient funds available to it for such redemption in accordance with the Intercreditor Agreement (as defined herein) and the Conditions, any amount unpaid shall remain outstanding and the Conditions shall continue to apply in full in respect of such Notes until the earlier of (i) the date on which such Notes are redeemed in full and (ii) the Payment Date falling in October 2040, at which date (the "Cancellation Date") any amounts remaining outstanding in respect of such Notes shall be deemed to be released by the holders of the relevant Notes and the Notes shall be cancelled.

Within each Class, the Notes will rank *pari passu* and without any preference or priority among themselves. As between Classes, save as provided in the Conditions, the First Class A Notes rank *pari passu* and ratably without any preference or priority among themselves for all purposes, but in priority to the Class B1 Notes, the Class C Notes and the New Notes; the Class B1 Notes rank *pari passu* and ratably without any preference or priority among themselves for all purposes, but in priority to the Class C Notes and the New Notes and subordinated to the First Class A Notes; the Class C Notes rank *pari passu* and ratably without any preference or priority among themselves for all purposes, but in priority to the New Notes and subordinated to the First Class A Notes and the Class B1 Notes; the New Class A Notes rank *pari passu* and ratably without any preference or priority among themselves for all purposes, but in priority to the Class B2 Notes and subordinated to the First Notes; and the Class B2 Notes rank *pari passu* and ratably without any preference or priority among themselves for all purposes, but subordinated to the First Notes and the New Class A Notes. Following the service of a Trigger Notice (as defined in the Conditions), the Notes will become immediately due and repayable at their Principal Amount Outstanding together with interest and other amounts due in respect of the Notes and all payments of principal, interest and any other amounts due in respect of the Notes shall be made *pro rata* without priority within the First Class A Notes, within the Class B1 Notes, within the Class C Notes, within the New Class A Notes and within the Class B2 Notes, in accordance with the amounts payable as set out in Condition 5 (Priorities of Payments).

All payments of principal and interest on the Notes will be made free and clear of any withholding or deduction for or on account of Italian withholding or substitute taxes, unless the Issuer or any intermediary that intervenes in the payment of interest on, and principal of, the Notes is required by applicable law to make such a withholding or deduction. If any withholding or deduction for or on account of tax is applicable to the Notes, payments of interest on, and principal of, the Notes will be made subject to such withholding or deduction, and neither the Issuer nor any other person shall have any obligation to pay any additional amount(s) to any holder of Notes of any Class. See "Taxation in the Republic of Italy" below.

The Notes will be limited recourse obligations solely of the Issuer. In particular, the Notes will not be obligations or responsibilities of, and will not be guaranteed by, the MEF, any of the Contributors (in any capacity), the Programme Administrator, the Asset Managers, the Commercial Sales Managers, the Real Estate Advisor, the Asset Appraiser, the Issuer Corporate Servicer, the Paying Agents, the Agent Bank, the Transaction Accounts Bank, the Collection Account Holder, the Cash Manager, the Liquidity Facility Providers, the Hedging Counterparties, the Swap Guarantor, the Lenders, the Listing Agent, the Quotaholders, the Quotaholder Corporate Servicer, the Arrangers, the Managers or the Representative of the Noteholders (each as defined herein) or any other person other than the Issuer. No person, other than the Issuer, will accept any liability to Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

The Notes will be held in dematerialised form on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli S.p.A. ("Monte Titoli") for the account of the relevant Monte Titoli Account Holders (as defined below). The First Notes were accepted for clearance by Monte Titoli with effect from the First Issue Date and the New Notes will be accepted for clearance by Monte Titoli with effect from the New Issue Date. The expression "Monte Titoli Account Holders" means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli and includes any depository banks appointed by Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"). Monte Titoli shall act as depository for Euroclear and Clearstream, Luxembourg. The Notes will at all times be evidenced by book-entries in accordance with the provisions of Legislative Decree No. 213 of 24 June 1998 and with Regulation No. 11768 of 23 December 1998 of the *Commissione Nazionale per le Società e la Borsa* ("CONSOB"), each as amended from time to time. No physical document of title will be issued in respect of the Notes.

This Offering Circular is issued pursuant to Article 2, paragraph 3 of Law No. 130 of 30 April 1999, as amended from time to time (*Legge sulla cartolarizzazione dei crediti*) (the "Securitisation Law") and constitutes a *prospetto informativo* for the Notes in accordance with such law.

As at the date of this Offering Circular, the Class A2 Notes and the Class A3 Notes are rated AAA by Fitch Ratings Ltd ("Fitch Ratings"), Aaa by Moody's Investors Service Ltd. ("Moody's") and AAA by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and, together with Fitch Ratings and Moody's, the "Rating Agencies"), the Class B1 Notes are rated AA by Fitch Ratings, Aa3 by Moody's and AA by S&P and the Class C Notes are rated A by Fitch Ratings, A3 by Moody's and A by S&P. The confirmation of the outstanding ratings of the outstanding First Notes is a condition precedent to the issuance of the New Notes. Upon the issue of the New Notes and allocation by the Issuer of the First Notes Reserve Amount, the Class B1 Notes and the Class C Notes are expected to be rated AAA by Fitch Ratings, Aaa by Moody's and AAA by S&P.

The Class A4 Notes and the Class A5 Notes are expected, on issue, to be rated AAA by Fitch Ratings, Aaa by Moody's and AAA by S&P. The Class B2 Notes are expected, on issue, to be rated AA by Fitch Ratings, Aa2 by Moody's and AA- by S&P. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal by the assigning rating organisation.

*Arrangers, Joint Lead Managers and Bookrunners in respect of the New Notes*

BARCLAYS CAPITAL

MEDIOBANCA - BANCA DI CREDITO FINANZIARIO  
S.P.A.

UBS INVESTMENT BANK

## **Responsibility Statements**

The Issuer accepts responsibility for the information contained in this Offering Circular, other than that information for which the MEF, the Real Estate Advisor, the Commercial Sales Managers, the New Hedging Counterparties or the New Liquidity Facility Provider accept responsibility in the following paragraphs. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), this Offering Circular contains all information which is material in the context of the issuance of the Notes and such information is true and accurate in all material respects, not misleading and is in accordance with the facts and does not omit anything likely to affect the import of such information.

The MEF accepts responsibility for the information contained in this Offering Circular in the sections headed "Description of the Initial Real Estate Assets" (other than for "Description of the Initial Real Estate Assets - Evaluation Process of the Real Estate Advisor"), "Description of the Social Security Entities", "Description of the Republic of Italy", "Description of the *Agenzia del Territorio*" and "Description of the *Agenzia del Demanio*" and for any other information contained in this Offering Circular relating to the Republic of Italy, the Social Security Entities, the *Agenzia del Territorio*, the *Agenzia del Demanio*, the Real Estate Assets or the historical performance of the Real Estate Assets. To the best of the knowledge and belief of the MEF (which has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts, not misleading and does not omit anything likely to affect the import of such information.

The Real Estate Advisor accepts responsibility for the information contained in this Offering Circular in the sections headed "Description of the Real Estate Advisor", "Description of the Initial Real Estate Assets - Evaluation Process of the Real Estate Advisor" and "Description of the Real Estate Market in the Republic of Italy" and for any other information contained in this Offering Circular relating to the Real Estate Advisor. To the best of the knowledge and belief of the Real Estate Advisor (which has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts, not misleading and does not omit anything likely to affect the import of such information.

Each Commercial Sales Manager accepts responsibility for the information relating to itself contained in this Offering Circular in the section headed "Description of the Commercial Sales Managers". To the best of the knowledge and belief of the Commercial Sales Managers (which have taken all reasonable care to ensure that such is the case), such information is in accordance with the facts, not misleading and does not omit anything likely to affect the import of such information.

Each of the New Hedging Counterparties and the New Liquidity Facility Provider accepts responsibility for the information relating to itself in such capacity contained in this Offering Circular in the section headed "Description of the New Hedging Counterparties, the Swap Guarantor and the New Liquidity Facility Provider". To the best of the knowledge and belief of the New Hedging Counterparties and the New Liquidity Facility Provider (which have taken all reasonable care to ensure that such is the case), such

information relating to itself in such capacity is in accordance with the facts, not misleading and does not omit anything likely to affect the import of such information.

Without prejudice to the statements of responsibility as set out above, none of the Issuer, the Arrangers (as defined herein), the institutions named under "Subscription and Sale" below as managers of the First Notes (the "**First Managers**") and the institutions named under "Subscription and Sale" below as managers of the New Notes (the "**New Managers**" and, together with the First Managers, the "**Managers**"), nor any of the Lenders nor any other party to any of the Warranty and Indemnity Agreements, the Asset Management Agreements, the Commercial Sales Management Agreement, the Asset Appraisal Agreement, the Programme Administration Agreement, the Intercreditor Agreement, the Deeds of Charge, the Liquidity Facility Agreements, the Hedging Agreements, the Swap Guarantee, the Issuer Corporate Services Agreement, the Letter of Undertaking, the Subscription Agreements, the Agency Agreement, the Cash Management Agreement and the Conditions, (each as defined herein and, together, the "**Transaction Documents**") other than the Social Security Entities and the *Agenzia del Demanio* has undertaken or will undertake any investigation, searches or other actions to verify the details of the Real Estate Assets, nor have any of the Issuer, the Arrangers, the Managers or any other party to the Transaction Documents undertaken, nor will they undertake, any investigations, searches or other actions to establish the value of the Real Estate Assets, other than the valuation carried out by the *Agenzia del Territorio* on the units comprised in the Initial Real Estate Assets and the evaluation carried out by the Real Estate Advisor on a selected sample pool for the limited purpose of the release of its opinion.

### **Representations about the Notes and information in this Offering Circular**

No person has been authorised to give any information or to make any representation not contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the MEF, the Contributors (in any capacity), the Arrangers, the Managers or any other party to any of the Transaction Documents. Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Note shall in any circumstances constitute a representation or create any implication that there has been no change, or any event reasonably likely to involve any change, in the condition (financial or otherwise) of any of the Issuer, the Contributors or the information contained herein since the date of this Offering Circular or that the information contained herein is correct as at any time subsequent to the date of this Offering Circular.

### **Selling Restrictions summary**

The distribution of this Offering Circular and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular (or any part of it) comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. The Notes may not be offered or sold directly or indirectly, and neither this Offering Circular nor any other offering circular or any prospectus, form of application, advertisement, other offering material or other information relating to the Issuer or the Notes may be issued, distributed

or published in any country or jurisdiction (including the Republic of Italy, the United Kingdom and the United States), except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations.

In particular, no action has or will be taken which would allow an offering (nor a *sollecitazione all'investimento*) of the Notes to the public in the Republic of Italy unless in compliance with the relevant Italian securities, tax and other applicable laws and regulations. Accordingly, the Notes may not be offered, sold or delivered, and neither this Offering Circular nor any other offering material relating to the Notes may be distributed, or made available, to the public in the Republic of Italy. Individual sales of the Notes to any persons in the Republic of Italy may only be made in accordance with Italian securities, tax and other applicable laws and regulations.

**The Notes have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act") or any state securities laws. The Notes may not be offered, sold or delivered directly or indirectly within the United States or to, or for the account of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.**

In addition, the Issuer has not authorised any offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (the "**Regulations**") of the Notes which have not been admitted to listing in accordance with Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**"). Notes may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations.

Neither this Offering Circular nor any part of it constitutes an offer, and may not be used for the purpose of an offer, to sell any of the Notes, or a solicitation of an offer to buy any of the Notes, by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. Neither this Offering Circular nor any part of it should be considered as a recommendation by the Issuer, the Managers or any of them that any recipient of this Offering Circular or any part of it should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any part of it shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

**For a further description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Offering Circular and other offering material relating to the Notes, see "Subscription and Sale".**

### **Interpretation**

Unless otherwise indicated in this Offering Circular or the context requires otherwise, capitalised terms used in this Offering Circular have the meanings set out in the Conditions or, to the extent not so defined, in the remainder of this Offering Circular. An index of

the first page on which capitalised terms are used in this Offering Circular appears in the Glossary of Terms.

In this Offering Circular, references to "**Italy**", the "**Republic**", the "**Italian Republic**", the "**Italian State**" or the "**State**" are to the Republic of Italy and references to a "**Ministry**" or a "**Minister**" are to a Ministry or Minister, respectively, of the Republic of Italy; references to laws, decrees, legislative decrees and courts are, unless otherwise specified, to the laws, decrees, legislative decrees and courts of the Republic of Italy and references to "€" and "**Euro**" are to the single currency introduced in the member states of the European Community which adopted the single currency in accordance with the Treaty of Rome of 25 March 1957, as amended from time to time.

### **Rounding adjustments**

*Certain monetary amounts and currency conversions included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which preceded them.*

### **Stabilisation**

**In connection with the distribution of the New Notes, Barclays Bank PLC as stabilising manager (the "Stabilising Manager") (or any person acting for the Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the New Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.**

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## OVERVIEW OF THE TRANSACTION

The securitisation of the revenues arising out of the disposal process of the Real Estate Assets, as effected in part on or around the Transfer Date and in part on or around the New Issue Date (each as defined below) (the "**Securitisation**"), is effected pursuant to Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 (such law decree as converted into law and amended from time to time, "**Law Decree No. 351**").

The transfer of the Initial Real Estate Assets (as defined below) to the Issuer was effected pursuant to a decree of the Ministry of Economy and Finance of the Republic of Italy (the "**MEF**") dated 21 November 2002 (as amended from time to time, the "**First MEF Decree**") issued in conjunction with the Ministry of Labour and Social Policies (the "**MoL**") and in accordance with Article 3 of Law Decree No. 351 and the transfer took effect on the date of publication of the First MEF Decree in the Official Gazette (*Gazzetta Ufficiale*) of the Republic of Italy on 28 November 2002 (the "**Transfer Date**").

The terms and conditions of the Securitisation are set out in the First MEF Decree and in the decree dated 18 April 2005 (the "**Third MEF Decree**") issued by the MEF in conjunction with the MoL in accordance with Article 3 of Law Decree No. 351.

Certain of the procedures for the disposal by the Issuer of the Real Estate Assets are set out in the decree of the MEF dated 21 November 2002 issued in conjunction with the MoL and in accordance with Article 3 of Law Decree No. 351 and published in the Official Gazette (*Gazzetta Ufficiale*) of the Republic of Italy on 30 November 2002 (the "**Second MEF Decree**").

The First MEF Decree, the Second MEF Decree and the Third MEF Decree are together referred to as the "**Decrees**".

The principal source of payment of interest and principal on the Notes will be (i) the revenues arising out of the disposal process of, and certain rental payments deriving from, certain residential and commercial real estate assets (the "**Initial Real Estate Assets**") transferred to the Issuer on the Transfer Date and further residential and commercial real estate assets (if any) which may be transferred by the MEF to the Issuer in the future as substituting certain Initial Real Estate Assets in accordance with the First MEF Decree (the "**Additional Real Estate Assets**" and, together with the Initial Real Estate Assets, the "**Real Estate Assets**") and (ii), in respect of the First Notes, the First Notes Reserve Amount (as defined herein) funded, on the New Issue Date using part of the net proceeds of the New Notes, together with part of the collections then standing to the credit of the Collection Account (as defined below), and replenished in the Collection Account on each Payment Date thereafter, in accordance with the Priority of Payments (as defined below).

Prior to the Transfer Date, the Initial Real Estate Assets were owned by one of seven Italian social security public entities, namely Ente Nazionale di Previdenza ed Assistenza per i Lavoratori dello Spettacolo - ENPALS, Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro - INAIL, Istituto Nazionale di Previdenza per i Dirigenti di

Aziende Industriali - INPDAI (which has since been wound up and the structures and functions of which, including its rights and obligations, were transferred into INPS - as defined below - with effect from 1 January 2003, pursuant to Article 42 of Law No. 289 of 27 December 2002), Istituto Nazionale di Previdenza per i Dipendenti dell'Amministrazione Pubblica - INPDAP, Istituto Nazionale della Previdenza Sociale - INPS, Istituto Postelegrafonici - IPOST and Istituto di Previdenza per il Settore Marittimo - IPSEMA (together, the "**Social Security Entities**" and individually, a "**Social Security Entity**") or by the Republic of Italy (together with the Social Security Entities, the "**Contributors**" and, individually, a "**Contributor**").

By operation of Law Decree No. 351 and the Transaction Documents, the Issuer's right, title and interest in and to the Real Estate Assets and any rights that the Issuer has acquired against the Contributors, the other parties to the Transaction Documents (as defined herein) and any other third parties in relation to the Securitisation (together, the "**Issuer's Rights**") will be segregated from all other assets of the Issuer (including from assets pertaining to the 2001 Securitisation (as defined below) or any future separate securitisation) and amounts deriving therefrom and from the other Issuer's Rights will be available, both before and after a winding-up of the Issuer, to satisfy the Issuer's obligations to the Issuer Creditors (as defined below) and other third party creditors in relation to the Securitisation in priority to the Issuer's obligations to any other creditor. The "**Issuer Creditors**" are (i) the Noteholders and (ii) the Issuer's other creditors under the Transaction Documents. The Real Estate Assets and the other Issuer's Rights may not be seized or attached in any form by creditors of the Issuer other than the Noteholders, until full discharge by the Issuer of its payment obligations under the Notes. See "Selected Aspects of Italian Law - Law Decree No. 351 - Segregation of SPV Assets" below.

In December 2001, the Issuer carried out under Law Decree No. 351 a securitisation (the "**2001 Securitisation**") involving the revenues arising from the disposal process of other residential and commercial real estate assets previously owned by some of the Contributors (the "**2001 Portfolio**"). The Issuer financed the purchase of the 2001 Portfolio through the issue of the €1,000,000,000 Series 1 Asset-Backed Floating Rate Notes due 2005 and the €1,300,000,000 Series 2 Asset-Backed Notes due 2005 (together, the "**2001 Notes**") which have been redeemed in full.

On 22 April 2004 the Issuer and each of Banca OPI S.p.A and DEPFA ACS BANK (together, the "**Lenders**") entered into limited recourse loan agreements, guaranteed by the Republic of Italy, pursuant to a decree issued by the MEF in conjunction with the MoL on 21 April 2004 (each a "**Limited Recourse Loan Agreement**" and together, the "**Limited Recourse Loan Agreements**") pursuant to which each Lender has granted to the Issuer a limited recourse five year loan (each a "**Limited Recourse Loan**" and together, the "**Limited Recourse Loans**"), together for an aggregate principal amount of €800,000,000. The obligations of the Issuer for both principal and interest under the Limited Recourse Loan Agreements are of a limited recourse nature, the Issuer being liable to satisfy payments thereunder solely out of any sums otherwise payable by the Issuer to the MEF for allocation to the Contributors as Deferred Transfer Price (as defined below) once the Notes have been redeemed in full in accordance with the Priorities of Payments. On or



prior to the New Issue Date, each Lender will acknowledge the issue of the New Notes and agree with the Issuer to extend its non-petition obligations up to one year and one day after redemption in full of the New Notes.

## THE PRINCIPAL PARTIES

<b>Issuer</b>	S.C.I.P. - Società Cartolarizzazione Immobili Pubblici S.r.l., a limited liability company incorporated under Article 2 of Law Decree No. 351 and having its registered office at Via Eleonora Duse 53, 00197 Rome, Italy, the entire issued quota capital of which is held by the Quotaholders.
<b>Quotaholders of the Issuer</b>	Stichting Thesaurum and Stichting Palatium, each a Dutch foundation having its registered office at Parnassustoren, Locatellikade 1, 1076 AZ Amsterdam, The Netherlands (together, the " <b>Quotaholders</b> " and each, a " <b>Quotaholder</b> ").
<b>Contributors</b>	<p>The Contributors are the following seven social security entities and the Republic of Italy:</p> <ol style="list-style-type: none"><li>1. Ente Nazionale di Previdenza ed Assistenza per i Lavoratori dello Spettacolo - ENPALS, a public entity created under Decree No. 708 of 16 July 1947, as amended, whose registered office is at Viale Regina Margherita 206, Rome, Italy ("<b>ENPALS</b>");</li><li>2. Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro - INAIL, a public entity created under Royal Decree No. 264 of 23 March 1933, as amended, whose registered office is at Piazzale G. Pastore 6, Rome, Italy ("<b>INAIL</b>");</li><li>3. Istituto Nazionale di Previdenza per i Dirigenti di Aziende Industriali - INPDAI, a public entity created under Law No. 967 of 17 December 1953, as amended, with registered office was at Viale delle Province 196, Rome, Italy ("<b>INPDAI</b>"), which has since been wound up and the structures and functions of which, including its rights and obligations, were transferred into INPS with effect from 1 January 2003, pursuant to Article 42 of Law No. 289 of 27 December 2002;</li><li>4. Istituto Nazionale di Previdenza per i Dipendenti dell'Amministrazione Pubblica - INPDAP, a public entity created under Law Decree No. 479 of 30 June 1994, as amended, whose registered office is at Via di Santa Croce in Gerusalemme 55, Rome, Italy ("<b>INPDAP</b>");</li><li>5. Istituto Nazionale della Previdenza Sociale - INPS, a public entity created under Royal Decree No. 1827 of 4 October 1935, as amended, whose registered office is at Via Ciro il Grande 21, Rome, Italy ("<b>INPS</b>");</li></ol>

6. Istituto Postelegrafonici - **IPOST**, a public entity created under Presidential Decree No. 542 of 8 April 1953, as amended, whose registered office is at Viale Asia 67, Rome, Italy ("**IPOST**");
7. Istituto di Previdenza per il Settore Marittimo - **IPSEMA**, a public entity created under Law Decree No. 479 of 1994, as amended, whose registered office is at Via San Nicola da Tolentino 1/5, Rome, Italy ("**IPSEMA**"); and
8. the Republic of Italy, acting through the MEF at its office at Via XX Settembre 97, 00187 Rome, Italy.

**Asset Managers**

Each of the Social Security Entities and the *Agenzia del Demanio* in its capacity as asset manager under the relevant Asset Management Agreement (each, a "**Asset Manager**"). See "Transaction Overview and Principal Transaction Agreements - Asset Management Agreements" and "Description of the Transaction Documents - Asset Management Agreements".

**Commercial Sales Managers**

Finanziaria per i Settori Industriali e dei Servizi S.p.A. ("**Fintecna**"), a company incorporated under the laws of the Republic of Italy, having its registered office at Via Versilia 2, 00187 Rome, Italy and Lazard & Co. Real Estate S.r.l. ("**L&CRE**"), a company incorporated under the laws of the Republic of Italy, having its registered office at Via dell'Orso 2, 20121 Milan, Italy, as joint and several managers of the sales of the commercial portion of the Real Estate Assets for the Issuer pursuant to the Commercial Sales Management Agreement (together, the "**Commercial Sales Managers**"). Lazard Real Estate S.r.l. will remain liable for the obligations of Lazard & Co. Real Estate S.r.l. under the Commercial Sales Management Agreement until the date on which the First Notes have been redeemed in full. See "Transaction Overview and Principal Transaction Agreements - Commercial Sales Management Agreement" and "Description of the Transaction Documents - Commercial Sales Management Agreement".

**Tenants**

The persons (the "**Tenants**") being from time to time tenants of the units comprised in the Real Estate Assets.

**Issuer Corporate Servicer**

KPMG Fides Servizi di Amministrazione S.p.A. (formerly known as KPMG Fides Fiduciaria S.p.A.), a company incorporated under the laws of the Republic of Italy, having its registered office at Via Eleonora Duse 53, 00197 Rome, Italy, as corporate servicer for the Issuer pursuant to the Issuer Corporate Services Agreement (the "**Issuer Corporate Servicer**"). See "Transaction Overview and Principal Transaction Agreements - Issuer Corporate Services

Agreement" and "Description of the Transaction Documents - Issuer Corporate Services Agreement".

**Quotaholder Corporate Servicer**

TMF Management B.V., a company incorporated under the laws of The Netherlands, having its registered office at Parnassustoren, Locatellikade 1, 1076 AZ Amsterdam, The Netherlands, as quotaholder corporate servicer pursuant to the Quotaholder Corporate Services Agreement (the "**Quotaholder Corporate Servicer**"). See "Transaction Overview and Principal Transaction Agreements - Quotaholder Corporate Services Agreement" and "Description of the Transaction Documents - Quotaholder Corporate Services Agreement".

**Transaction Accounts Bank**

Deutsche Bank S.p.A., a company incorporated under the laws of the Republic of Italy, having its registered office at Piazza del Calendario 3, 20126 Milan, Italy, or any other person for the time being acting as Transaction Accounts Bank pursuant to the Cash Management Agreement (the "**Transaction Accounts Bank**"). See "Transaction Overview and Principal of the Transaction Documents - Cash Management Agreement" and "Description of the Transaction Agreements - Cash Management Agreement".

**Collection Account Holder**

*Tesoreria Centrale dello Stato*, acting through the Bank of Italy (the "**Collection Account Holder**"). The Collection Account Holder will not enter into any of the Transaction Documents but will operate the Collection Account in accordance with the instructions of the Issuer.

**Principal Paying Agent**

Deutsche Bank AG London, a company incorporated under the laws of the Federal Republic of Germany, acting through its London branch whose address is Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, or any other person for the time being acting as principal paying agent pursuant to the Agency Agreement (the "**Principal Paying Agent**"). See "Transaction Overview and Principal Transaction Agreements - Agency Agreement" and "Description of the Transaction Documents - Agency Agreement".

**Luxembourg Paying Agent**

Deutsche Bank Luxembourg S.A., a company incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, or any other person for the time being acting as paying agent of the Issuer in Luxembourg pursuant to the Agency Agreement (the "**Luxembourg Paying Agent**"). See "Transaction Overview and Principal Transaction Agreements - Agency Agreement" and "Description of the Transaction Documents - Agency Agreement".

**Italian Paying Agent**

Deutsche Bank S.p.A., a company incorporated under the laws of the Republic of Italy, having its registered office at Piazza del Calendario 3, 20126 Milan, Italy, or any other person for the time being acting as paying agent of the Issuer in Italy pursuant to the Agency Agreement (the "**Italian Paying Agent**"). The Principal Paying Agent, the Luxembourg Paying Agent and the Italian Paying Agent are together referred to as the "**Paying Agents**". See "Transaction Overview and Principal Transaction Agreements - Agency Agreement" and "Description of the Transaction Documents - Agency Agreement".

**Agent Bank**

Deutsche Bank AG London, a company incorporated under the laws of the Federal Republic of Germany, acting through its London branch whose address is Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, or any other person for the time being acting as agent bank pursuant to the Agency Agreement (the "**Agent Bank**"). See "Transaction Overview and Principal Transaction Agreements - Agency Agreement" and "Description of the Transaction Documents - Agency Agreement".

**Cash Manager**

Deutsche Bank AG London, a company incorporated under the laws of the Federal Republic of Germany, acting through its London branch whose address is Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, or any other person for the time being acting as cash manager pursuant to the Cash Management Agreement (the "**Cash Manager**"). See "Transaction Overview and Principal Transaction Agreements - Cash Management Agreement" and "Description of the Transaction Documents - Cash Management Agreement".

**Representative of the Noteholders**

Sanpaolo Fiduciaria S.p.A., a company incorporated under the laws of the Republic of Italy, having its office at Via Brera 19, 20121 Milan, Italy, as representative of the Noteholders (the "**Representative of the Noteholders**"). The Representative of the Noteholders shall act as such pursuant to the Subscription Agreements, the Conditions and the Intercreditor Agreement. See "Transaction Overview and Principal Transaction Agreements - Subscription Agreement" and "- Intercreditor Agreement", "Description of the Transaction Documents - Subscription Agreement" and "- Intercreditor Agreement" and "Terms and Conditions of the Notes".

**Programme Administrator**

KPMG Business Advisory Services S.p.A. (formerly known as KPMG Consulting S.p.A.), a company incorporated under the laws of the Republic of Italy, having its registered office at Piazza delle Muse 8, 00197 Rome, Italy, as programme administrator pursuant to

the Programme Administration Agreement (the "**Programme Administrator**"). See "Transaction Overview and Principal Transaction Agreements - Programme Administration Agreement" and "Description of the Transaction Documents - Programme Administration Agreement".

**Asset Appraiser**

The *Agenzia del Territorio*, a public legal entity in the Republic of Italy, acting through its office at Largo Leopardi 5, 00185 Rome, Italy, as provider of certain services in relation to the sales of the Real Estate Assets pursuant to the Asset Appraisal Agreement (the "**Asset Appraiser**"). See "Transaction Overview and Principal Transaction Agreements - Asset Appraisal Agreement" and "Description of the Transaction Documents - Asset Appraisal Agreement".

**Liquidity Facility Providers**

The First Liquidity Facility Providers (as defined below) and Barclays Bank PLC, whose registered office is at 54 Lombard Street, London EC3P 3AH, United Kingdom, acting through its office at Via della Moscova 18, P.O. Box 1069, 20121 Milan, Italy (the "**New Liquidity Facility Provider**", and the New Liquidity Facility Provider together with the First Liquidity Facility Providers, the "**Liquidity Facility Providers**") as liquidity facility providers pursuant to the Liquidity Facility Agreements. See "Transaction Overview and Principal Transaction Agreements - Liquidity Facility Agreements" and "Description of the Transaction Documents - Liquidity Facility Agreements".

**Hedging Counterparties**

The First Hedging Counterparties (as defined below) and (i) Barclays Bank PLC, whose registered office is at 54 Lombard Street, London EC3P 3AH, United Kingdom, acting through its office at 5 The North Colonnade, Canary Wharf, London E14 4BB, United Kingdom, and (ii) UBS Limited, London branch, a bank incorporated under the laws of England and Wales, whose registered office is at 1 Finsbury Avenue, London, EC2M 2PP, United Kingdom, (together, the "**New Hedging Counterparties**" and, together with the First Hedging Counterparties, the "**Hedging Counterparties**") as hedging counterparties pursuant to the Hedging Agreements. See "Transaction Overview and Principal Transaction Agreements - Hedging Agreements" and "Description of the Transaction Documents - Hedging Agreements".

**Swap Guarantor**

UBS AG, a company incorporated under the laws of Switzerland, whose registered offices are at Aeschenvorstadt 1, CH-4051 Basel, Switzerland and Bahnhofstrasse 45, CH-8098 Zurich, Switzerland (the "**Swap Guarantor**") as guarantor in relation to the Hedging Agreement entered into by UBS Limited, London branch. See

"Transaction Overview and Principal Transaction Agreements - Hedging Agreements" and "Description of the Transaction Documents - Hedging Agreements".

**Luxembourg Listing Agent**

Deutsche Bank Luxembourg S.A., a company incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, as listing agent in Luxembourg (the "**Listing Agent**").

**Real Estate Advisor**

Patrigest S.p.A., a company incorporated under the laws of the Republic of Italy, having its registered office at Corso Matteotti 9, Milan, Italy (the "**Real Estate Advisor**"). See "Description of the Real Estate Advisor" and "Description of the Initial Real Estate Assets - Evaluation Process of the Real Estate Advisor".

**Rating Agencies**

Fitch Ratings, Moody's and S&P.

**Arrangers and Joint Lead Managers in respect of the First Notes**

ABN AMRO Bank N.V., whose registered office in the United Kingdom is at 250 Bishopsgate, London EC2M 4AA, United Kingdom, Banca Nazionale del Lavoro S.p.A., whose registered office is at Via V. Veneto 119, 00187 Rome, Italy, J.P. Morgan Securities Ltd, whose registered office is at 125 London Wall, London EC2Y 5AJ, United Kingdom and Salomon Brothers International Limited, whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

**Arrangers in respect of the New Notes**

Barclays Bank PLC, whose registered office is at 54 Lombard Street, London EC3P 3AH, United Kingdom, acting through its office at 5 The North Colonnade, Canary Wharf, London E14 4BB, United Kingdom, Mediobanca - Banca di Credito Finanziario S.p.A., whose registered office is at Piazzetta Enrico Cuccia, 1, Milan, Italy and UBS Limited, whose registered office is at 1 Finsbury Avenue, London, EC2M 2PP, United Kingdom (together, the "**New Arrangers**" and, together with the arrangers of the First Notes, the "**Arrangers**").

**Joint Lead Managers and Bookrunners in respect of the New Notes**

Barclays Bank PLC, whose registered office is at 54 Lombard Street, London EC3P 3AH, United Kingdom, acting through its office at 5 The North Colonnade, Canary Wharf, London E14 4BB, United Kingdom, Mediobanca - Banca di Credito Finanziario S.p.A., whose registered office is at Piazzetta Enrico Cuccia, 1, Milan, Italy and UBS Limited, whose registered office is at 1 Finsbury Avenue, London, EC2M 2PP, United Kingdom (together, the "**New Managers**" and, together with the managers of the First Notes, the "**Managers**").

## TRANSACTION SUMMARY INFORMATION

*The following is a summary of the transaction and assets underlying the Notes, does not purport to be complete and is qualified in its entirety by reference to the detailed information presented elsewhere in this Offering Circular and in the Transaction Documents. Terms used but not otherwise defined in this section are defined elsewhere in this Offering Circular as specified in the section entitled "Glossary of Terms".*

### PRINCIPAL FEATURES OF THE NOTES

**Title** The First Notes have been issued by the Issuer on the First Issue Date and the New Notes will be issued by the Issuer on the New Issue Date, as follows (each, a "Class"):

€1,500,000,000 Class A1 Asset-Backed Floating Rate Notes due 2006

€2,000,000,000 Class A2 Asset-Backed Floating Rate Notes due 2007

€1,743,000,000 Class A3 Asset-Backed Floating Rate Notes due 2008

€858,000,000 Class B Asset-Backed Floating Rate Notes due 2008

€536,000,000 Class C Asset-Backed Floating Rate Notes due 2008

€1,000,000,000 Class A4 Asset-Backed Step-Up Floating Rate Notes due 2013

€2,895,000,000 Class A5 Asset-Backed Step-Up Floating Rate Notes due 2025

€475,000,000 Class B2 Asset-Backed Step-Up Floating Rate Notes due 2025

The Class A1 Notes were redeemed in full on the Payment Date falling in July 2004. No redemption has been made of any of the Notes other than the Class A1 Notes.

**Issue Dates** The First Notes have been, and the New Notes will be, issued on the following dates (the "Issue Dates"):

First Notes: 11 December 2002

New Notes: 21 April 2005

**Issue Price** The First Notes were issued at a price of 100 per cent of their principal amount and the New Notes will be issued at a price of 100 per cent of their principal amount (in each case, the "Issue Price")



of such Notes).

### **Interest on the Notes**

The First Notes have borne interest on their Principal Amount Outstanding from (and including) the First Issue Date, and the New Notes will bear interest on their Principal Amount Outstanding from (and including) the New Issue Date at the following margins above EURIBOR for three month Euro deposits (except that for the First Notes Initial Interest Period, an interpolated interest rate based on four and five month deposits in Euro was substituted for three month EURIBOR and that for the New Notes Initial Interest Period, an interpolated interest rate based on three and four month deposits in Euro will be substituted for three month EURIBOR):

<i>Class</i>	<i>Margin</i>
Class A2 Notes	0.27 per cent per annum
Class A3 Notes	0.32 per cent per annum
Class B1 Notes	0.65 per cent per annum
Class C Notes	1.17 per cent per annum
Class A4 Notes	0.07 per cent per annum up to (and including) the Class A4 Step-Up Date and thereafter 0.21 per cent per annum
Class A5 Notes	0.20 per cent per annum up to (and including) the Class A5 Step-Up Date and thereafter 0.40 per cent per annum
Class B2 Notes	0.48 per cent per annum up to (and including) the Class B2 Step-Up Date and thereafter 0.96 per cent per annum

### **Date of Payment of Interest**

Interest is payable in respect of each Class of Notes quarterly in arrears in Euro on the 26th day of January, April, July and October in each year (or if any such day is not a Business Day, the immediately succeeding Business Day). The first interest payment in respect of the First Notes occurred on the Payment Date falling in April 2003, in respect of the First Notes Initial Interest Period. The first interest payment in respect of the New Notes will be due on the Payment Date falling in July 2005 in respect of the New Notes Initial Interest Period.

**Form**

The Notes will be held in dematerialised form on behalf of the beneficial owners until redemption or cancellation thereof by Monte Titoli for the account of the relevant Monte Titoli Account Holders. Monte Titoli shall act as depositary for Clearstream, Luxembourg and Euroclear. The Notes will at all times be in book entry form and title to the Notes will be evidenced by book entry in accordance with the provisions of Legislative Decree No. 213 of 24 June 1998 and CONSOB Regulation No. 11768 of 23 December 1998, each as amended from time to time. No physical document of title will be issued in respect of the Notes.

**Denomination**

The First Notes have been and the New Notes will be issued in the denomination of €1,000 only.

**Status and Limited  
Recourse**

Within each Class, the Notes will rank *pari passu* and without any preference or priority among themselves. As between Classes, save as provided in the Conditions, the First Class A Notes rank *pari passu* and rateably without any preference or priority among themselves for all purposes, but in priority to the Class B1 Notes, the Class C Notes and the New Notes; the Class B1 Notes rank *pari passu* and rateably without any preference or priority among themselves for all purposes, but in priority to the Class C Notes and the New Notes and subordinated to the First Class A Notes; the Class C Notes rank *pari passu* and rateably without any preference or priority among themselves for all purposes, but in priority to the New Notes and subordinated to the First Class A Notes and the Class B1 Notes; the New Class A Notes rank *pari passu* and rateably without any preference or priority among themselves for all purposes, but in priority to the Class B2 Notes and subordinated to the First Notes; and the Class B2 Notes rank *pari passu* and rateably without any preference or priority among themselves for all purposes, but subordinated to the First Notes and the New Class A Notes. Following the service of a Trigger Notice (as defined in the Conditions), the Notes will become immediately due and repayable at their Principal Amount Outstanding together with interest and other amounts due in respect of the Notes and all payments of principal, interest and any other amounts due in respect of the Notes shall be made *pro rata* without priority within the First Class A Notes, within the Class B1 Notes, within the Class C Notes, within the New Class A Notes and within the Class B2 Notes, in accordance with the amounts payable as set out in Condition 5 (*Priorities of Payments*).

The obligations of the Issuer to each Noteholder as well as to each of the other Issuer Creditors will be limited recourse obligations of the Issuer. Each Noteholder, as well as each other Issuer Creditor,

will have a claim against the Issuer only to the extent of the Issuer Available Funds (as defined below). The Intercreditor Agreement sets out the orders of priority of application of Issuer Available Funds.

**Legal Redemption of the Notes**

Unless previously redeemed or cancelled, the Issuer shall redeem each Class of Notes at their Principal Amount Outstanding on the following Payment Dates (in each case, the "**Legal Maturity Date**" for such Class), provided that there are sufficient Available Redemption Funds (as defined below):

<i>Class</i>	<i>Legal Maturity Date</i>
Class A2 Notes	April 2007
Class A3 Notes	October 2008
Class B1 Notes	October 2008
Class C Notes	October 2008
Class A4 Notes	April 2013
Class A5 Notes	April 2025
Class B2 Notes	April 2025

If any Class of Notes cannot be redeemed in full on the Legal Maturity Date as a result of the Issuer having insufficient Available Redemption Funds, any amount unpaid shall remain outstanding and the Conditions shall continue to apply in full in respect of the Notes of such Class until such date (the "**Cancellation Date**") which is the earlier of (i) the date on which the Notes of such Class are redeemed in full and (ii) the Payment Date falling in October 2040, at which date any amounts remaining outstanding in respect of such Notes shall be deemed to be released by the holders of the relevant Notes and the Notes of such Class shall be cancelled.

**Mandatory Redemption**

The Notes will be subject to mandatory redemption in full or in part on the following Payment Dates and on each Payment Date thereafter, in each case if on the Determination Date prior to such Payment Date there are Available Redemption Funds which may be applied for this purpose in accordance with the Priority of Payments:

<i>Class</i>	<i>Payment Date for commencement of Mandatory Redemption</i>
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Class A2 Notes	April 2005
Class A3 Notes	April 2006
Class B1 Notes	October 2006
Class C Notes	October 2006
Class A4 Notes	April 2006
Class A5 Notes	April 2006
Class B2 Notes	April 2006

**Expected Maturity Dates**

The maturity dates of the Notes cannot be predicted, although calculation of the possible maturity dates can be made based on certain assumptions including as to (i) the rate at which the Real Estate Assets are disposed of, (ii) whether the Issuer exercises its option to redeem the Notes and (iii) the fact that the First Notes have the benefit of the First Notes Reserve Amount, as more fully described under "Weighted Average Life" below. Based on the assumptions described in such section, the expected maturity dates of the Notes are as set out below. Reliance should not be made upon the below forecast since it is based on many unpredictable assumptions.

<i>Class</i>	<i>Expected Maturity Dates</i>
Class A2 Notes	April 2005
Class A3 Notes	April 2006
Class B1 Notes	October 2006
Class C Notes	October 2006
Class A4 Notes	April 2006
Class A5 Notes	October 2008
Class B2 Notes	January 2009

**Redemption for Taxation Reasons**

The Issuer may redeem all of the Notes, in whole (but not in part) on any Payment Date, at their Principal Amount Outstanding together with interest accrued to the date fixed for redemption, in the event of certain tax changes affecting, *inter alia*, the Notes or payments in respect of the Real Estate Assets or the Hedging Agreements.

**Optional Redemption of**

The Issuer may redeem the following Class or Classes of New Notes (in each case, in full for such Class or Classes) at their

## **New Notes**

Principal Amount Outstanding, together with interest accrued to the date fixed for redemption, if there are Issuer Available Funds for such purpose and subject to the fulfilment of certain other conditions:

- (i) the Class A4 Notes, on any Payment Date on or after the Payment Date falling in April 2006;
- (ii) the Class A5 Notes, on any Payment Date on or after the Payment Date falling in October 2008 provided that at such Payment Date any outstanding Class A4 Notes are redeemed in full; and
- (iii) the Class B2 Notes, on any Payment Date on or after the Payment Date falling in January 2009 provided that at such Payment Date any outstanding New Class A Notes are redeemed in full.

## **Segregation of Issuer's Rights**

The Notes (including, for the avoidance of doubt, the First Notes and the New Notes) have the benefit of the provisions of Article 2 of the Law Decree No. 351 pursuant to which the Real Estate Assets and the other Issuer's Rights are segregated by operation of law from all other assets of the Issuer (including from assets pertaining to the 2001 Securitisation or any future separate securitisation). By operation of Law Decree No. 351 and the Transaction Documents, both before and after a winding-up of the Issuer, amounts deriving from the Real Estate Assets and the other Issuer's Rights will be available for the purpose of satisfying the Issuer's obligations to the Issuer Creditors and other third party creditors in relation to the Securitisation in priority to the Issuer's obligations to any other creditor.

Pursuant to Law Decree No. 351, the Real Estate Assets and the other Issuer's Rights may not be seized or attached in any form by creditors of the Issuer other than the Noteholders, until full discharge by the Issuer of its payment obligations under the Notes or cancellation of the Notes.

## **English law security**

Pursuant to the Deeds of Charge, the Issuer has created English law security over the right, title, benefit and interest present and future of the Issuer in, to and under, the Hedging Agreements and any payments or amounts due thereunder to the Issuer.

## **Issuer Available Funds**

The issuer available funds (the "**Issuer Available Funds**"), in respect of any Determination Date, shall be the aggregate of:

1. all amounts, net of any applicable value added tax (which,

for the avoidance of doubt, have not already been applied in accordance with the Cash Management Agreement), received into the Collection Account by the Issuer during the period from (and including) the preceding Determination Date to (but excluding) such Determination Date (each such period, a "**Collection Period**") or in any case received into the Collection Account prior to such latter Determination Date, including, for the avoidance of doubt, the First Notes Reserve Amount and any Accumulation Amount but excluding any monies held as Standby Amount pursuant to the New Liquidity Facility Agreement, (i) as arranged by or from each Asset Manager in accordance with the terms of the relevant Asset Management Agreement or the Commercial Sales Managers in accordance with the Commercial Sales Management Agreement, (ii) from any other party to the Securitisation to such account in accordance with the terms of any other Transaction Document, (iii) from any other party (other than as listed under items 2, 3, 4 or 5 below), and (iv) from the Transaction Security Deposit Account;

2. all amounts standing to the credit of the Transaction Payment Account as at such Determination Date, including, for the avoidance of doubt, all monies held as the Expense Amount;
3. all monies received during the relevant Collection Period or expected to be received by the Issuer on or before the immediately following Payment Date (and provided that by such Payment Date they are actually received) under the Hedging Agreements, the Swap Guarantee or the New Liquidity Facility Agreement, but excluding any monies to be received as Standby Amount to the extent that such monies are not needed by the Issuer for the payment of items (i) to (xv) (inclusive) of the Priority of Payments;
4. all monies expected to be received by the Issuer on or before the immediately following Payment Date (and provided that by such Payment Date they are actually received) as net subscription moneys for any further notes or as net loan proceeds for any further loans issued or taken out by the Issuer in accordance with Condition 4.3 (*Other Transactions involving Same Portfolio, Further Issues*) if and to the extent that the Cash Manager has received written confirmation from the Issuer that such net subscription moneys or net loan proceeds are to be used thereby in the Issuer Available Funds; and

5. (to the extent not included in the preceding items) all amounts of interest accrued, due and paid on amounts in the Transaction Accounts and the Collection Account during such Collection Period,

*Provided that*, for the avoidance of doubt:

- (i) in relation to the Payment Date in April 2005, the First Notes Reserve Amount will form part of the Issuer Available Funds; and
- (ii) payments made to or deposits of securities made with the Issuer as collateral pursuant to any credit support annexes for any Hedging Agreement (if any) and payments made incorrectly to the Issuer by either the Asset Managers or the Commercial Sales Managers in accordance with the Asset Management Agreements and the Commercial Sales Management Agreements shall not form part of the Issuer Available Funds.

**"Determination Date"** means, in relation to any Payment Date, the day falling three Business Days prior to the seventh calendar day prior to such Payment Date.

**"Standby Amount"** means the amount (if any) paid by the New Liquidity Facility Provider to the Issuer equal to the entire undrawn portion of the Liquidity Facility following certain rating downgrade events of the New Liquidity Facility Provider or the withdrawal of the New Liquidity Facility Provider from the Liquidity Facility without an eligible substitute having been found, in each case in accordance with the New Liquidity Facility Agreement.

**Available Redemption Funds**

The available redemption funds in respect of any Class of Notes (in each case, the **"Available Redemption Funds"** for such Class), as calculated at any Determination Date, shall be the difference between the Issuer Available Funds in respect of such Determination Date and:

- (1) in respect of the Class A2 Notes, the aggregate of the payments described under items (i) to (iii) (inclusive) in the Priority of Payments;
- (2) in respect of the Class A3 Notes, the aggregate of the payments described under items (i) to (iv) (inclusive) in the Priority of Payments;
- (3) in respect of the Class B1 Notes, the aggregate of the payments described under items (i) to (v) (inclusive) in the

Priority of Payments;

- (4) in respect of the Class C Notes, the aggregate of the payments described under items (i) to (vi) (inclusive) in the Priority of Payments;
- (5) in respect of the Class A4 Notes, the aggregate of the payments described under items (i) to (xv) (inclusive) in the Priority of Payments;
- (6) in respect of the Class A5 Notes, the aggregate of the payments described under items (i) to (xvi) (inclusive) in the Priority of Payments; and
- (7) in respect of the Class B2 Notes, the aggregate of the payments described under items (i) to (xvii) (inclusive) in the Priority of Payments,

and which, in each case, are required to be made by the Issuer on the immediately following Payment Date.

**Trigger Events**

If any of the following events (each, a "**Trigger Event**") occurs:

1. *Non-payment*: default is made in the payment on any Payment Date or on the Legal Maturity Date of any Class of Notes, of the amount of principal then due and payable on the Notes, or any of them or, for a period of three Business Days or more, in the payment on the due date therefore of the amount of interest (if any) payable on the Notes or any of them; or
2. *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes, or any of them, or of any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Notes) and such default is, in the sole and absolute opinion of the Representative of the Noteholders, (a) incapable of remedy or (b) capable of remedy but remains unremedied for 30 days after the Representative of the Noteholders has given written notice thereof to the Issuer; or
3. *Insolvency etc.*:
  - (a) an administrator, administrative receiver or liquidator of the Issuer or the whole or any part of the undertaking, assets and/or revenues of the Issuer is appointed or the Issuer becomes subject to any



bankruptcy, liquidation, administration, insolvency, composition or reorganisation or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of the Issuer (other than any other portfolio of assets which is purchased by the Issuer for the purposes of any Further Transactions (as defined in the Conditions));

(b) proceedings are initiated against the Issuer under any applicable bankruptcy, liquidation, administration, insolvency, composition, reorganisation or similar law and such proceedings are not, in the opinion of the Representative of the Noteholders, being disputed by the Issuer in good faith; or

(c) the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for bankruptcy or suspension of payments; or

4. *Winding-up etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer (except winding up for the purposes of or pursuant to an amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Noteholders or by an extraordinary resolution of the Noteholders); or

5. *Unlawfulness*: it is or becomes unlawful in any respect deemed by the Representative of the Noteholders to be material for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or any other Transaction Document to which it is a party,

then:

(i) in respect of the Trigger Events at (1), (3), (4) and (5) above, and provided that in the case of any of the events referred to at (3), (4) and (5) above the Representative of the Noteholders shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Noteholders, the Representative of the Noteholders, (in its

sole and absolute discretion) may, or

- (ii) if so directed by an Extraordinary Resolution of the Meeting of the Class A Noteholders together (or, if no Class A Notes are then outstanding, of the Class B Noteholders together, or, if no Class B Notes are then outstanding, of the Class C Noteholders) shall,

subject in each case to its being indemnified to its satisfaction, give written notice (a "**Trigger Notice**") to the Issuer declaring the Notes (for the avoidance of doubt, including the Class A Notes, the Class B Notes and the Class C Notes) to be due and repayable, whereupon they shall become immediately due and repayable at their Principal Amount Outstanding together with accrued interest without further action or formality.

Following the service of a Trigger Notice, the Notes will become immediately due and repayable at their Principal Amount Outstanding together with interest and other amounts due in respect of the Notes and all payments of principal, interest and any other amounts due in respect of each Class of the Notes shall be made in accordance with the Post Trigger Event Priority of Payments (as defined below).

### **Priority of Payments**

The Cash Manager will procure that on each Payment Date, until the delivery of a Trigger Notice in respect of the Notes, the following payments are made by the Issuer in the order of priority (the "**Priority of Payments**") set out below (in each case only to the extent of Issuer Available Funds and if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay all amounts of interest then due and payable on the First Class A Notes (*pari passu* and *pro rata* according to the amounts then due);
- (ii) *second*, to pay all amounts of interest then due and payable on the Class B1 Notes (*pari passu* and *pro rata* according to the amounts then due);
- (iii) *third*, to pay all amounts of interest then due and payable on the Class C Notes (*pari passu* and *pro rata* according to the amounts then due);
- (iv) *fourth*, to pay (*pro rata* according to the amounts then due) all amounts of principal (if any) due and payable on the Class A2 Notes until redemption in full of the Class A2 Notes;

- (v) *fifth*, to pay (*pro rata* according to the amounts then due) all amounts of principal (if any) due and payable on the Class A3 Notes until redemption in full of the Class A3 Notes;
- (vi) *sixth*, to pay (*pro rata* according to the amounts then due) all amounts of principal (if any) due and payable on the Class B1 Notes until redemption in full of the Class B1 Notes;
- (vii) *seventh*, to pay (*pro rata* according to the amounts then due) all amounts of principal (if any) due and payable on the Class C Notes until redemption in full of the Class C Notes;
- (viii) *eighth*, if on such Payment Date any amount of principal remains outstanding in respect of any of the First Notes, to credit to the Collection Account the First Notes Reserve Amount;
- (ix) *ninth*, *pari passu* and *pro rata* according to the respective amounts thereof:
  - (a) to pay *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses (to the extent that the Expense Amount (as defined below) standing to the credit of the Transaction Payment Account has been insufficient to pay the Expenses during the immediately preceding Interest Period); and
  - (b) to replenish the Expense Amount standing to the credit of the Transaction Payment Account;
- (x) *tenth*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any amounts due and payable under the Transaction Documents to the Representative of the Noteholders, the Issuer Corporate Servicer, the Cash Manager, the Programme Administrator, the Asset Appraiser, the Agent Bank, the Paying Agents, the Commercial Sales Managers, the Transaction Accounts Bank and the Asset Managers;
- (xi) *eleventh*, to pay all amounts of principal, interest and commitment fee due and payable to the Liquidity Facility Providers (*pari passu* and *pro rata* according to the amounts then due) under the terms of any Liquidity Facility Agreements other than any Liquidity Subordinated Amounts;
- (xii) *twelfth*, to pay all amounts due and payable to the Hedging Counterparties (*pari passu* and *pro rata* according to the

amounts then due) under the Hedging Agreements (other than any Subordinated Termination Payments due and payable to such Hedging Counterparties in respect of such Hedging Agreements);

- (xiii) *thirteenth*, to pay all amounts of interest then due and payable on the Class A4 Notes (*pari passu* and *pro rata* according to the amounts then due);
- (xiv) *fourteenth*, to pay all amounts of interest then due and payable on the Class A5 Notes (*pari passu* and *pro rata* according to the amounts then due);
- (xv) *fifteenth*, to pay all amounts of interest then due and payable on the Class B2 Notes (*pari passu* and *pro rata* according to the amounts then due);
- (xvi) *sixteenth*, to pay (*pro rata* according to the amounts then due) all amounts of principal (if any) due and payable on the Class A4 Notes until redemption in full of the Class A4 Notes;
- (xvii) *seventeenth*, to pay (*pro rata* according to the amounts then due) all amounts of principal (if any) due and payable on the Class A5 Notes until redemption in full of the Class A5 Notes;
- (xviii) *eighteenth*, to pay (*pro rata* according to the amounts then due) all amounts of principal (if any) due and payable on the Class B2 Notes until redemption in full of the Class B2 Notes;
- (xix) *nineteenth*, if on such Payment Date any amount of principal remains outstanding in respect of any Class of Notes, to credit all surplus amounts, if any, as Accumulation Amount to the Collection Account;
- (xx) *twentieth*, to pay all Subordinated Termination Payments due and payable to each Hedging Counterparty (*pari passu* and *pro rata* according to the amounts then due) under the Hedging Agreements;
- (xxi) *twenty first*, to pay the Liquidity Facility Providers (*pari passu* and *pro rata* according to the amounts then due) all Liquidity Subordinated Amounts; and
- (xxii) *twenty second*, if, on such Payment Date, all amounts of principal have been redeemed in respect of each Class of

Notes, to pay the surplus amounts, if any, to the MEF for allocation to the Contributors as Deferred Transfer Price.

**"Expenses"** means (a) any fees, costs, expenses and taxes required to be paid in order to preserve the corporate existence of the Issuer or to maintain it in good standing or to comply with applicable legislation or listing rules or in relation to such notarial services in compliance with applicable laws for which the Issuer is liable; (b) any additional fees, costs and expenses in connection with any listing, clearing, deposit or rating of the Notes, or to fund any notice to be given to the Noteholders or other parties to the Transaction Documents in accordance with any of the Transaction Documents; and (c) any documented fees, costs, amounts, expenses and taxes required to be paid to any third party creditors of the Issuer (other than the Noteholders and the parties to the Intercreditor Agreement) arising in connection with the Securitisation.

**"Liquidity Subordinated Amounts"** means any additional amounts in respect of increased costs, fees, taxes and expenses as set out in the New Liquidity Facility Agreement payable to the New Liquidity Facility Provider (either original or substituted) in the aggregate in excess of 0.05 per cent per annum on the maximum aggregate amount available to be drawn under the New Liquidity Facility.

**"Subordinated Termination Payment"** means, subject as set out below, any termination payments due and payable to any Hedging Counterparty under a Hedging Agreement where such termination results from (a) an Additional Termination Event (Ratings Event) as specified in the schedule to the relevant Hedging Agreement, (b) bankruptcy of the relevant Hedging Counterparty, or (c) the occurrence of an Event of Default (as defined in the relevant Hedging Agreement) in relation to which the relevant Hedging Counterparty is the Defaulting Party (as defined in the relevant Hedging Agreement), other than, in the event of (a) or (c) above, the amount of any termination payment due and payable to such Hedging Counterparty in relation to the termination of such transaction to the extent of any premium received by the Issuer from a replacement hedging counterparty.

**Application of monies  
during Interest Period**

During an Interest Period the Cash Manager will be entitled:

- (A) until the service of a Trigger Notice in respect of the Notes, to apply the Expense Amount standing to the credit of the Transaction Payment Account (as defined below) in payment

of any ongoing fees, costs, expenses and taxes due and payable by the Issuer during such period;

- (B) to instruct the Issuer to apply amounts standing to the credit of the Collection Account in excess of the aggregate of (i) the amount then recorded as First Notes Reserve Amount, and (ii) any Standby Amount then standing to the credit of the Collection Account, and received on account of any value added tax for payment of such value added tax, in accordance with any applicable laws and regulations; and
- (C) to apply amounts standing to the credit of the Collection Account in excess of the aggregate of (i) the amount then recorded as First Notes Reserve Amount, and (ii) any Standby Amount then standing to the credit of the Collection Account in order to prepay, in whole or in part, amounts due as Deferred Transfer Price for the Initial Real Estate Assets subject to the terms set out in the Decrees and provided that the Rating Agencies have confirmed that none of the ratings of the then outstanding Notes will be adversely affected by such payment. For the avoidance of doubt, such partial prepayment may also be made following the redemption in full of the First Notes and the consequent reduction to zero of the First Notes Reserve Amount.

**Priority of Payments  
following service of a  
Trigger Notice**

Following the delivery of a Trigger Notice, the Issuer Available Funds shall be applied on each Business Day in making the following payments in the following order of priority (the "**Post Trigger Event Priority of Payments**") (in each case, only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay *pari passu* and *pro rata* according to the respective amounts thereof: all amounts of interest then due and payable and all Principal Amount Outstanding on the First Class A Notes until payment in full of the First Class A Notes;
- (ii) *second*, to pay *pari passu* and *pro rata* according to the respective amounts thereof: all amounts of interest then due and payable and all Principal Amount Outstanding on the Class B1 Notes until payment in full of the Class B1 Notes;
- (iii) *third*, to pay *pari passu* and *pro rata* according to the respective amounts thereof: all amounts of interest then due and payable and all Principal Amount Outstanding on the

Class C Notes until payment in full of the Class C Notes;

- (iv) *fourth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses (to the extent that the Expense Amount standing to the credit of the Transaction Payment Account has been insufficient to pay the Expenses);
- (v) *fifth*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any amounts due and payable under the Transaction Documents to the Representative of the Noteholders, the Issuer Corporate Servicer, the Cash Manager, the Programme Administrator, the Asset Appraiser, the Agent Bank, the Paying Agents, the Commercial Sales Managers, the Transaction Accounts Bank and the Asset Managers;
- (vi) *sixth*, to pay all amounts due and payable as principal, interest, costs, expenses, commitment fee or otherwise to the Liquidity Facility Providers (*pari passu* and *pro rata* according to the amounts then due);
- (vii) *seventh*, to pay all amounts due and payable to the Hedging Counterparties (*pari passu* and *pro rata* according to the amounts then due) under the Hedging Agreements (other than any Subordinated Termination Payments due and payable to such Hedging Counterparties in respect of such Hedging Agreements);
- (viii) *eighth*, to pay *pari passu* and *pro rata* according to the respective amounts thereof: all amounts of interest then due and payable and all Principal Amount Outstanding on the New Class A Notes until payment in full of the New Class A Notes;
- (ix) *ninth*, to pay *pari passu* and *pro rata* according to the respective amounts thereof: all amounts of interest then due and payable and all Principal Amount Outstanding on the Class B2 Notes until payment in full of the Class B2 Notes;
- (x) *tenth*, to pay all Subordinated Termination Payments due and payable to each Hedging Counterparty (*pari passu* and *pro rata* according to the amounts then due) under the Hedging Agreements; and
- (xi) *eleventh*, to pay all surplus to the MEF for allocation to the Contributors as Deferred Transfer Price.

Following service of a Trigger Notice, the Representative of the Noteholders will be entitled to receive (under paragraph (v) above) the additional fee specified in the Second Subscription Agreement as remuneration for the services required to be performed by it in such circumstances.

Following service of a Trigger Notice, the Cash Manager will remain entitled to instruct on the application of amounts in excess of the First Notes Reserve Amount and the Standby Amount standing to the credit of the Collection Account and received on account of any value added tax for payment of such value added tax, in accordance with any applicable laws and regulations.

**Ratings**

The outstanding First Notes are rated as follows as at the date of this Offering Circular:

	<i>Fitch Ratings</i>	<i>Moody's</i>	<i>S&amp;P</i>
Class A2 Notes	AAA	Aaa	AAA
Class A3 Notes	AAA	Aaa	AAA
Class B1 Notes	AA	Aa3	AA
Class C Notes	A	A3	A

Upon the issue of the New Notes and allocation by the Issuer of the First Notes Reserve Amount, the ratings of the Class A2 Notes and Class A3 Notes are expected to be confirmed and the Class B1 Notes and Class C Notes are expected to be assigned the same ratings as of the Class A2 Notes and Class A3 Notes.

The New Notes are expected to be assigned the following ratings with effect from the New Issue Date:

	<i>Fitch Ratings</i>	<i>Moody's</i>	<i>S&amp;P</i>
Class A4 Notes	AAA	Aaa	AAA
Class A5 Notes	AAA	Aaa	AAA
Class B2 Notes	AA	Aa2	AA-

The Class A1 Notes were redeemed in full on the Payment Date falling in July 2004.

It is a condition precedent to the issuance of the New Notes that none of the outstanding ratings of the outstanding First Notes is adversely affected by such issue.



## **Taxation**

All payments of principal and interest on the Notes will be made free and clear of any withholding or deduction for or on account of taxes, unless the Issuer or any intermediary that intervenes in the payment of interest on, and principal of, the Notes is required by applicable law to make such a withholding or deduction.

Upon the occurrence of any withholding for or on account of tax, whether or not through a substitute tax, from any payments of amounts due under the Notes, neither the Issuer, the Representative of the Noteholders, the Contributors, the Paying Agents nor any other person shall have any obligation to pay any additional amount to any Noteholders. See "Taxation in the Republic of Italy".

## **Further Issues and Prepayment of the Deferred Transfer Price**

By virtue of the provisions of the First MEF Decree and the Third MEF Decree and subject to the conditions set out herein and without the consent of the Noteholders, the MEF may require the Issuer to create and issue further notes or take out any loan in order (i) to fund the purchase from the Contributors (and, to the extent that the First Notes have been redeemed in full, from any other contributor the assets of which may be transferred to the Issuer pursuant to Law Decree No. 351) of further portfolios of real estate assets to form part of the Real Estate Assets and to be segregated in favour of the Noteholders and the holders of the further notes issued or the lenders under such loan; and/or (ii) to fund the prepayment to the MEF of amounts of Deferred Transfer Price and/or (iii) to the extent that the First Notes have been redeemed in full, to finance the redemption of any securities previously issued or loans previously taken by the Issuer in connection with the securitisation of the Initial Real Estate Assets. It is a condition precedent to any such further issue of notes or any such loan that none of the ratings of the Notes outstanding at the time is adversely affected by such further issue or loan. In the event of the Issuer issuing such further notes or taking out such loan, the rights of the Noteholders in relation to the Real Estate Assets and to the other assets of the Issuer as described in this Offering Circular may be affected and some of the Transaction Documents may need to be amended or supplemented. In particular, any such further notes or such loan may be repayable from collections and recoveries in respect of the Real Estate Assets and the other Issuer's Rights.

## **Listing**

The First Notes are listed on, and application has been made to list the New Notes on the Luxembourg Stock Exchange. The First Notes have been admitted to trading on the *Mercato Telematico dei Titoli di Stato S.p.A.* ("MTS") in accordance with the regulations governing MTS.

It is possible that in the future, application may be made for any Class of the Notes to be admitted to trading on other markets or listed on other stock exchanges.

**Governing Law and  
Jurisdiction of the Notes**

The Notes will be governed by Italian law and the courts of Rome shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes.

**TRANSACTION OVERVIEW AND PRINCIPAL TRANSACTION AGREEMENTS**

**The Real Estate Assets**

The Real Estate Assets, which are both residential and non-residential, include:

- (i) the Initial Real Estate Assets which, on the First Issue Date, numbered approximately 62,880 principal units (residential and commercial);
- (ii) any Additional Real Estate Assets which in the future may be transferred to the Issuer to substitute certain Initial Real Estate Assets in the circumstances set out in and in accordance with the First MEF Decree and the First Warranty and Indemnity Agreement.

The rights and obligations arising under the agreements relating to the Real Estate Assets have also been transferred to the Issuer provided, that in respect of the lease contracts relating to the Initial Real Estate Assets, the right to only 85 per cent of the rental payments due from the Tenants was transferred to the Issuer and such transfer was only made with respect to the rental payments due from 1 February 2003.

As at 31 December 2004 approximately 17.43 per cent (by offer price as of the First Issue Date) of the Initial Real Estate Assets had been disposed of by the Issuer as described below in "Description of the Initial Real Estate Assets".

See also "Regulatory Framework of the Securitisation - First MEF Decree" and "Description of the Transaction Documents - Asset Management Agreements."

**Transfer of the Real Estate  
Assets**

The Initial Real Estate Assets were transferred from the Contributors to the Issuer pursuant to the First MEF Decree with effect from the Transfer Date.

The Additional Real Estate Assets (if any) will be transferred by the MEF to the Issuer in the circumstances set out in, and in accordance

with the terms of, the First Warranty and Indemnity Agreement and the First MEF Decree.

See "Description of the Transaction Documents - First Warranty and Indemnity Agreement".

### **Transfer Price**

Pursuant to the Decrees, in consideration for the transfer of the Initial Real Estate Assets, the Issuer:

- (i) paid to the MEF an aggregate cash amount of €6,627,552,985 on the First Issue Date as initial transfer price in respect of the Initial Real Estate Assets (the "**Initial Transfer Price**");
- (ii) will pay to the MEF for allocation to the Contributors an amount from the monies standing to the credit of the Collection Account (in excess of the amounts recorded as First Notes Reserve Amount and as the Standby Amount) as partial prepayment of the deferred transfer price in respect of the Initial Real Estate Assets, subject to the terms specified in the Decrees and the Conditions; and
- (iii) will pay to the MEF for allocation to the Contributors, subject to the Priorities of Payments, an aggregate amount to be determined in accordance with the Intercreditor Agreement as deferred transfer price (if any) in respect of the Real Estate Assets payable once the Notes have been redeemed in full (the "**Deferred Transfer Price**").

### **Revenues**

The principal source of revenues available for the payment of interest and principal on the Notes will be the proceeds from the disposal process of the Real Estate Assets and certain rental payments in respect thereof (the "**Revenues**"), provided that the First Notes will also have the benefit of the First Notes Reserve Amount in accordance with the Priorities of Payments.

### **Portfolio Disposal Process**

The "**Portfolio Disposal Process**" means the process for the disposal of the Real Estate Assets in accordance with Law Decree No. 351, the Asset Management Agreements, the Commercial Sales Managers and the Decrees.

### **Collection Account**

All amounts received or recovered by the Issuer as arranged by or from the Asset Managers or the Commercial Sales Managers and certain other amounts received or recovered by the Issuer from or by any other party to the Securitisation in accordance with the terms of any Transaction Document will be paid promptly into an account (the "**Collection Account**") opened in the name of the Issuer with

the Collection Account Holder. The Collection Account will be maintained with the *Tesoreria Centrale dello Stato*, acting through the Bank of Italy as long as the Republic of Italy's short term unsecured and unsubordinated debt obligations are rated at least F1 by Fitch Ratings, P-1 by Moody's and A-1+ by S&P. The Accumulation Amount and (from the Payment Date in April 2005) the First Notes Reserve Amount will be held in the Collection Account.

**Transfer to Transaction  
Payment Account**

Two Business Days prior to each Payment Date, such monies standing to the credit of the Collection Account as are to be used on such Payment Date will be transferred to the Transaction Payment Account.

**Transaction Payment  
Account**

All payments to the Noteholders and the other Issuer Creditors will be made through an account (the "**Transaction Payment Account**") opened in the name of the Issuer with the Transaction Accounts Bank. The Expense Amount will be held in the Transaction Payment Account and amounts received by the Issuer under the Hedging Agreements, the Swap Guarantee or any Liquidity Facility Agreement (other than Standby Amount) will be paid into the Transaction Payments Account. For the avoidance of doubt, the First Notes Reserve Amount will be paid into the Transaction Payment Account on the New Issue Date.

**Transaction Security  
Deposit Account**

All security deposits in respect of the sale of the residential and commercial Real Estate Assets pursuant to the terms of the Asset Management Agreements or the Commercial Sales Management Agreement will be paid into a Euro account (the "**Transaction Security Deposit Account**" and, together with the Transaction Payments Account, the "**Transaction Accounts**") opened in the name of the Issuer with the Transaction Accounts Bank. The Transaction Accounts Bank will be entitled (upon receipt of appropriate instructions from the Asset Managers, the Commercial Sales Managers or the Cash Manager, as the case may be) to apply amounts standing to the credit of the Transaction Security Deposit Account for repayment of security deposits as such become due and shall transfer the relevant amount into the Collection Account upon conclusion of the sale of the relevant Real Estate Asset or in the case of default and forfeiture of the security deposit by the prospective purchaser.

**Maintenance of  
Transaction Accounts with  
Transaction Accounts**

The Transaction Accounts will be maintained with Deutsche Bank S.p.A. for so long as (a) its controlling parent company's short-term, unsecured and unsubordinated debt obligations are rated at least F1 by Fitch Ratings, P-1 by Moody's and A-1+ by S&P and

<b>Bank</b>	<p>long-term, unsecured and unsubordinated debt obligations are rated at least A-1 by Moody's; (b) the shareholding held by its controlling parent company does not fall below 90 per cent; (c) there are no material changes in the ownership structure of its controlling parent company which would result in the downgrading of any of the Notes; and (d) the words "Deutsche Bank" are contained in its legal name unless the Rating Agencies confirm that the deletion of such words does not affect the status of eligible institution, and, in any case, only until such date when any of the Rating Agencies notifies the Issuer that Deutsche Bank S.p.A. no longer qualifies as an eligible institution. Payments due to the Noteholders from the Issuer will be paid out of the Transaction Payment Account in accordance with the instructions of the Cash Manager under the terms of the Cash Management Agreement.</p>
<b>Expense Amount</b>	<p>An amount not exceeding €848,805 on the New Issue Date and €200,000 on each Payment Date thereafter (the "<b>Expense Amount</b>") will be credited to the Transaction Payment Account, in order to fund the payment of Expenses required to be paid by the Issuer during any Interest Period, until the service of a Trigger Notice.</p>
<b>Accumulation Amount</b>	<p>If on any Payment Date, the New Notes have not been redeemed in whole, any Available Redemption Funds available for the purposes of redeeming the New Notes in accordance with the Priority of Payments shall be applied as accumulation amount standing to the credit of the Collection Account (the "<b>Accumulation Amount</b>").</p>
<b>First Notes Reserve Amount</b>	<p>On or about the New Issue Date the Issuer will credit to the Transaction Payments Account the First Notes Reserve Amount, initially consisting of part of the net proceeds of the issue of the New Notes together with part of the funds then standing to the credit of the Collection Account and, thereafter on each Payment Date, to be replenished in the Collection Account in accordance with the Priority of Payments.</p> <p>"<b>First Notes Reserve Amount</b>" means, on the New Issue Date, an amount of €5,174,000,000 and, thereafter on each Payment Date, an amount calculated by the Cash Manager at the Determination Date immediately preceding such Payment Date, to be the aggregate of (i) the outstanding principal on the First Notes immediately following such Payment Date and (ii) in respect of each Class of First Notes which has principal outstanding immediately following such Payment Date, an amount of X in respect of each such Class of First Notes calculated as follows:</p>

$$X = \text{PAO} \times \text{IM} \times \text{NDR} / 360$$

Where:

PAO = the Principal Amount Outstanding in respect of such Class of First Notes immediately following such Payment Date;

IM = the Relevant Margin for such Class of First Notes plus 0.35%; and

NDR = the number of calendar days from (and including) such Payment Date to (but excluding) the date on which mandatory redemption is due to commence for such Class of First Notes in accordance with Condition 7.2 (*Mandatory Redemption*).

In accordance with the Priority of Payments, the First Notes Reserve Amount shall be applied solely for the benefit of the holders of the First Notes.

#### **Asset Management Agreements**

On or about the New Issue Date, the Issuer, the Representative of the Noteholders and each of the Asset Managers will enter into property management agreements in respect of the Real Estate Assets amending property management agreements dated on or about the First Issue Date (each, as amended, an "**Asset Management Agreement**" and together, the "**Asset Management Agreements**").

Pursuant to each Asset Management Agreement, each Asset Manager shall act on behalf of the Issuer to manage and prepare for sale (i) the residential portion of the real estate assets transferred to the Issuer pursuant to the First MEF Decree which such Asset Manager (or, in the case of *Agenzia del Demanio*, the Republic of Italy) owned immediately before such transfer and (ii) any Additional Real Estate Assets subsequently transferred to the Issuer and allocated by the MEF as being managed by such Asset Manager (together, the "**Relevant Assets**"). Such management activities shall be carried out in accordance with the agreements relating to the residential portion of the Relevant Assets and each Asset Manager will promptly take all actions required by it, as described in the relevant Asset Management Agreement, aimed at attaining the full and timely resale of the Relevant Assets.

In addition, each Asset Manager has been entrusted under the relevant Asset Management Agreement with the disposal of the residential portion of the Real Estate Assets comprised in the Relevant Assets managed by it and with all preliminary, consequential and related activities.

In certain circumstances set out in the Asset Management Agreements, each Asset Managers may elect or be obliged (subject to receipt of confirmation by the Rating Agencies that the ratings of the outstanding Notes would not be affected by such appointment) to appoint a sales manager to act as its sub-contractor in respect of the sale of the Relevant Assets (each, a "**Sales Manager**") from among persons selected according to the criteria set out in the Asset Management Agreements.

See "Description of the Transaction Documents - Asset Management Agreements".

### **Commercial Sales Management Agreement**

On or about the New Issue Date, the Issuer, the Representative of the Noteholders, Lazard Real Estate S.r.l. and each of the Commercial Sales Managers will enter into a sale management agreement amending the sales management agreement dated on or about the First Issue Date (as amended, the "**Commercial Sales Management Agreement**").

Pursuant to the Commercial Sales Management Agreement as entered into on or about First Issue Date, Lazard Real Estate S.r.l. acted as one of the initial Commercial Sales Managers. Pursuant to the Commercial Sales Management Agreement as amended on or about the New Issue Date, Lazard Real Estate S.r.l. will assign to L&CRE, with effect from the New Issue Date, all its rights and obligations as Commercial Sales Manager under the Commercial Sales Management Agreement but will remain liable pursuant to Article 1408 paragraph 2 of the Italian Civil Code for the obligations of L&CRE under the Commercial Sales Management Agreement until the date on which the First Notes have been redeemed in full.

Pursuant to the Commercial Sales Management Agreement, the Commercial Sales Managers are entrusted with the disposal process of the commercial Real Estate Assets and with all preliminary, consequential and related activities (including (i) completion of files, (ii) sending the offer letters to the relevant Tenants and (iii) collecting all documents which the Commercial Sales Managers deem necessary or advisable for the disposal, including from the relevant Asset Managers and the Asset Appraiser). The Commercial Sales Managers are required promptly and diligently to manage the disposal process of the Portfolio in respect of the commercial Real Estate Assets in accordance with the Commercial Sales Management Agreement.

In certain circumstances and upon certain conditions, including the

failure to attain certain sales thresholds by the Commercial Sales Managers, the Issuer has an option to terminate the Commercial Sales Management Agreement. See "Description of the Transaction Documents - Commercial Sales Management Agreement".

#### **Asset Appraisal Agreement**

On or about the New Issue Date, the Issuer and the Asset Appraiser will supplement the *convenzione* dated on or about the First Issue Date (as supplemented, the "**Asset Appraisal Agreement**") pursuant to which the Asset Appraiser performs certain evaluation services in respect of certain units comprised in the Real Estate Assets and, upon the request of any Asset Manager, documentation collection services, in each case in accordance with the Decrees.

Each Asset Manager has acceded to the Asset Appraisal Agreement for the purposes of the services to be provided by the Asset Appraiser. See "Description of the Transaction Documents - Asset Appraisal Agreement".

#### **Intercreditor Agreement**

On or about the New Issue Date, the Issuer, the MEF (also on behalf of the Contributors and the Asset Managers), the Representative of the Noteholders (on its own behalf and as agent for the Noteholders), the Agent Bank, the Paying Agents, the Transaction Accounts Bank, the Issuer Corporate Servicer, the Liquidity Facility Providers, the Hedging Counterparties, the Programme Administrator and the Cash Manager will enter into an intercreditor agreement amending and restating an intercreditor agreement dated on or about the First Issue Date (as amended and restated, the "**Intercreditor Agreement**") pursuant to which, *inter alia*, provision is made for the application of the Issuer Available Funds and as to the circumstances in which the Representative of the Noteholders will be entitled to exercise certain rights in relation to the Real Estate Assets and the other Issuer's Rights.

Pursuant to the Intercreditor Agreement, the Issuer will grant irrevocable instructions to the Representative of the Noteholders to empower the Representative of the Noteholders, upon the Notes becoming due and payable following service of a Trigger Notice, to exercise all the Issuer's rights, powers and discretions under the Transaction Documents and generally to take such action in the name and on behalf of the Issuer as the Representative of the Noteholders may deem necessary to protect the interests of the Issuer, the Noteholders and the other Issuer Creditors in respect of the Real Estate Assets and the other Issuer's Rights.

See "Description of the Transaction Documents - Intercreditor Agreement".



### **First Warranty and Indemnity Agreement**

On or about the First Issue Date, the MEF, the Issuer, the Representative of the Noteholders and the First Managers entered into a warranty and indemnity agreement (the "**First Warranty and Indemnity Agreement**"), pursuant to which the MEF has made certain representations and warranties to the Issuer and the First Managers and has agreed to indemnify them in connection with such representations and warranties to the extent set out therein.

In the event of the occurrence of certain events affecting the validity of the transfer of the Real Estate Assets or of the Real Estate Assets being legally impossible to sell, the MEF shall transfer to the Issuer Additional Real Estate Assets of the same nature as the Real Estate Assets in respect of which the obligation to transfer Additional Real Estate Assets has arisen and of a value determined in accordance with the First Warranty and Indemnity Agreement. The values referred above shall be ascertained (at the expense of the MEF) by an appraisal company appointed in accordance with the First Warranty and Indemnity Agreement.

If the transfer of such other assets cannot be carried out according to the conditions set forth in the First Warranty and Indemnity Agreement, the MEF shall, on behalf and in the interest of the Contributors, pay to the Issuer a cash amount equal to 100 per cent of the value, as of the date on which the transfer of Additional Real Estate Assets would otherwise have taken place, of the relevant Real Estate Assets which are affected by any of the relevant events; such value to be ascertained (at the expense of the MEF) by an appraisal company appointed in accordance with the First Warranty and Indemnity Agreement with reference to the value of the relevant assets applying the criteria set forth in the First Warranty and Indemnity Agreement.

The indemnity obligations of the MEF will be triggered only upon the attainment of certain thresholds and fulfilment of certain conditions. See "Description of the Transaction Documents - First Warranty and Indemnity Agreement".

### **Second Warranty and Indemnity Agreement**

On or about the New Issue Date, the MEF, the Issuer, the Representative of the Noteholders and the New Managers will enter into a warranty and indemnity agreement (the "**Second Warranty and Indemnity Agreement**" and together with the First Warranty and Indemnity Agreement, the "**Warranty and Indemnity Agreements**"), pursuant to which the MEF will make certain representations and warranties to the Issuer and the New Managers and will agree to indemnify them in connection with such

representations and warranties to the extent set out therein.

The indemnity obligations of the MEF will be triggered only upon the attainment of certain thresholds and fulfilment of certain conditions. See "Description of the Transaction Documents - Second Warranty and Indemnity Agreement".

**Programme**

**Administration Agreement**

On or about the New Issue Date, the Issuer, the Representative of the Noteholders and the Programme Administrator will enter into a programme administration agreement amending a programme administration agreement dated on or about the First Issue Date (as amended, the "**Programme Administration Agreement**") pursuant to which the Programme Administrator will, *inter alia*, perform certain monitoring, co-ordination and performance reporting activities on behalf of the Issuer in order to verify compliance by each Asset Manager under the relevant Asset Management Agreement and the Commercial Sales Managers under the Commercial Sales Management Agreement with the disposal process for the Portfolio. In addition the Programme Administrator will provide assistance to the Asset Managers in relation to the reporting activities to be carried out thereby. See "Description of Transaction Documents - Programme Administration Agreement".

**Issuer Corporate Services Agreement**

On or about the New Issue Date, the Issuer, the Issuer Corporate Servicer and the Representative of the Noteholders will enter into a corporate services agreement amending and restating a corporate services agreement dated on or about the First Issue Date (as amended and restated, the "**Issuer Corporate Services Agreement**") pursuant to which the Issuer Corporate Servicer will continue to provide certain corporate administrative services to the Issuer.

See "Description of the Transaction Documents - Issuer Corporate Services Agreement".

**Agency Agreement**

On or about the New Issue Date, the Issuer, the Principal Paying Agent, the Agent Bank, the Luxembourg Paying Agent, the Italian Paying Agent and the Representative of the Noteholders will enter into an agency agreement amending and restating an agency agreement dated on or about the First Issue Date (as amended and restated, the "**Agency Agreement**") pursuant to which the Paying Agents will perform certain services in relation to the Notes, including *inter alia* arranging for the payment of principal and interest to the Noteholders.

See "Description of the Transaction Documents - Agency

Agreement".

**Cash Management Agreement**

On or about the New Issue Date, the Issuer, the Cash Manager, the Transaction Accounts Bank and the Representative of the Noteholders will enter into a cash management agreement amending and restating the cash management agreement dated on or about the First Issue Date (as amended and restated, the "**Cash Management Agreement**") pursuant to which the Cash Manager will provide certain cash administrative and calculation services on behalf of the Issuer. Under the Cash Management Agreement, the Cash Manager has been appointed to act as *soggetto incaricato dei servizi di cassa e pagamento* pursuant to Article 2, paragraph 6 of the Securitisation Law.

See "Description of the Transaction Documents - Cash Management Agreement".

**Quotaholder Corporate Services Agreement**

The Quotaholders and the Quotaholder Corporate Servicer entered into a corporate services agreement on 21 December 2001, as amended on or about the First Issue Date (as amended, the "**Quotaholder Corporate Services Agreement**") pursuant to which the Quotaholder Corporate Servicer provides certain corporate administrative services to the Quotaholders. See "Description of the Transaction Documents - Quotaholder Corporate Services Agreement".

**Liquidity Facility Agreement(s)**

On or about the New Issue Date, the Issuer, the Cash Manager, the Representative of the Noteholders and the New Liquidity Facility Provider will enter into a liquidity facility agreement (the "**New Liquidity Facility Agreement**" and, together with the First Liquidity Facility Agreement, the "**Liquidity Facility Agreements**") pursuant to which the New Liquidity Facility Provider will provide a 364-day renewable revolving liquidity facility to cover certain of the Issuer's payment obligations (the "**Liquidity Facility**") to the Issuer.

On or about the First Issue Date, the Issuer, the Cash Manager, the Representative of the Noteholders and the First Liquidity Facility Providers entered into a liquidity facility agreement (the "**First Liquidity Facility Agreement**") pursuant to which the Liquidity Facility Providers provided to the Issuer a 364-day renewable revolving liquidity facility to cover certain of the Issuer's payment obligations. The First Liquidity Facility Agreement will terminate upon the Payment Date in April 2005 in accordance with the Intercreditor Agreement. The "**First Liquidity Facility Providers**" are ABN AMRO Bank N.V. Milan branch, Citibank N.A. Milan

branch, and JPMorgan Chase Bank, N.A. Milan branch.

See "Description of the Transaction Documents - Liquidity Facility Agreements".

### **Hedging Agreements**

On or about the New Issue Date, the Issuer will enter into International Swaps and Derivatives Association, Inc. ("**ISDA**") 1992 Master Agreements (such agreements, incorporating the schedules thereto and the confirmations evidencing the swap transactions thereunder, together with any relevant credit support annex entered into in connection therewith, the "**New Hedging Agreements**" and, together with the First Hedging Agreements, the "**Hedging Agreements**") with the Representative of the Noteholders and each of the New Hedging Counterparties, pursuant to which the New Hedging Counterparties will provide to the Issuer certain protection in respect of the Issuer's payment obligations under the New Notes. See "Description of the Transaction Documents - Hedging Agreements".

The obligations of UBS Limited as Hedging Counterparty under its Hedging Agreement are guaranteed by the Swap Guarantor pursuant to a guarantee dated 24 January 2003 (the "**Swap Guarantee**").

On or about the First Issue Date, the Issuer entered into ISDA 1992 Master Agreements (such agreements, incorporating the schedules thereto and the confirmations evidencing the swap transactions thereunder, together with any credit support annex entered into in connection therewith, the "**First Hedging Agreements**") with the Representative of the Noteholders and each of the First Hedging Counterparties, pursuant to which the First Hedging Counterparties provided to the Issuer certain protection in respect of the Issuer's payment obligations under the First Notes. The First Hedging Agreements will terminate upon the Payment Date in April 2005 in accordance with the Intercreditor Agreement. The "**First Hedging Counterparties**" are ABN AMRO Bank N.V. London branch, Citibank N.A. London branch, and JPMorgan Chase Bank, N.A. London branch.

### **First Deed of Charge**

On or about the First Issue Date, the Issuer and the Representative of the Noteholders entered into a deed of charge (the "**First Deed of Charge**") pursuant to which the Issuer assigned in favour of the Representative of the Noteholders as trustee for *inter alios* the holders of the First Notes and the Issuer Creditors all monetary claims and rights and all the amounts to which the Issuer is entitled pursuant to the First Hedging Agreements. See "Description of the Transaction Documents - First Deed of Charge".

**Second Deed of Charge**

On or about the New Issue Date, the Issuer and the Representative of the Noteholders will enter into a deed of charge (the "**Second Deed of Charge**") and together with the First Deed of Charge, the "**Deeds of Charge**") pursuant to which the Issuer will assign in favour of the Representative of the Noteholders as trustee for the Noteholders, the Issuer Creditors and the other third party creditors of the Issuer in connection with the Securitisation all monetary claims and rights and all the amounts to which the Issuer is entitled pursuant to the New Hedging Agreements. See "Description of the Transaction Documents - Second Deed of Charge".

**Governing Law of  
Transaction Documents**

The Transaction Documents will be governed by, and construed in accordance with, Italian law save for (i) the Hedging Agreements, the Swap Guarantee and the Deeds of Charge which will be governed by, and construed in accordance with, English law; and (ii) the Letter of Undertaking, which will be governed by, and construed in accordance with, the law of The Netherlands.

## CERTAIN INVESTMENT CONSIDERATIONS

*The purchase of Notes of any Class may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Before making an investment decision, prospective purchasers of Notes should consider carefully, in the light of their own financial circumstances and investment objectives, all the information set out in this Offering Circular and, in the event of any doubt concerning the degree of risk of the investment, consult an expert.*

*The following is a summary of certain aspects of the issue of the Notes of which prospective holders of Notes should be aware. It is not intended to be exhaustive, however, and prospective holders of Notes should also read the detailed information set out elsewhere in this Offering Circular.*

### **Uncertainty of Projected Cash Flows**

The projected cash flows are those which could result from the disposal of the Real Estate Assets (the "**Projected Cash Flows**") and have been determined on the basis of the Business Plans (as defined below) and combined with a series of assumptions and extrapolations, all of which rely on certain judgements, hypothetical assumptions and estimates being made about future economic events, property market evolution, the revenues from the Real Estate Assets (which, in respect of the proceeds from the disposal of the Real Estate Assets, itself relies significantly on the ability and willingness of the Tenants to purchase the same), the operations of the Asset Managers, the Commercial Sales Managers and the Programme Administrator and the courses of action projected in respect of the Asset Managers and the Commercial Sales Managers and their respective advisers and agents for realising the revenues from the Real Estate Assets. There may be differences between such Projected Cash Flows and actual results because events and circumstances frequently do not occur as expected. Those differences may be material, both with respect to timing and the aggregate amounts realised. In addition, to the extent that the assumptions utilised in the preparation of the Projected Cash Flows are not correct, there will be differences (which may be material, both as to the timing and the amount of the collection of revenues) between projected and actual results.

While the characteristics of the procedure for the disposal of the Real Estate Assets were considered in preparing the Business Plans, these same or other characteristics could adversely affect actual cash flows realised from the disposal of the Real Estate Assets to a greater extent than was assumed in the preparation of the Projected Cash Flows. In addition, certain other characteristics or events which were assumed not to affect the Projected Cash Flows could have an adverse impact. The state of the Italian national and regional economies, the Italian real estate market, the availability of credit in Italy, the financial resources of the Tenants or third parties to make payments in the amounts and within the time frames assumed and the willingness of the Tenants or third parties to purchase the leased assets cannot be assured. Collections, recoveries, expenses and liabilities will often be dependent upon the actions of third parties which are difficult to

predict and are generally not within the control of the Asset Managers, the Commercial Sales Managers, the Programme Administrator or the Issuer.

The amounts realised with respect to the Real Estate Assets will depend upon, *inter alia*, the realisable value of properties sold at auction and the management by the Asset Managers and the Commercial Sales Managers of the procedure for sale of the Real Estate Assets. Accordingly, realisations on the Real Estate Assets could be significantly different and could occur at substantially different times than projected or may not occur at all with respect to certain of the Real Estate Assets. Similarly, operational and other expenditures and liabilities could be substantially different and could occur at different times than projected.

Law Decree No. 351, confirming similar provisions contained in already existing legislation enacted from 1996 for the disposal of real estate assets held by the Contributors, provides that the Tenants of the Real Estate Assets are entitled to an option right to purchase the relevant Real Estate Assets leased by them and that certain low-income categories of Tenants (of residential Real Estate Assets previously owned by Social Security Entities) may have the benefit of low interest bank mortgage loans in order to purchase such residential real estate assets.

In such respect, the Social Security Entities have in the past entered into general agreements (*convenzioni*) with certain Italian and non-Italian banks under which such banks, subject to certain conditions being met, have undertaken to act as lenders in respect of all the Tenants (including, but not limited to, low-income Tenants) of the residential real estate assets intending to purchase the relevant assets and have agreed a maximum interest rate applicable to Tenants, depending on the specific term and features (fixed rate, floating rate, etc.) of the requested loan. In respect of loans granted to low-income Tenants, the difference between the low interest rate and the market rate is borne by the relevant Social Security Entity. The MEF has selected and will select banks and arrange further similar general agreements (*convenzioni*) with banks for the Securitisation and in respect of all the residential Real Estate Assets.

There can be no assurance that any or all such agreements will be maintained or renewed by the banks which are now parties to them or that they will be renewed with no increase of the maximum interest rates applicable to Tenants (other than low income Tenants). In such circumstances, as well as in the case of non-performance by the banks which are parties to such agreements of their lending obligations in favour of the relevant Tenants, the timing of the Portfolio Disposal Process in respect of the residential Real Estate Assets and the amount of the proceeds arising therefrom could be adversely affected by the decrease in funds available to the relevant Tenants to purchase their residential Real Estate Assets. Nor are there any such agreements in relation to the commercial Real Estate Assets.

Furthermore, there can be no assurance that in any case any Tenants will be willing to purchase the real estate assets leased by them. In particular, certain low income or disadvantaged Tenants of residential real estate assets have the option to renew their lease agreement for nine years (starting from the expiry date first following the Transfer Date) at

the same rent from the expiry of the lease agreement if they choose not to exercise their right to purchase the real estate asset. Moreover (i) the Tenants of *Pregio* Assets (as defined below), being Real Estate Assets with certain characteristics which render such assets more valuable (*immobili di pregio*) will have no right to a discount on the purchase price of their real estate assets and (ii) no discount right is set out by Law Decree No. 351 in favour of the Tenants of the commercial real estate assets. Each of these categories of Tenants may be considered as having less incentive than the other Tenants to purchase the real estate assets leased thereby.

Neither the Projected Cash Flows nor the Business Plans have been audited, examined or reviewed by independent public accountants, nor were they prepared in accordance with guidelines established by an Italian or international accounting organisation for a financial forecast. The information contained in "Weighted Average Life" below is not a forecast reflecting conditions the Issuer expects to exist and the courses of action the Issuer, the Asset Managers, the Commercial Sales Managers or their respective advisers or agents expect to take. Rather it is a projection of the Issuer's projected cash flows based upon the initial Business Plans and hypothetical assumptions which it believes to be reasonable. Such hypothetical assumptions about a complex series of independent events are, to a significant degree, subjective.

Prospective Noteholders should have particular regard to the section entitled "Weighted Average Life" below in determining the likelihood or extent of any shortfall of funds available to the Issuer to meet payments of interest and/or principal due under the corresponding Class of Notes.

### **Immediate Marketability of the Real Estate Assets**

In order to sell the Real Estate Assets, the performance of certain formalities with the competent Land Registry, Cadastral Office, Fiscal Office (*Ufficio del Registro*) or Municipality (including the *certificato di agibilità e abitabilità*), the updating of the existing file with the competent cadastral office (*accatastamento*), including any cadastral division (*frazionamento catastale*) and/or the adoption of a millesimal chart (*tabella millesimale*) may be either required legally or requested by potential purchasers of the Real Estate Assets. Any such activity has been charged to the Asset Managers under the Asset Management Agreements and may be sub-contracted to the *Agenzia del Territorio*. Whilst the Asset Managers are in a position to fulfil all the legal formalities required for the sale of the Initial Real Estate Assets, there can be no assurance, however, that any formalities or activities that are requested by any third parties such as potential purchasers (in addition to the necessary legal formalities) will be completed on time or at all in respect of the Real Estate Assets.

### **Insurance Coverage**

Each Asset Manager, at its own expense, is obliged to maintain and punctually pay the premiums of all the existing and outstanding insurance policies relating to the Real Estate Assets and any part thereof, including movable assets, plant, equipment and pertinences, if any. Each Asset Manager is responsible for keeping such insurance policies in force,



unless otherwise requested by the Issuer, and each Asset Manager has undertaken to have the Issuer named as beneficiary and principal insured party of such insurance policies.

The insurance cover on the Real Estate Assets is, however, limited to the extent and within the limits that were in place when the Real Estate Assets were owned by the Contributors and certain types of loss (such as the risks of war or earthquake) are not covered because such risks were held by the Asset Managers not to be generally insured in accordance with market practice in Italy, were uninsurable or not economically insurable. In the event of changes in market practice in Italy as a result of which it becomes customary for a prudent and reasonable commercial property owner (*proprietario di immobili*) to cover risks deriving from events that are not covered in full by the current insurance or at all, or by the indemnity given by the relevant Asset Managers, the Assets Managers have undertaken, upon agreement with the Issuer, to consent to increase the existing insurance coverage.

Should an uninsured loss or a loss in excess of insured limits occur, each relevant Asset Manager will indemnify the Issuer, but only in respect of any claims by any third party and/or damages that the Issuer may suffer from certain events including fire, explosions, electric system damage and breakdown (*cortocircuito*), gas, air conditioning, water and sewage system breakdown, in any way connected to the relevant Real Estate Assets and for any general liability upon the Issuer as owner thereof. There can be no assurance, however, that all risks that could affect the value of the Real Estate Assets will be covered in full by such insurance or at all, or by the indemnity given by the Asset Managers. Any loss that the Issuer incurs that is not so covered could have a material adverse affect on the value of the affected Real Estate Assets.

### **Servicing of the Real Estate Assets**

The primary sources of the revenues for repayment of principal and interest under the Notes are the proceeds from the Portfolio Disposal Process and certain rental payments in respect of the Real Estate Assets. The Asset Managers and the Commercial Sales Managers have primary responsibility for the implementation of the Portfolio Disposal Process in respect of the Real Estate Assets pursuant to the Asset Management Agreements and the Commercial Sales Management Agreements. In addition, under the terms of the Asset Management Agreements, the Asset Managers have responsibility for the collection of rental payments from Tenants, bear the costs of ordinary and extraordinary maintenance of the properties comprising the Real Estate Assets (including day-to-day maintenance costs and necessary capital expenditure) and will receive a management fee and sales fee for their services under the Asset Management Agreements.

Consequently, although the Asset Managers and the Commercial Sales Managers will be contractually bound to carry out their duties diligently under the Asset Management Agreements and the Commercial Sales Management Agreements, respectively, the net cash flows from the Real Estate Assets may be affected by actions taken (or omitted to be taken), and the sale and disposal procedures adopted, by each of the Asset Managers and the Commercial Sales Managers.

Since the First Issue Date, the results of the servicing of the Real Estate Assets by the Asset Managers and the Commercial Sale Managers have not always matched the requirements set out in the business plans set out in the Asset Management Agreements and the Commercial Sales Management Agreements, respectively, as the same were signed on or around the First Issue Date. The Business Plans attached to the Asset Management Agreements and the Commercial Sales Management Agreements as amended on or around the New Issue Date have been agreed with the Asset Managers and the Commercial Sale Managers, as appropriate, taking into account their performance and results in relation to the servicing of the Real Estate Assets since the First Issue Date.

The Asset Management Agreements and the Commercial Sales Management Agreements provide certain remedies in the event of the failure by an Asset Manager or Commercial Sales Managers to comply with certain of its obligations thereunder. See "Description of the Transaction Documents - Asset Management Agreements" and "Description of the Transaction Documents - Commercial Sales Management Agreement".

In each case the performance by each of the Asset Managers and the Commercial Sales Managers of their respective obligations under the Asset Management Agreements and the Commercial Sales Management Agreement, respectively, is dependent on their solvency, in relation to which particular legal considerations apply as set out below. There are certain elements in the transaction which reduce the risk to the Noteholders resulting from an insolvency or default of the Asset Managers. In particular, it should be noted that, as public bodies, the Social Security Entities cannot be declared bankrupt (Article 1 of the Royal Decree No. 267 of 1942) and would be subject to a special liquidation procedure. Since the Social Security Entities are fundamental instruments of social security policy for the Italian State, the liquidation of any of the Social Security Entities could affect the constitutional requirement to provide social security services as contemplated by Article 38 of the Italian Constitution. Consequently, should any of the Social Security Entities cease its activities, the Italian State would be obliged to act directly to fulfil those aims or to transfer the social security duties and functions previously performed by such Social Security Entity to another public body. In this respect, the rights and obligations of INPDAI (including under the Securitisation) were transferred to INPS with effect from 1 January 2003.

### **Compulsory Purchase**

Any property in Italy may at any time be subject to a compulsory purchase order in connection with general utility purposes. If a compulsory purchase order is made in respect of any or all of the Real Estate Assets, compensation would be payable to the Issuer (as owner thereof) on the basis of specific criteria set out in applicable legislation. There can be no assurance that the amount of such compensation would be equal to the value of the relevant Real Estate Assets. In addition, there is often a delay between the completion of a compulsory purchase of a property and the date of payment of the statutory compensation. Any such delay, or a payment to the Issuer of statutory compensation which is lower than the value of the relevant Real Estate Assets, may have an adverse

impact on the ability of the Issuer to meet its obligations to pay interest and principal under the Notes.

### **Effectiveness of Eviction Proceedings in respect of the Real Estate Assets**

Since many of the Real Estate Assets are leased to tenants or, in limited cases, are otherwise occupied, the sale of the Real Estate Assets will be dependent upon, *inter alia*, the effectiveness of the procedures set up for the implementation of the Portfolio Disposal Process, including the effectiveness of proceedings to be undertaken for the eviction of defaulting or illegal tenants occupying such properties. All of the properties comprising the Real Estate Assets are located in the Republic of Italy and proceedings must be brought before the relevant local court having jurisdiction in the matter. Such eviction proceedings may take a considerable amount of time, depending on the region in which such action is taken and the type of action that is required.

### **No Independent Investigation prior to Issue Dates/Reliance on Warranties**

None of the Issuer, the Representative of the Noteholders, the MEF, the Arrangers, the Managers nor any other party to any of the Transaction Documents (other than the Social Security Entities and the *Agenzia del Demanio*) has undertaken or will undertake any investigation, searches, due diligence or other actions to verify the details of the Initial Real Estate Assets, nor has any of such persons, nor will any of them, undertake any investigations, searches or other actions to establish the value of the Initial Real Estate Assets (other than the evaluation carried out by the *Agenzia del Territorio* on the units comprised in the Initial Real Estate Assets and the evaluation carried out by the Real Estate Advisor on a selected sample pool for the limited purpose of the release of the Opinion), the title of the Contributors to the Initial Real Estate Assets or the existence of any liens in respect of or restrictions or charges over the Initial Real Estate Assets, and the Issuer has relied on Law Decree No. 351 and the representations and warranties made by the MEF in the Warranty and Indemnity Agreements together with such information as is publicly available relating thereto.

For a description of representations, warranties and undertakings given by the MEF (on behalf of the Contributors or the Assets Managers, as appropriate) in respect of the Initial Real Estate Assets, and the rights of the Issuer (including limits thereto) in the event of a breach thereof, see "Description of the Transaction Documents - First Warranty and Indemnity Agreement".

### **Limited Representations, Warranties and Indemnities from the Ministry of Economy and Finance**

In accordance with the Decrees, under the Warranty and Indemnity Agreements, the MEF has agreed (also in the interest of the Asset Managers and the Contributors) to indemnify the Issuer for, *inter alia*, losses and liabilities incurred as a result of any materially incomplete, incorrect or untrue representation made by the MEF therein. Any such right to indemnity is limited, however, and will arise only upon fulfilment of certain conditions.

The other provisions of the Warranty and Indemnity Agreements will otherwise remain in effect in accordance with the terms thereof.

In addition, pursuant to the First MEF Decree, the MEF, on behalf of the Contributors, is required, *inter alia*, to compensate the Issuer upon the occurrence of certain events affecting the validity of the transfer of the Real Estate Assets or of the Real Estate Assets being legally impossible to sell. If any such event occurs, the MEF will procure that Additional Real Estate Assets are transferred to the Issuer or a compensating cash payment is made to the Issuer, upon first demand, in the amount equal to 100 per cent of the value (as at the date of such payment) of each Real Estate Asset which it is legally impossible to sell.

### **Value attributed to Real Estate Assets**

In accordance with applicable laws (see "Selected Aspects of Italian Law - Law Decree No. 351"), the Issuer is bound to offer for sale occupied commercial properties to existing tenants, with no discount with respect to the relevant market value, and occupied residential properties to existing tenants at prices discounted (other than in respect of *Pregio* Assets) with respect to the reference values, determined by the *Agenzia del Territorio* (as further detailed below, the "**Vacant Possession Values**"). There can be no assurance, however, that the Vacant Possession Values attributed to the Real Estate Assets on the basis of the criteria applied by the *Agenzia del Territorio*, were representative of the true market values of such assets at the time of valuation or at the date of this Offering Circular, although the Real Estate Advisor has, in its Opinion, made certain checks and given certain confirmations on the valuation methodology used by the *Agenzia del Territorio* and on the valuation given thereby to the Initial Real Estate Assets. See "Description of the Initial Real Estate Assets - Evaluation Process of the Real Estate Advisor".

### **Liability under the Notes**

The Notes will be limited recourse obligations solely of the Issuer. In particular, the Notes will not be obligations or responsibilities of, and will not be guaranteed by, the MEF, any of the Contributors (in any capacity), the Programme Administrator, the Asset Managers, the Commercial Sales Managers, the Real Estate Advisor, the Asset Appraiser, the Issuer Corporate Servicer, the Paying Agents, the Agent Bank, the Transaction Accounts Bank, the Collection Account Holder, the Cash Manager, the Liquidity Facility Providers, the Hedging Counterparties, the Swap Guarantor, the Lenders, the Listing Agent, the Quotaholders, the Quotaholder Corporate Servicer, the Arrangers, the Managers or the Representative of the Noteholders. None of such persons and no other person, other than the Issuer, accepts any liability whatsoever to the Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

### **Issuer's Ability to meet its Obligations under the Notes and Limited Recourse Nature of the Notes**

The Issuer will not as of the New Issue Date have any significant assets for the purposes of meeting its obligations under this Securitisation other than the Initial Real Estate Assets, the First Notes Reserve Amount, any amounts standing to the credit of the Transaction Payment Account or the Collection Account, its rights under the New Hedging Agreements, the Swap Guarantee and the New Liquidity Facility Agreement and the other Issuer's Rights. The ability of the Issuer to meet its obligations in respect of the Notes will be dependent on the extent of (i) the proceeds from the Portfolio Disposal Process, (ii) any payments required to be made by the New Hedging Counterparties under the New Hedging Agreements, the Swap Guarantor under the Swap Guarantee and the New Liquidity Facility Provider under the New Liquidity Facility Agreement and (iii) any other amounts payable to the Issuer pursuant to the terms of the Transaction Documents to which it is a party.

Notwithstanding the allocation of the First Notes Reserve Amount, there is no assurance that, over the life of the Notes or at the redemption date of the Notes (whether on maturity, cancellation, redemption by acceleration of maturity following the occurrence of an Trigger Event, or otherwise), there will be sufficient funds to enable the Issuer to pay interest on the Notes, or to repay the Notes in full.

The Notes will be limited recourse obligations of the Issuer. If there are insufficient funds available to the Issuer to pay in full all principal and interest and other amounts due in respect of the Notes, then the Noteholders will have no further claims against the Issuer in respect of any such unpaid amounts. Other than as provided in the Transaction Documents and the Decrees, the Issuer will have no recourse to the Contributors in the event the Issuer suffers a shortfall of funds in respect of the Real Estate Assets. After the Notes have become due and payable following the service of a Trigger Notice, the only remedy available to the Noteholders and the other Issuer Creditors is the exercise by the Representative of the Noteholders of the Issuer's Rights under the Transaction Documents.

### **Potential Claims by Tenants or Third Parties**

The Issuer is subject to the risk of claims by the Tenants of the Real Estate Assets or third parties who may raise objections to the procedures followed by the Issuer or by the Asset Managers or the Commercial Sales Managers or by other entities on their respective behalf during the sales process of the Real Estate Assets, including, by way of example, a claim that a particular Real Estate Asset should not have been classified as an asset with a considerable value (*immobile di pregio*) for which no discount on the purchase price is provided. Any claim against the Issuer (i) in relation to the management of the sales procedure *per se* will be managed by the relevant Asset Manager (and at the risk and expense of such Asset Manager, or, in limited circumstances, by the Commercial Sales Managers (and at the risk and expense thereof) on behalf of the Issuer, whilst (ii) other claims against the Issuer will be handled by the Issuer Corporate Servicer. To the extent that any claim in relation to the Real Estate Assets is successful, the cashflows from the Real Estate Assets may be adversely affected.

### **Outstanding Litigation against the Issuer**

The Issuer is party to certain proceedings which have been brought against it in relation to the 2001 Securitisation which, even if decided in favour of the claimant against the Issuer, would not affect the Real Estate Assets and the Issuer's Rights under the Securitisation since they relate to a segregated portfolio of assets.

In addition, the Issuer is party to certain proceedings which have been brought against it in relation to the securitisation transaction as effected on 11 December 2002 (including, in particular, proceedings which have been brought against the Issuer by the tenants of the *Pregio* Assets regarding the identification thereof as *Pregio* Assets); if such proceedings were decided in favour of the claimant against the Issuer, the Real Estate Assets and the Issuer's Rights under the Securitisation would be affected (although, in relation to the *Pregio* Assets, the Issuer has the benefit of additional representations and warranties in relation to the minimum value thereof). In the future, further claims could be brought against the Issuer in relation to the Securitisation or the Real Estate Assets and which, potentially, could affect the timing and amount of the cash flows available to the Noteholders.

### **Liquidity Risk**

The Issuer is subject to the risk of failure by the Asset Managers and/or the Commercial Sale Asset Managers to realise, collect or recover in a timely manner sufficient funds in respect of the Real Estate Assets in order to enable the Issuer to pay all amounts of interest on the New Notes on each Payment Date. This risk is mitigated, to some extent, through the provisions in favour of the Issuer of the New Hedging Agreements and the New Liquidity Facility Agreement. There can be no assurance, however, that the levels of liquidity support provided will be adequate to ensure timely payment of interest due on the New Notes.

### **Credit Risk on the Parties to the Transaction**

The ability of the Issuer to meet its payment obligations in respect of the Notes depends partly on the full and timely payments by the parties to the Transaction Documents of the amounts due to be paid thereby, although the First Notes will also have the benefit of the First Notes Reserve Amount which is held in an account of the Issuer.

### **Risks of Real Estate Investments**

Payments of interest and principal under the Notes (other than the First Notes) depends primarily on the proceeds of the disposal of the Real Estate Assets and, therefore, on the value of the Real Estate Assets. The value of the Real Estate Assets is subject to the risks inherent in investment in real estate generally, including adverse changes in national, regional or local economic and demographic conditions in Italy, real estate values generally and in the locality of the property (in particular in Rome, where (as of the First Issue Date) approximately 52.4 per cent by value of the Initial Real Estate Assets were located), interest rates, real estate tax rates, other operating expenses, inflation and the strength or weakness of the Italian national and regional economy, the supply of and demand for properties of the type involved, zoning laws or other governmental rules and policies

(including environmental restrictions and changes in land use) and competitive conditions (including construction of new competitive properties) all of which may affect the value of the Real Estate Assets to be sold by the Issuer and the revenues generated by the disposal process.

The performance of investments in real estate has historically been cyclical. There can be no assurance that the markets in which the Real Estate Assets are located will have the characteristics assumed at the time of the sale of such properties or that the purchasers will behave, in light of such conditions, in the manner assumed in preparing the cash flow analysis.

There is a possibility of casualty losses with respect to the Real Estate Assets for which insurance proceeds may not be adequate or which may result from risks which are not covered by insurance, the effects of which were not taken into account in preparing the cash flow analysis. As with all real estate, if reconstruction (for example, following fire, earthquake or other casualty) or any major repair or improvement is required to the property, changes in law and governmental regulations may be applicable and may materially affect the cost to, or ability of the Issuer to effect such reconstruction, major repair or improvement. As a result of the occurrence of any of these events, the amounts realised with respect to the Real Estate Assets and consequently the amounts available to make payments on the Notes, could be substantially less than as set forth in the cash flow analysis.

#### **Issuer's Ability to issue Further Notes; Possible Effect of Further Notes on previously issued Notes**

By virtue of the provisions of the Decrees and of the Conditions and without the consent of the Noteholders, the Issuer may be required by the MEF to create and issue further notes or take out any loan in order (i) to fund the purchase from the Contributors (and, to the extent that the First Notes have been redeemed in full, from any other contributor the assets of which may be transferred to the Issuer pursuant to Law Decree No. 351) of further portfolios of real estate assets to form part of the Real Estate Assets and to be segregated in favour of the Noteholders and the holders of the further notes issued or the lenders under such loan; and/or (ii) to fund the prepayment to the MEF of amounts of Deferred Transfer Price, and/or (iii) to the extent that the First Notes have been redeemed in full, to finance the redemption of any securities previously issued or loans previously taken by the Issuer in connection with the securitisation of the Initial Real Estate Assets. It is a condition precedent to any such further issue of notes or any such loan that such further issue or loan adversely affects none of the outstanding ratings of the Notes at the time.

In the event of the Issuer issuing such further notes or taking out such loan, the rights of the Noteholders in relation to the Real Estate Assets and to the other assets of the Issuer as described in this Offering Circular may be affected and some of the Transaction Documents may need to be amended or supplemented. In particular, any such further notes or such loan may be repayable from collections and recoveries in respect of the Real Estate Assets and the other Issuer's Rights.

## **Claims of Creditors of the Issuer**

Any creditor of the Issuer who has a valid and unsatisfied claim *prima facie* may file a petition for the bankruptcy of the Issuer, although no creditors other than the Representative of the Noteholders on behalf of the Noteholders, the other Issuer Creditors and any third party creditors having the right to claim for amounts due in connection with the Securitisation would have the right to claim in respect of the Real Estate Assets, the Collection Account, the Transaction Payment Account or the other Issuer's Rights, even in the event of the bankruptcy of the Issuer.

The corporate object of the Issuer as contained in its *statuto* is very limited and the Issuer will provide certain covenants to the Representative of the Noteholders in the Intercreditor Agreement which contain restrictions on the activities which the Issuer may carry out, with the result that the Issuer may only carry out limited transactions. Accordingly, the Issuer is less likely to have creditors who would claim against it other than the Noteholders and the other Issuer Creditors. The parties to the Intercreditor Agreement, the Limited Recourse Loan Agreements and certain other Transaction Documents have agreed therein not to commence insolvency or winding-up proceedings against the Issuer for a certain period of time, except in certain limited circumstances (as was also provided in relation to the 2001 Securitisation in the documents for that transaction). To the extent that there are any unsecured creditors of the Issuer, the Expense Amount standing to the credit of the Transaction Payment Account may be used for the purposes of paying the ongoing fees, costs, expenses and taxes of the Issuer to such third parties (although there can be no assurance that the Expense Amount will be sufficient during any Interest Period to pay such ongoing fees, costs, expenses and taxes to such third parties).

By operation of Italian law, the Issuer's right, title and interest in and to the Real Estate Assets and the other Issuer's Rights will be segregated from all other assets of the Issuer and from the assets pertaining to any other future separate securitisation carried out thereby. By operation of Law Decree No. 351 and the Transaction Documents, both before and after a winding-up of the Issuer, amounts deriving from the Real Estate Assets and the other Issuer's Rights will be available for the purpose of satisfying the Issuer's obligations to the Issuer Creditors and other third party creditors in relation to the Securitisation in priority to the Issuer's obligations to any other creditor. Pursuant to Italian law, the Real Estate Assets and the other Issuer's Rights may not be seized or attached in any form by creditors of the Issuer other than the Noteholders, until full discharge by the Issuer of its payment obligations under the Notes or cancellation of the Notes. Furthermore, the rights of the Issuer under the Hedging Agreements are subject to the Deeds of Charge for the ultimate benefit of *inter alios* the Issuer Creditors.

Notwithstanding the foregoing, there can be no assurance that if any bankruptcy proceedings were to be commenced against the Issuer, the Issuer would be able to meet all of its obligations under the Notes.

## **Interest Rate Risks**



The Issuer expects to meet its obligations under the Notes primarily from payments received from collections and recoveries in respect of the Real Estate Assets and, in respect of the First Notes, from the First Notes Reserve Amount. Such payments have no natural correlation to EURIBOR (being the base rate for the interest payable on the Notes). To protect the Issuer from a situation where EURIBOR increases to the point where the collections and recoveries are no longer sufficient to cover the obligations of the Issuer under the New Notes, the Issuer has entered into hedging agreements with the New Hedging Counterparties and has the benefit of the Swap Guarantee and the ability of the Issuer to meet its payment obligations in respect of the New Notes depends in part, therefore, on the proper and timely fulfilment by the New Hedging Counterparties of their respective obligations under the New Hedging Agreements and the Swap Guarantor of its obligations under the Swap Guarantee. Following the occurrence of a Trigger Event, however, there is no assurance that the New Hedging Agreements would continue to provide the same protection. Moreover, in the event of insolvency of any New Hedging Counterparty, the Issuer will be treated by the relevant receiver as a general creditor of such New Hedging Counterparty and there can be no assurance that the Issuer would be able to find a suitable replacement thereto.

#### **Termination of the New Hedging Agreements following Tax Event**

The New Hedging Agreements provide that if, due to action taken by a relevant taxing authority or brought in a court of competent jurisdiction or any change in tax law, either the Issuer or the New Hedging Counterparties, as the case may be, will or is substantially likely to, on the next Payment Date, either:

1. receive a payment from the other party from which an amount is required to be deducted or withheld for or on account of tax and no additional amount is required to be paid by that other party to ensure that the net amount actually received by the Issuer or the New Hedging Counterparties, as the case may be, will equal the full amount that that party would have received had no such withholding or deduction been required; or
2. be required to pay additional amounts in respect of tax under the New Hedging Agreements,

then the relevant New Hedging Agreement may be terminated. If the relevant New Hedging Agreement is terminated and the Issuer is unable to find a suitable replacement hedge provider, then the Issuer may not have the necessary funds to meet its payment obligations in respect of the New Notes.

#### **Termination of the Liquidity Facility Agreement**

The First Liquidity Facility Agreements are being terminated from the Payment Date in April 2006. The New Liquidity Facility Agreement provides that in certain events (including the service of a Trigger Notice under the Notes), the New Liquidity Facility Agreement may be terminated. If the New Liquidity Facility Agreement is terminated and it is not possible to find a suitable replacement liquidity facility provider, then the Issuer

may not have the necessary funds with which to meet its interest payment obligations under the New Notes in the timely manner in which the Issuer would otherwise have been able to do had the New Liquidity Facility Agreement not been terminated and no replacement liquidity facility provider found.

### **Subordination**

Within each Class, the Notes will rank *pari passu* and without any preference or priority among themselves. As between Classes, save as provided in the Conditions, the First Class A Notes rank *pari passu* and rateably without any preference or priority among themselves for all purposes, but in priority to the Class B1 Notes, the Class C Notes and the New Notes; the Class B1 Notes rank *pari passu* and rateably without any preference or priority among themselves for all purposes, but in priority to the Class C Notes and the New Notes and subordinated to the First Class A Notes; the Class C Notes rank *pari passu* and rateably without any preference or priority among themselves for all purposes, but in priority to the New Notes and subordinated to the First Class A Notes and the Class B1 Notes; the New Class A Notes rank *pari passu* and rateably without any preference or priority among themselves for all purposes, but in priority to the Class B2 Notes and subordinated to the First Notes; and the Class B2 Notes rank *pari passu* and rateably without any preference or priority among themselves for all purposes, but subordinated to the First Notes and the New Class A Notes.

As long as the First Class A Notes are outstanding, unless notice has been given to the Issuer declaring the First Class A Notes due and payable, the Class B1 Notes, the Class C Notes, the New Class A Notes and the Class B2 Notes shall not be capable of being declared due and payable and the First Class A Noteholders shall be entitled to determine the remedies to be exercised; following redemption in full of the First Class A Notes, the Class B1 Noteholders shall be so entitled; following redemption in full of the Class B1 Notes, the Class C Noteholders shall be so entitled; following redemption in full of the Class C Notes, the New Class A Noteholders shall be so entitled; and following redemption in full of the New Class A Notes, the Class B2 Noteholders shall be so entitled.

### **Noteholder Directions and Resolutions in respect of Early Redemption of the Notes**

In certain circumstances, the Notes may become subject to early redemption. Early redemption of the Notes as a result of certain circumstances may be dependent upon receipt by the Representative of the Noteholders of a direction from, or resolution by, at least certain of the Noteholders pursuant to a vote at a meeting of the relevant Noteholders. If the economic interest of a Noteholder represents a relatively small proportion of the majority and its individual vote is contrary to the majority vote, its direction or vote may be disenfranchised and, if a determination is made by certain of the Noteholders to redeem the Notes, such minority Noteholders may face early redemption of the Notes held thereby or may not receive all amounts due and payable to them.

### **Expected Maturity Dates of the Notes**

In accordance with the mandatory redemption provisions applicable to the Notes, if there are sufficient Available Redemption Funds, full redemption of the Notes is expected to be achieved on the Payment Date falling in (a) April 2005 for the Class A2 Notes, (b) April 2006 for the Class A3 Notes, (c) October 2006 for the Class B1 Notes, (d) October 2006 for the Class C Notes, (e) April 2006 for the Class A4 Notes, (f) October 2008 for the Class A5 Notes, and (g) January 2009 for the Class B2 Notes. There can be no assurance, however, that redemption in full, or at all, will be achieved on such Payment Dates, although the First Notes have the benefit of the First Notes Reserve Amount in accordance with the Priorities of Payments. See "Weighted Average Life".

### **Market for the New Notes**

Although application has been made for the New Notes to be listed on the Luxembourg Stock Exchange, there is currently no market for the New Notes. There can be no assurance that a secondary market for any of the New Notes will develop or, if a secondary market does develop, that it will provide the holders of the New Notes with liquidity of investments or that it will continue for the life of such New Notes. Consequently, any purchaser of New Notes must be prepared to hold such New Notes until the maturity date or final redemption or cancellation of such New Notes.

The Notes have not been registered under the Securities Act and will be subject to significant restrictions on resale in the United States.

### **Sovereign immunity**

Under the Transaction Documents, the Republic of Italy has irrevocably waived any sovereign immunity from jurisdiction and execution or attachment of judgment to the extent permitted by applicable law. Notwithstanding the foregoing, pursuant to Italian law there are certain public assets which may not be attached, including those forming part of the *demanio* or of the *patrimonio indisponibile* (undisposable assets such as assets which are meant for the attainment of a public interest).

### **Political and Economic Developments in the Republic of Italy and in the European Union**

The financial condition, results of operations and prospects of the Republic of Italy may be adversely affected by events outside its control, namely European law generally, any conflicts in the region or taxation and other political, economic or social developments in or affecting the Republic of Italy generally.

### **Changes in Laws**

The structure and execution of the transaction and, *inter alia*, the issue of the Notes and ratings assigned to the Notes are based on Italian law, tax and administrative practice in effect at the date hereof, and having due regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to any possible change to Italian law, tax or administrative practice or change in the interpretation thereof after the issue of the Notes.

### **Withholding Tax payable in respect of the Notes**

In the event that any taxes are imposed in respect of payments to Noteholders of amounts due pursuant to the Notes, the Issuer will not be obliged to gross-up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of the imposition of such taxes. In certain circumstances as set out in Condition 7.3 (*Redemption for Taxation Reasons*), including the imposition of certain new withholding taxes, and upon satisfaction of certain conditions, the Issuer has an optional redemption right to redeem the Notes in whole, but not in part.

### **Tax Position of the Issuer**

The Issuer is a *società a responsabilità limitata* registered with the *Ufficio Italiano dei Cambi* as a non-banking financial intermediary and, as such, is subject to: (i) Italian corporate income tax ("**IRES**"), at a rate presently equal to 33 per cent; and (ii) Italian local tax ("**IRAP**") at the relevant applicable rate. Pursuant to the regulations issued by the Bank of Italy on 29 March 2000 (*Schemi di bilancio delle società per la cartolarizzazione dei crediti*), the assets and liabilities and the costs and revenues of the Issuer directly attributable to the Securitisation will be treated as off-balance sheet assets and liabilities, costs and revenues (except for the overhead and general expenses and any amount which the Issuer may apply out of the Issuer Available Funds for the payment of such overhead and general expenses). Based on the general rules applicable to the calculation of the net taxable income of a company, taxable income should be calculated on the basis of accounting earnings (i.e., on balance sheet earnings), subject to such adjustments as are specifically provided for by applicable income tax rules and regulations. On this basis and within the aforesaid limits, no taxable income should accrue to the Issuer for the purposes of both IRES and IRAP in the context of the Securitisation (except for with respect to the overhead and general expenses and any amount which the Issuer may apply out of the Issuer Available Funds for the payment of such overhead and general expenses).

It is however possible that the Italian Ministry of Economy and Finance of the Republic of Italy or another competent authority may issue regulations, circular letters or generally binding rules which might alter or affect, or that any competent court or authority take a different view with respect to, the tax position of the Issuer as described above. The transaction has been structured so that payment of tax, if any, ranks in priority to payment of amounts due to the Noteholders.

### **European Savings Directive**

On 3 June 2003, the EU Council of Economic and Finance Ministers ("**ECOFIN**") adopted Directive No. 2003/48/EC regarding the taxation of savings income. The directive is scheduled to be applied by Member States from 1 July 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the directive each Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period

in relation to such payments deducting tax at rates rising over time to 35 per cent. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

### **Projections, forecasts and estimates**

Forward looking statements including estimates, any other projections and forecasts in this document are necessarily speculative in nature and some or all of the assumptions underlying the forward looking statements may not materialise or may vary significantly from actual results.

### **The Representative of the Noteholders**

The Representative of the Noteholders is required to have regard to the interests of the holders of the Class A Notes together, the interests of the holders of the Class B Notes together and the interests of the holders of the Class C Notes together as regards all powers, authorities, duties and discretions of the Representative of the Noteholders and the Representative of the Noteholders shall not be bound, in the event of a conflict between the interests of the holders of different Class A Notes, or different Class B Notes or different Class C Notes to have regard to the interests of the holders of such different Notes.

### **Suitability**

Structured securities, such as the Notes, are sophisticated instruments, which can involve a significant degree of risk. Prospective investors in any Class of the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to the relevant risk. Such prospective investors should also ensure that they have sufficient knowledge, experience and access to professional advice to make their own legal, tax, accounting and financial evaluation of the merits and risks of investment in the Notes and that they consider the suitability of the Notes as an investment in light of their own circumstances and financial condition.

### **Fixed and floating security**

Security given under the English law governed transaction documents, although expressed as fixed security, may take effect as a floating charge and thus on enforcement, certain preferential creditors may rank ahead of the Noteholders in respect of the security given thereunder.

### **Historical, financial and other information**

The historical, financial and other information set out in the section headed "Description of the Initial Real Estate Assets" and elsewhere herein represents the historical experience of the Contributors. There can be no assurance that the performance of the Initial Real Estate Assets will be similar to the experience shown in this Offering Circular.

**The Issuer believes that the risks described above are the principal risks inherent in the transaction for Noteholders, but the inability of the Issuer to pay interest or repay**

**principal on the Notes may occur for other reasons and the Issuer does not represent that the above statements of the risks of holding the Notes are exhaustive. While the various structural elements described in this Offering Circular are intended to lessen some of these risks for Noteholders, there can be no assurance that these measures will be sufficient or effective to ensure payment to the Noteholders of interest or principal on such Notes on a timely basis or at all.**

## DESCRIPTION OF THE INITIAL REAL ESTATE ASSETS

In this section, the following terms have the following meanings:

"**Aggregate Offer Price**" means the sum of the Offer Prices of each of the Initial Real Estate Assets;

"**Offer Price**" means the price at which each unit will be offered to prospective purchasers and calculated taking into account, in respect of all residential Initial Real Estate Assets which are tenanted and do not qualify as *Pregio* Assets, the maximum discount provided for by Article 3 of Law Decree No. 351 to the Vacant Possession Value of such unit\*; and

"**Vacant Possession Value**" means the value of each unit comprising the Initial Real Estate Assets determined by the *Agenzia del Territorio* pursuant to Article 3 of Law Decree No. 351\*\*.

\*See "Selected Aspects of Italian Law - Law Decree No. 351 - Re-sale of the Selected Assets by the SPV".

\*\*See "Description of the Initial Real Estate Assets - Evaluation Process of the *Agenzia del Territorio*" and "Selected Aspects of Italian Law - Law Decree No. 351 - Re-sale of the Selected Assets by the SPV".

*Unless otherwise specified, all figures in this section are in Euro.*

*Unless otherwise specified, all values in this section "Description of the Initial Real Estate Assets" are based on the latest available valuations carried out by the Asset Appraiser (which, for the avoidance of doubt, in relation to certain units are the valuations carried out prior to the First Issue Date) on the Initial Real Estate Assets owned as at 31 January 2005.*

It should be noted that since a small portion of the units comprised in the Portfolio have not yet been allocated as residential or commercial, the aggregate of the values of the residential and commercial units may not correspond exactly to the aggregate value of the units of the Portfolio.

### 1. Overview of the Initial Real Estate Assets

#### A. Breakdown of the Initial Real Estate Assets by Contributor

Contributor	No. of primary units	% of total primary units	No. of total units	% of total units	Aggregate Offer Price	% of total Aggregate Offer Price
ENPALS	116	0.26%	151	0.18%	48,251,224	0.72%
INAIL	5,033	11.25%	10,671	12.96%	1,211,659,285	18.16%
INPDAI	17,276	38.62%	25,829	31.36%	2,206,061,962	33.06%
INPDAP	20,255	45.28%	42,704	51.85%	2,674,712,883	40.08%

INPS	1,686	3.77%	2,455	2.98%	470,723,609	7.05%
IPOST	76	0.17%	132	0.16%	27,567,965	0.41%
IPSEMA	143	0.32%	222	0.27%	22,795,893	0.34%
Republic of Italy	147	0.33%	198	0.24%	11,899,665	0.18%
<b>Total</b>	<b>44,732</b>	<b>100.00%</b>	<b>82,362</b>	<b>100.00%</b>	<b>6,673,672,487</b>	<b>100.00%</b>

*B. Breakdown of the Initial Real Estate Assets by Geographic Distribution*

Geographic Area	No. of primary units	% of total primary units	Surface (sqm)	% of total surface (sqm)	Aggregate Offer Price	% of total Aggregate Offer Price
North	13,322	29.78%	1,229,507	30.53%	1,850,434,458	27.73%
Centre	27,021	60.41%	2,340,225	58.12%	4,145,729,165	62.12%
South and Islands	4,389	9.81%	457,024	11.35%	677,508,864	10.15%
<b>Total</b>	<b>44,732</b>	<b>100.00%</b>	<b>4,026,757</b>	<b>100.00%</b>	<b>6,673,672,487</b>	<b>100.00%</b>

Region	No. of primary units	% of total primary units	Aggregate Offer Price	% of total Aggregate Offer Price
Lazio	24,991	55.87%	3,725,791,158	55.83%
Lombardy	6,620	14.80%	897,112,761	13.44%
Campania	2,303	5.15%	344,834,196	5.17%
Emilia Romagna	1,160	2.59%	270,759,171	4.06%
Tuscany	1,446	3.23%	319,079,329	4.78%
Veneto	2,264	5.06%	280,056,771	4.20%
Liguria	1,503	3.36%	191,263,549	2.87%
Piedmont	1,098	2.46%	124,061,840	1.86%
Sicily	558	1.25%	112,541,416	1.69%
Puglia	856	1.91%	149,833,139	2.25%
Umbria	263	0.59%	45,885,140	0.69%
Marche	242	0.54%	40,086,432	0.60%
Friuli Venezia Giulia	566	1.27%	56,593,982	0.85%
Abruzzo	201	0.45%	35,876,327	0.54%
Calabria	299	0.67%	34,808,970	0.52%



Sardinia	245	0.55%	24,995,997	0.37%
Basilicata	72	0.16%	9,210,752	0.14%
Molise	23	0.05%	3,841,226	0.06%
Trentino Alto Adige	18	0.04%	6,839,330	0.10%
Valle d' Aosta	2	0.00%	201,002	0.00%
<b>Total</b>	<b>44,732</b>	<b>100.00%</b>	<b>6,673,672,487</b>	<b>100.00%</b>

City Concentration	No. of primary units	% of total primary units	Aggregate Offer Price	% of total Aggregate Offer Price
Rome	22,872	51.13%	3,506,575,107	52.54%
Milan	3,324	7.43%	503,550,441	7.55%
Bologna	647	1.45%	190,165,595	2.85%
Naples	1,410	3.15%	249,487,132	3.74%
Genoa	1,372	3.07%	179,426,010	2.69%
Others	15,106	33.77%	2,044,468,201	30.63%
<b>Total</b>	<b>44,732</b>	<b>100.00%</b>	<b>6,673,672,487</b>	<b>100.00%</b>

### C. Breakdown of the Initial Real Estate Assets by Property Type

#### C.1 Breakdown of the Initial Real Estate Assets by property type - primary units only.

Property Type	No. of primary units	Average Offer Price*	Total Offer Price	Average Open Market Value* **	Total Open Market Value **
Residential	37,228	113,564	4,227,749,285	164,109	6,109,466,939
Commercial	7,504	257,175	1,929,840,348	257,175	1,929,840,348
<b>Total</b>	<b>44,732</b>	<b>137,655</b>	<b>6,157,589,632</b>	<b>179,726</b>	<b>8,039,500,583</b>

\* Does not include secondary unit value associated with the primary unit

\*\* Open Market Value refers to the Vacant Possession Value of the units taking into account, in respect of those units which have already been offered at auction but remain unsold, the discounts applicable to such units by law in connection with the auction process.

#### C.2 Breakdown of the Initial Real Estate Assets by property type - all units.

The average values shown in the table below for the primary units include also the value of the secondary units.

Property Type	No. of total units	Average Offer Price	Total Offer Price	Average Open Market Value*	Total Open Market Value*
Residential	72,318	63,891	4,620,506,679	92,063	6,657,822,061
Commercial	10,044	204,426	2,053,165,808	204,426	2,053,165,808
<b>Total</b>	<b>82,362</b>	<b>81,029</b>	<b>6,673,672,487</b>	<b>105,791</b>	<b>8,713,143,352</b>

\* Open Market Value refers to the Vacant Possession Value of the units taking into account, in respect of those units which have already been offered at auction but remain unsold, the discounts applicable to such units by law in connection with the auction process.

### C.3 Breakdown of the Initial Real Estate Assets by property type.

The average values shown in the tables below for the primary units include also the value of the secondary units.

Property Type	No. of primary units	Average Offer Price	Total Offer Price	Average Open Market Value*	Total Open Market Value*
Residential	37,228	124,114	4,620,506,679	178,839	6,657,822,061
Commercial	7,504	273,609	2,053,165,808	273,609	2,053,165,808
<b>Total</b>	<b>44,732</b>	<b>149,192</b>	<b>6,673,672,487</b>	<b>194,785</b>	<b>8,713,143,352</b>

\* Open Market Value refers to the Vacant Possession Value of the units taking into account, in respect of those units which have already been offered at auction but remain unsold, the discounts applicable to such units by law in connection with the auction process.

Property Type	No. of primary units	% of total primary units	Surface (sqm)	% of total surface	Aggregate Offer Price	% of total Aggregate Offer Price
Residential	37,228	83.22%	3,076,430	76.40%	4,620,506,679	69.23%
Commercial	7,504	16.78%	950,327	23.60%	2,053,165,808	30.77%
<b>Total</b>	<b>44,732</b>	<b>100.00%</b>	<b>4,026,757</b>	<b>100.00%</b>	<b>6,673,672,487</b>	<b>100.00%</b>

### C.4 Breakdown of the Initial Real Estate Assets by commercial, residential and *Pregio* Assets.

Asset type	No. of primary units	Aggregate Offer Price
Commercial	7,504	2,053,165,808
Residential non <i>Pregio</i>	34,668	3,855,696,431
Residential <i>Pregio</i>	2,560	764,810,248

<b>Total</b>	<b>44,732</b>	<b>6,673,672,487</b>
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*D. Breakdown of the Initial Real Estate Assets by Occupancy*

<b>Occupancy</b>	<b>No. of primary units</b>	<b>% of total primary units</b>	<b>Surface (sqm)</b>	<b>% of total surface</b>	<b>Aggregate Offer Price</b>	<b>% of total Aggregate Offer Price</b>	<b>Total annual rent*</b>
Rented	40,754	91.11%	3,587,367	89.09%	5,920,201,876	88.71%	147,260,641
Vacant	3,978	8.89%	439,389	10.91%	753,470,611	11.29%	0
<b>Total</b>	<b>44,732</b>	<b>100.00%</b>	<b>4,026,757</b>	<b>100.00%</b>	<b>6,673,672,487</b>	<b>100.00%</b>	<b>147,260,641</b>

\* As of First Issue Date

**2. Overview of Residential Initial Real Estate Assets**

*A. Breakdown of Residential Initial Real Estate Assets by Contributor*

<b>Contributor</b>	<b>No. of primary units</b>	<b>% of total primary units</b>	<b>Aggregate Offer Price</b>	<b>% of total Aggregate Offer Price</b>
ENPALS	67	0.18%	14,856,019	0.32%
INAIL	3,635	9.76%	766,323,914	16.59%
INPDAI	15,589	41.87%	1,771,742,337	38.35%
INPDAP	16,312	43.82%	1,707,796,542	36.96%
INPS	1,407	3.78%	339,735,417	7.35%
IPOST	0	0.00%	1,332,121	0.03%
IPSEMA	74	0.20%	6,866,831	0.15%
Republic of Italy	144	0.39%	11,853,498	0.26%
<b>Total</b>	<b>37,228</b>	<b>100.00%</b>	<b>4,620,506,679</b>	<b>100.00%</b>

*B. Breakdown of Residential Initial Real Estate Assets by Geographic Distribution*

<b>Geographic Area</b>	<b>No. of primary units</b>	<b>% of total primary units</b>	<b>Aggregate Offer Price</b>	<b>% of total Aggregate Offer Price</b>
North	11,294	30.34%	1,367,546,249	29.60%
Centre	22,582	60.66%	2,866,514,792	62.04%
South and Islands	3,352	9.00%	386,445,637	8.36%
<b>Total</b>	<b>37,228</b>	<b>100.00%</b>	<b>4,620,506,679</b>	<b>100.00%</b>

Region	No. of primary units	% of total primary units	Aggregate Offer Price	% of total Aggregate Offer Price
Lazio	21,302	57.22%	2,647,689,771	57.30%
Lombardy	5,645	15.16%	711,675,340	15.40%
Campania	2,043	5.49%	281,110,325	6.08%
Emilia Romagna	963	2.59%	189,315,970	4.10%
Veneto	1,919	5.16%	189,008,320	4.09%
Tuscany	942	2.53%	187,847,696	4.07%
Liguria	1,306	3.51%	141,290,082	3.06%
Piedmont	930	2.50%	81,677,717	1.77%
Sicily	338	0.91%	39,117,819	0.85%
Umbria	150	0.40%	13,212,573	0.29%
Marche	185	0.50%	17,233,306	0.37%
Puglia	508	1.36%	40,823,194	0.88%
Friuli Venezia Giulia	446	1.20%	34,722,078	0.75%
Abruzzo	109	0.29%	11,653,730	0.25%
Sardinia	137	0.37%	10,527,113	0.23%
Calabria	230	0.62%	14,286,051	0.31%
Basilicata	45	0.12%	4,635,859	0.10%
Molise	22	0.06%	3,604,677	0.08%
Trentino Alto Adige	7	0.02%	1,075,059	0.02%
<b>Total</b>	<b>37,228</b>	<b>100.00%</b>	<b>4,620,506,679</b>	<b>100.00%</b>

City Concentration	No. of primary units	% of total primary units	Aggregate Offer Price	% of total Aggregate Offer Price
Rome	19,460	52.27%	2,491,461,626	53.92%
Milan	2,676	7.19%	393,641,758	8.52%
Naples	1,286	3.45%	212,432,322	4.60%
Bologna	520	1.40%	137,956,744	2.99%
Genoa	1,194	3.21%	134,808,504	2.92%
Other	12,093	32.48%	1,250,205,726	27.06%
<b>Total</b>	<b>37,228</b>	<b>100.00%</b>	<b>4,620,506,679</b>	<b>100.00%</b>

C. *Breakdown of Residential Initial Real Estate Assets by Unit Size*

Unit Size (sqm)*	No. of primary units	% of total primary units	Aggregate Offer Price**	% of total Aggregate Offer Price
0 to 50	5,915	15.89%	955,358,142	20.68%
50 to 75	14,205	38.16%	1,212,056,976	26.23%
75 to 100	11,598	31.15%	1,307,519,058	28.30%
100 to 150	4,795	12.88%	847,628,152	18.34%
150 to 500	701	1.88%	284,004,220	6.15%
500 to 1,000	10	0.03%	3,375,674	0.07%
Over 1,000	4	0.01%	10,564,457	0.23%
<b>Total</b>	<b>37,228</b>	<b>100.00%</b>	<b>4,620,506,679</b>	<b>100.00%</b>

\* The average surface area for the residential primary units in the Initial Real Estate Assets is 82.1 sqm.

\*\*This includes the value of secondary units. The value of the secondary units has been allocated proportionally to the value of the primary units.

D. *Description of Pregio Assets included in the Initial Real Estate Assets*

Pursuant to Law Decree No. 351, the assets with certain characteristics which render such assets more valuable (the "**Pregio Assets**") will be determined, on the proposal of the *Agenzia del Territorio*, through one or more decrees (each, a "**Pregio Decree**") of the MEF acting jointly with the MoL.

Pursuant to the Decree of 31 July 2002 of the MEF acting jointly with the MoL published in the Official Gazette No. 190 of 14 August 2002, the criteria pursuant to which real estate assets may be considered as *Pregio Assets* as set out in the resolution of the *Osservatorio sul patrimonio immobiliare degli enti previdenziali* dated 17 April 2002, as amended on 24 July 2002, were confirmed as follows:

- (i) the assets are subject to the restrictions provided for by Legislative Decree No. 490/1999, by Law No. 1497/1939 and by Law No. 431/1985 on the protection of assets with an historical, artistic or environmental value;
- (ii) the assets are composed as to more than two thirds of "luxury residential units", determined as such pursuant to the provisions of Law No. 408/1949, Law No. 35/1960, Law Decree No. 1150/1967, as converted into Law No. 26/1968, and pursuant to the Ministerial Decree No. 218 of 2 August 1969, published in the Italian Official Gazette on 27 August 1969;
- (iii) the assets are located within an area where the average market value of the assets per units at least 70 per cent higher than the average market value per unit in the whole area of the relevant municipality;

- (iv) the assets are located within the historic centre (*centro storico*) area of the relevant municipality, such area being defined on the basis of the applicable town planning rules, but excluding those assets located within an area subject to a renewal plan pursuant to the provisions of Law No. 457/1978 and excluding certain other assets located within the historic centre; or
- (v) assets with a surface area in excess of 240 square metres; or
- (vi) assets with a value per square metre in excess of €3,750.

An asset listed at (i) to (iv) above is considered a *Pregio* Asset unless (a) such asset has a value per square metre less than €1,431, or (b) such asset is in such a condition that the reconstructed cost (which is equal to the current market value plus the costs of restructuring) is less than the threshold value for the classification of *Pregio* Assets.

The following *Pregio* Decrees in respect of the Initial Real Estate Assets have been issued: Ministerial Decree of 1 April 2003, Ministerial Decree of 7 January 2004 and Ministerial Decree of 16 September 2004. Pursuant to Article 2 of the Ministerial Decree of 7 January 2004, the above indicated square metre market values should be considered as adjusted from time to time on the basis of the values periodically published by OMI. According to the representations given by the MEF in the First Warranty and Indemnity Agreement, the Initial Real Estate Assets included, as at the Transfer Date, residential tenanted *Pregio* Assets with an aggregate Offer Price of at least Euro 754,500,000. See "Description of the Transaction Documents - First Warranty and Indemnity Agreement".

### 3. Overview of Commercial Initial Real Estate Assets

#### A. Breakdown of Commercial Initial Real Estate Assets by Contributor

Contributor	No. of primary units	% of total primary units	Aggregate Offer Price	% of total Aggregate Offer Price
ENPALS	49	0.65%	33,752,859	1.64%
INAIL	1,398	18.63%	454,199,240	22.12%
INPDAI	1,687	22.48%	411,143,631	20.02%
INPDAP	3,943	52.55%	984,475,511	47.95%
INPS	279	3.72%	127,093,632	6.19%
IPOST	76	1.01%	26,440,187	1.29%
IPSEMA	69	0.92%	16,014,581	0.78%
Republic of Italy	3	0.04%	46,167	0.00%
<b>Total</b>	<b>7,504</b>	<b>100.00%</b>	<b>2,053,165,808</b>	<b>100.00%</b>

#### B. Breakdown of Commercial Initial Real Estate Assets by Geographic Distribution

<b>Geographic Area</b>	<b>No. of primary units</b>	<b>% of total primary units</b>	<b>Aggregate Offer Price</b>	<b>% of total Aggregate Offer Price</b>
North	2,022	26.94%	492,400,753	23.98%
Centre	4,448	59.28%	1,273,865,606	62.04%
South and Islands	1,034	13.78%	286,899,448	13.97%
<b>Total</b>	<b>7,504</b>	<b>100.00%</b>	<b>2,053,165,808</b>	<b>100.00%</b>

<b>Region</b>	<b>No. of primary units</b>	<b>% of total primary units</b>	<b>Aggregate Offer Price</b>	<b>% of total Aggregate Offer Price</b>
Lazio	3,687	49.14%	1,074,995,268	52.36%
Lombardy	975	12.99%	190,761,980	9.29%
Tuscany	505	6.73%	129,021,042	6.28%
Emilia Romagna	198	2.64%	83,158,347	4.05%
Campania	260	3.47%	55,474,725	2.70%
Veneto	345	4.60%	92,630,081	4.51%
Liguria	197	2.63%	51,028,456	2.49%
Sicily	220	2.93%	74,103,440	3.61%
Puglia	348	4.64%	109,917,123	5.35%
Piedmont	168	2.24%	43,124,526	2.10%
Umbria	113	1.51%	32,949,662	1.60%
Friuli Venezia Giulia	120	1.60%	22,215,833	1.08%
Abruzzo	92	1.23%	24,442,963	1.19%
Marche	57	0.76%	23,095,889	1.12%
Calabria	69	0.92%	20,728,593	1.01%
Sardinia	108	1.44%	14,618,521	0.71%
Basilicata	27	0.36%	4,632,435	0.23%
Trentino Alto Adige	11	0.15%	5,805,925	0.28%
Valle d'Aosta	2	0.03%	202,238	0.01%
Molise	1	0.01%	258,760	0.01%
<b>Total</b>	<b>7,504</b>	<b>100.00%</b>	<b>2,053,165,808</b>	<b>100.00%</b>

<b>City Concentration</b>	<b>No. of primary units</b>	<b>% of total primary units</b>	<b>Aggregate Offer Price</b>	<b>% of total Aggregate Offer Price</b>
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Rome	3,411	45.46%	1,014,023,977	49.39%
Milan	648	8.64%	114,857,326	5.59%
Bologna	128	1.71%	56,957,266	2.77%
Florence	177	2.36%	49,866,432	2.43%
Genoa	178	2.37%	46,028,303	2.24%
Other	2,961	39.46%	771,432,503	37.57%
<b>Total</b>	<b>7,504</b>	<b>100.00%</b>	<b>2,053,165,808</b>	<b>100.00%</b>

*C. Breakdown of Commercial Initial Real Estate Assets by Property Use*

Property Use	No. of primary units	% of total primary units	Aggregate Offer Price	% of total Aggregate Offer Price
Retail	3,888	51.81%	687,439,382	33.48%
Office	1,868	24.89%	711,027,993	34.63%
Storage	1,100	14.65%	256,561,839	12.50%
Parking space	435	5.79%	258,362,995	12.58%
Garage	3	0.04%	38,328,689	1.87%
Attachment	0	0.00%	11,110,447	0.54%
Other	200	2.66%	66,354,333	3.23%
Hotel & B&B	11	0.15%	23,980,129	1.17%
<b>Total</b>	<b>7,504</b>	<b>100.00%</b>	<b>2,053,165,808</b>	<b>100.00%</b>

*D. Breakdown of Commercial Initial Real Estate Assets by Occupancy*

Occupancy	No. of primary units	% of total primary units	Aggregate Offer Price	% of total Aggregate Offer Price	Total annual rent*
Tenanted	5,895	78.56%	1,655,648,778	80.64%	53,227,357
Vacant	1,609	21.44%	397,517,029	19.36%	0
<b>Total</b>	<b>7,504</b>	<b>100.00%</b>	<b>2,053,165,808</b>	<b>100.00%</b>	<b>53,227,357</b>

\* As of First Issue Date

*E. Breakdown of Commercial Initial Real Estate Assets by Unit Size*

Unit Size (sqm)*	No. of primary units	% of total primary units	Aggregate Offer Price**	% of total Aggregate Offer Price
0 to 50	3,731	49.72%	646,081,572	31.47%



50 to 75	1,185	15.79%	165,339,501	8.05%
75 to 100	739	9.85%	132,553,061	6.46%
100 to 150	812	10.82%	181,686,841	8.85%
150 to 500	742	9.89%	388,628,920	18.93%
500 to 1000	157	2.09%	169,524,260	8.26%
Over 1000	138	1.84%	369,351,654	17.99%
<b>Total</b>	<b>7,504</b>	<b>100.00%</b>	<b>2,053,165,808</b>	<b>100.00%</b>

\* The average surface area for the commercial primary units in the Initial Real Estate Assets is 125.9 sqm.

\*\* This includes the value of secondary units. The value of the secondary units has been allocated proportionally to the value of the primary units.

#### 4. Evaluation Process of the *Agenzia del Territorio*

##### *Evaluation Process prior to the First Issue Date*

The *Agenzia del Territorio* was mandated to perform the valuation of the Real Estate Assets in order to determine the values thereof carried out in accordance with Law Decree No. 351 and the relevant decrees regarding the disposal process of State owned real estate.

The *Agenzia del Territorio* used a comparative approach in determining the value of the buildings comprised in the Initial Real Estate Assets. It determined the vacant possession value for the building using recent market comparables and taking into account the quality and condition of the building as assessed through site inspections conducted thereby.

The methodology adopted by the *Agenzia del Territorio* in determining the value of the Initial Real Estate Assets was a "synthetic-comparative" approach. The *Agenzia del Territorio* conducted surveys of the reference market for each property and compared the information resulting from the survey with specific information relating to each property taking into account similarities and differences based on the documentation available. The *Agenzia del Territorio* took into account the location of each property in the territory. If property-specific information was not available, standard market rents for similar properties and standard expiry and break clauses were used.

The valuation activity of the Initial Real Estate Assets was co-ordinated by the Rome office of the *Agenzia del Territorio*, where the general project team is based. The Rome office appointed a local representative for each region to co-ordinate the activity in that specific area. Each regional representative was independently responsible for a group of local valuers dedicated to the project. Dedicated staff included architects, engineers, technical valuers, local and general managers.

Each regional representative received specific instructions from the central office on how to perform the valuation and organised the job according to a pre-defined analysis schedule created by the general project management team in Rome. In several cases regional offices

created teams specifically dedicated to certain areas of the city. A total of 12 teams worked on the valuation project for the city of Rome.

The valuation of the Initial Real Estate Assets required the performance in a pre-defined and agreed timeline of the following tasks:

- *Preparatory Activity*: the starting point of the valuation exercise was to extract all the cadastral data from the land registers on the assets to be valued and write summary schedules with a price list for the region/area/zone.
- *Site Inspections*: after the organisation of the activity and the collection of the main information, the valuers started the site inspections of the buildings. For each building, the external and internal condition of the building was examined, with an internal inspection of a unit type.
- *Real Estate Report*: after the inspection, the valuer created the property analysis report with the definition of the preliminary real estate value. The report included a valuation schedule with prices per square meters, analysis of the status of maintenance of the building, identification of coefficient of analysis and weight for the different units in the buildings, major comments, pictures and other relevant information.
- *Valuation Committee*: after the identification of a value by the local valuer, a valuation committee responsible for controlling discrepancies across the regions/areas/zones and for the normalisation of the portfolio methodologies and results, reviewed all the values.
- *Final Report*: after the amendments resulted by the revision of the valuation committee, the final report was finalised.

#### ***Evaluation Process prior to the New Issue Date***

The definitive valuation survey of the individual property units included in each building was commenced in December 2002.

The local branches of the *Agenzia del Territorio (Uffici provinciali dell'Agenzia)* for each relevant area are carrying out the surveys using a synthetic-comparative method, in accordance with the relevant internal policy enacted for such purposes.

The experts in charge of the surveys carry out, where they have obtained the relevant consent, detailed inspections of the individual units along with the valuation of such units also on the basis of documents contained in the cadastral register.

On completion of the survey of each individual unit, a final evaluation report on such unit is prepared.

#### **5. Evaluation Process of the Real Estate Advisor**

##### ***Evaluation Process prior to the First Issue Date***

Prior to the First Issue Date, the Real Estate Advisor performed some preliminary activities, including:

- verification that the data in the mastertape used as the basis for the analysis in providing the opinion of the Real Estate Advisor at that time corresponded to the one used by *Agenzia del Territorio* in determining the Vacant Possession Value for the Initial Real Estate Assets; and
- preparation of a preliminary breakdown of the Initial Real Estate Assets to assess the composition thereof in terms of: geographical distribution, type of buildings and Contributor concentration to assist in the selection of a sample pool of assets (the "**Sample Pool**") as requested by the Rating Agencies.

The Real Estate Advisor conducted individual site visits on the Sample Pool, pursuant to which it performed a comparative analysis of the approaches, methodologies and assumptions used by the *Agenzia del Territorio* in valuing the assets in the Sample Pool and the results obtained therein and determined an estimate of the open market value of the properties in the Sample Pool. In appraising the Sample Pool, the Real Estate Advisor adopted valuation methodologies appropriate to the specific type of assets, in accordance with internationally accepted valuation standards.

In assessing and estimating the property values, the Real Estate Advisor used an "open market value" approach, defined as the best price at which the sale of an interest in a property might reasonably be expected to have completed unconditionally for cash consideration on the date of the valuation assuming:

- (i) a willing seller;
- (ii) that, prior to the date of valuation, there had been a reasonable period for the proper marketing of the interest;
- (iii) that the market remains static between the assumed date of exchange of contracts and the valuation date, and
- (iv) that no account will be taken of any bid by a purchaser with a special interest.

An opinion of a realistic time period in which to achieve the indicated open market value was required and, to the extent that an unrealistically short timescale were imposed for the disposals, a view as the effect (if any) this would have on the open market value was given and the concluded property value/yield supported by market comparables.

The Real Estate Advisor reviewed and used the information included in the data mastertape for the Initial Real Estate Assets prepared on the basis of the individual data tapes facilitated by the Contributors. The Real Estate Advisor had the opportunity to discuss valuation methodology adopted for the properties included in the Sample with the *Agenzia del Territorio* in order to fully comprehend and comment the valuation methodologies adopted thereby on the total Initial Real Estate Assets.

Based on the analysis described above, the Real Estate Advisor confirmed that:

- (i) the valuation methodology used by the *Agenzia del Territorio* was in line with internationally recognised valuation methodologies;
- (ii) the *Agenzia del Territorio* used a comparative approach in determining the value of the residential units in the Initial Real Estate Assets and conducted site inspections and determined the vacant possession value for the unit utilising recent market comparables and taking into account the quality and condition of the building as assessed through site inspections;
- (iii) the methodology adopted by the *Agenzia del Territorio* in determining the value of commercial units in the Initial Real Estate Assets was a combination of the comparative approach and discounted cash-flow analysis based on the documentation available, standard market rents for similar properties and standard expiry and break clauses, if property specific information was not available;
- (iv) the Vacant Possession Value of the Initial Real Estate Assets as determined by the *Agenzia del Territorio* was not higher than the Real Estate Advisor's own estimation of the open market value of the Initial Real Estate Assets.

***Evaluation Process prior to the New Issue Date***

In 2005, the Real Estate Advisor carried out a new analysis on the Sample Pool, showing an average market value equal to 2,351 €/sqm (for a total value of €2.8 billion), an increase of 33% compared to the original analysis carried out thereby on the Sample Pool (1,774 €/sqm, for a total value of €2.1 billion). The new analysis showed that 844 units (83,888 sqm) out of 10,172 units of the Sample Pool (equalling 8.3%) had been sold (90% of which are residential units). The remaining units are referred to as the "**Residual Sample**".

In 2005, the Real Estate Advisor also carried out an analysis on the Residual Sample, which showed an average market value of 2,342 €/sqm (for a total value of €2.6 billion, which is in line with the abovementioned average market value of units belonging to the original Sample Pool.

The units sold were representative of the Initial Real Estate Assets and consequently the quality of the unsold residual Initial Real Estate Assets remains unchanged in comparison to the Initial Real Estate Assets as at the Transfer Date in terms of type of buildings, geographical distribution and town classification.

The three following tables show a breakdown by Contributor, regional location and town classification of the total units belonging to the Sample Pool which have been sold and the original Sample Pool).

<b>Contributor</b>	<b>Total Sqm Sold</b>	<b>% of Total Sales</b>	<b>Original Sample Pool Total Sqm</b>	<b>% of Original Sample Pool Sqm</b>
<b>INPDAP</b>	46,350	55.25%	587,331	48.88%

<b>INAIL</b>	11,496	13.70%	155,092	12.91%
<b>INPS</b>	10,010	11.93%	37,250	3.10%
<b>INPDAI</b>	8,702	10.37%	398,651	33.17%
<b>IPSEMA</b>	4,503	5.37%	18,416	1.53%
<b>ENPALS</b>	2,828	3.37%	4,960	0.41%
<b>Total</b>	<b>83,888</b>	<b>100.00%</b>	<b>1,201,700</b>	<b>100.00%</b>

<b>Region / City</b>	<b>Total Sqm Sold</b>	<b>% of Total Sales</b>
<b>Abruzzo</b>	0	0.00%
<b>Calabria</b>	0	0.00%
<b>Campania</b>	450	0.54%
<b>Emilia Romagna</b>	3,245	3.87%
<b>Friuli Venezia Giulia</b>	2,750	3.28%
<b>Lazio (other than Rome)</b>	941	1.12%
<b>Rome</b>	34,307	40.90%
<b>Liguria</b>	3,042	3.63%
<b>Lombardy (other than Milan)</b>	38	0.05%
<b>Milan</b>	7,083	8.44%
<b>Marche</b>	8,255	9.84%
<b>Molise</b>	0	0.00%
<b>Piedmont</b>	12,103	14.43%
<b>Puglia</b>	585	0.70%
<b>Sardinia</b>	216	0.26%
<b>Sicily</b>	5,966	7.11%
<b>Tuscany</b>	568	0.68%
<b>Umbria</b>	0	0.00%

<b>Veneto</b>	4,338	5.17%
<b>Total</b>	<b>83,888</b>	<b>100.00%</b>

<b>Town class*</b>	<b>Total Sqm Sold</b>	<b>% of Total Sales</b>	<b>Original Sample Pool Total Sqm</b>	<b>% of Original Sample Pool Total Sqm</b>
<b>A</b>	41,391	49.34%	645,620	53.73%
<b>B</b>	20,457	24.39%	360,252	29.98%
<b>C</b>	21,100	25.15%	180,224	15.00%
<b>D</b>	941	1.12%	15,605	1.30%
<b>Total</b>	<b>83,888</b>	<b>100.00%</b>	<b>1,201,701</b>	<b>100.00%</b>

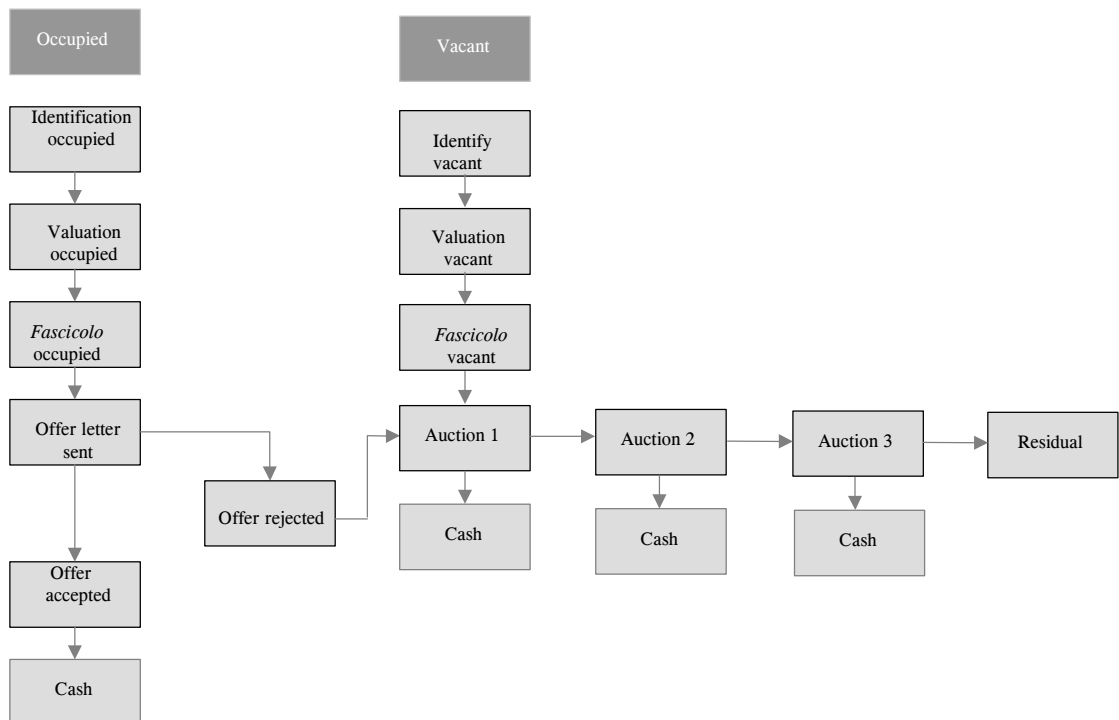
- \* A: large cities with a dynamic market (Milan, Rome, Florence and Naples)  
 B: large cities with less dynamic but liquid market  
 C-D: cities with illiquid market

#### 6. **Summary of principal legislation affecting the resale value of the Real Estate Assets**

As a general rule, Law Decree No. 351 provides that the sale price of the Real Estate Assets will be the current fair market value of such assets determined by reference to the sale price of similar vacant assets. An exception is provided for by Law Decree No. 41 of 23 February 2004, converted with amendments into Law No. 104 of 23 April 2004, as implemented by Ministerial Decree of 26 March 2004 ("**Law Decree No. 41**") for the assessment of the sale price of leased residential real estate assets (other than *Pregio Assets*) in respect of which the relevant lessees had expressed in writing by 31 October 2001 to the relevant Asset Manager their intention to purchase (by means of registered receipt post (*raccomandata con ricevuta di ritorno*)).

Pursuant to Law Decree No. 41, in respect of such assets, the sale price is determined by reference to its market value as at October 2001 as determined by applying certain aggregate coefficients (*coefficiente aggregato di abbattimento*) calculated by the *Agenzia del Territorio* and published semi-annually in the Official Gazette of the Republic of Italy (the "*Gazzetta Ufficiale*") pursuant to Law Decree No. 41.

## 7. Status of the Sale Process of Initial Real Estate Assets



The sequence of the various phases of the sales process (split for occupied and vacant units) as set out in the above graph is as follows:

Identification occupied:	The tenanted property has been identified by the relevant Asset Manager but has not yet been valued by the Asset Appraiser
Valuation occupied:	The valuation of the tenanted property by the Asset Appraiser has been or is being carried out but the sales file has not yet been completed
<i>Fascicolo</i> occupied:	The sales file of the tenanted property has been completed by the relevant Asset Manager - the tenanted property is ready to be offered to the relevant tenant pursuant to its option
Offer letter sent:	The offer letter has been sent to the tenant of the tenanted property by the relevant Asset Manager but the relevant tenant has not yet accepted or rejected the offer
Offer accepted:	The tenant has indicated its acceptance of the offer but the purchase has not yet been executed
Identification vacant:	The vacant property has been identified by the relevant Asset Manager but has not yet been valued by the Asset Appraiser
Valuation vacant:	The valuation of the vacant property by the Asset Appraiser has been or is being carried out but the sales file has not yet been completed

- Fascicolo* vacant: The sales file of the vacant property has been completed by the relevant Asset Manager - the vacant property is ready to be offered at auction
- Offer rejected: The tenant has rejected the offer of its tenanted property and the property will be sold through auction
- Auction 1: The property has been put up for first auction but remained unsold
- Auction 2: The property has been put up for second auction but remained unsold

The following tables show the breakdown of the Initial Real Estate Assets in each of the stages of the sale process as at 31 January 2005.

Percentage of Initial Real Estate Assets at various stages of sales process	Residential Initial Real Estate Assets	Commercial Initial Real Estate Assets
Identification occupied:	9.9%	5.4%
Valuation occupied:	20.0%	23.9%
<i>Fascicolo</i> occupied:	43.2%	45.3%
Offer letter sent:	8.8%	0.0%
Offer accepted:	11.1%	0.0%
Identification vacant:	1.2%	2.9%
Valuation vacant:	2.2%	10.9%
<i>Fascicolo</i> vacant:	2.7%	11.4%
Offer rejected:	0.4%	0.0%
Auction 1:	0.4%	0.1%
Auction 2:	0.1%	0.0%
<b>Total:</b>	<b>100%</b>	<b>100%</b>

## 8. Litigation affecting the Initial Real Estate Assets

The Real Estate Assets are the subject of certain proceedings which have been brought in relation to the Securitisation as effected on the First Issue Date. The principal proceedings have been brought against the Issuer by the tenants of the *Pregio* Assets regarding the identification thereof as *Pregio* Assets. In relation to the *Pregio* Assets the Issuer has the



benefit of additional representations and warranties in relation to the minimum value thereof.

## WEIGHTED AVERAGE LIFE

*The weighted average life figures and expected maturity dates set out below should not be assumed to be a prediction of future performance. Actual performance is subject to factors largely or in some cases (for example, general economic conditions and the condition of the Italian real estate market), entirely outside the control of the Issuer, the Asset Managers and the Commercial Sales Managers. Consequently, no assurance can be given that the weighted average life and expected maturity dates of the Notes set out below will prove in any way to be realistic, and they must therefore be viewed with considerable caution. See also "Certain Investment Considerations".*

### **Sources of Revenues**

The principal source of funds for the payment of interest and principal in respect of the Notes will be the revenues arising out of the Portfolio Disposal Process in respect of the Real Estate Assets transferred to the Issuer, provided that the outstanding First Notes will also benefit from the First Notes Reserve Amount. To the extent that the Real Estate Assets are tenanted, a certain percentage of the revenues arising from such leases will also be available for the repayment of the Notes.

Pursuant to the terms of the Asset Management Agreements, each of the Asset Managers will manage a portion of the Real Estate Assets and will provide to the Issuer certain administrative, maintenance and property management services in relation to such portion of the Real Estate Assets and the residential Real Estate Assets will be sold on behalf of the Issuer by the Asset Managers under the Asset Management Agreements or, in respect of the commercial Real Estate Assets, by the Commercial Sales Managers under the Commercial Sales Management Agreement.

Each Asset Manager and the Commercial Sales Managers will manage the Portfolio Disposal Process in respect of the relevant Real Estate Assets in accordance with the relevant Transaction Documents and the provisions of the business plan contained in the Asset Management Agreements and the Commercial Sales Management Agreement (the "**Business Plan**").

### **Weighted average life of the Notes**

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts distributed in net reduction of principal of such security (assuming no losses). The weighted average life of the Notes will be influenced by, *inter alia*, the actual rate of collection of the revenues.

Calculations as to the weighted average life and the expected maturity of the Notes can be made on the basis of certain assumptions.

The following table shows the weighted average life and the expected maturity of the Notes and was prepared based on the general characteristics of the Initial Real Estate Assets and *inter alia* the following assumptions (the "**Modelling Assumptions**"):

- (i) no Trigger Event, no Redemption for Tax Event and no Optional Redemption occurs in respect to the Notes;
- (ii) the Asset Managers and the Commercial Sales Managers perform on average the relevant Business Plan targets with 15% of additional time and with average collections which are 5% lower than the targets set out in the relevant Business Plan as contained in the Asset Management Agreements and the Commercial Sales Management Agreement, respectively;
- (iii) future rents are determined taking into account 85% of historical rents collection by the Asset Managers and declining in line with the disposal process assuming the Business Plan targets are achieved in line with the hypothesis described above;
- (iv) all the costs, fees and expenses have been assumed as defined in the relevant agreements and, in particular, the cash flows exclude any VAT and registrations costs being borne by the Issuer upon its disposal of the Real Estate Assets, in line with standard practice in Italy;
- (v) no significant market value decline in the real estate market in Italy or change in legislation impacting on the value of the Real Estate Assets; and
- (vi) remuneration on the Collection Account is equal to at least EURIBOR minus 0.35%.

	<b>Weighted average life*</b>	<b>Expected maturity</b>
<b>Class A2 Notes</b>	-	April 2005
<b>Class A3 Notes</b>	1 year	April 2006
<b>Class B1 Notes</b>	1.5 years	October 2006
<b>Class C Notes</b>	1.5 years	October 2006
<b>Class A4 Notes</b>	1 year	April 2006
<b>Class A5 Notes</b>	2.3 years	October 2008
<b>Class B2 Notes</b>	3.5 years	January 2009

\* In the case of the First Notes, residual life

The average life of the Notes is subject to factors largely outside the control of the Issuer and, consequently, no assurance may be given that the assumptions and estimates above will prove in any way to be realistic and they must therefore be viewed with considerable caution.

## DESCRIPTION OF THE SOCIAL SECURITY ENTITIES

*The following is a description of Ente Nazionale di Previdenza ed Assistenza per i Lavoratori dello Spettacolo - ENPALS, Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro - INAIL, Istituto Nazionale di Previdenza per i Dirigenti di Aziende Industriali - INPDAI, Istituto Nazionale di Previdenza per i Dipendenti dell'Amministrazione Pubblica - INPDAP, Istituto Nazionale della Previdenza Sociale - INPS, Istituto Postelegrafonici - IPOST and Istituto di Previdenza per il Settore Marittimo - IPSEMA, each of whom acts as Contributor and Asset Manager. For a description of the Republic of Italy as Contributor and otherwise and of the Agenzia del Demanio as Asset Manager, see "Description of the Republic of Italy" and "Description of Agenzia del Demanio".*

### ENTE NAZIONALE DI PREVIDENZA ED ASSISTENZA PER I LAVORATORI DELLO SPETTACOLO

#### Constitution and Purpose of ENPALS

ENPALS (the Italian National Social Security Entity for the Employees of Entertainment Industry) was created by Law Decree of the *Pro-tempore* Head of State No. 708 of 16 July 1947, subsequently amended and supplemented by Law No. 2388 of 29 November 1952 ("**Decree No. 708**").

ENPALS is a non-economic public entity supervised by MoL and is subject to the control of the general accounting and audit offices (*Corte dei Conti*) pursuant to Article 12 of Law No. 259 of 21 March 1958 ("**Law No. 259**").

Decree No. 708 entrusted ENPALS with the management of the Mandatory General Insurance for disability, old age, and illness for the employees (and their beneficiaries) of the entertainment industry included in the categories listed under Article 3 of Decree No. 708.

The social security services for the entertainment industry were subsequently modified by the introduction of D.P.R. No. 1420 of 31 December 1971, which laid down favourable insurance and contributions terms and conditions for certain categories of employees of the entertainment industry such as dancers, owing to the precarious and short-term nature of their working activity.

In addition, Law No. 366 of 14 June 1973 ("**Law No. 366**") entrusted ENPALS with the social security services for soccer players and coaches, by creating a special autonomous fund which ENPALS manages. This social security coverage was later extended to all professional athletes by Law No. 91 of 23 March 1981 ("**Law No. 91**").

By virtue of the legislative powers granted to it by Law No. 335 of 8 August 1995, the Government issued two Law Decrees which substantially changed the pension and social security regime for professional athletes (Legislative Decree No. 166 of 30 April 1997) and for the employees of the entertainment industry (Legislative Decree No. 182 of 30 April 1997), and made it consistent with the regime applicable to all other workers,

retaining only some specific provisions to govern the exceptions arising as a result of the professional and work peculiarities involving the employees of those sectors.

Other than for the specific aspects outlined above, ENPALS is governed by the provisions of the Mandatory General Insurance programme.

### **Policy Holders**

The ENPALS policy holders are employees of the entertainment industry falling under the categories set out in Article 3 of Law Decree No. 708 as amended and restated. Specific examples are lyrical singers, actors and comedians, light music singers, theatre and film directors, dancers, choral singers, conductors and orchestral musicians. Professional athletes make up another category, pursuant to Law No. 366 and Law No. 91, and more specifically athletes, coaches, managers and physical trainers.

### **Activities**

The services of ENPALS include the social security programmes and pensions under Mandatory General Insurance programme (pensions after reaching retirement age, general and privileged disability or incapability pensions, war pensions, seniority pensions and early retirement pensions for dancers and professional athletes).

ENPALS, along with the other Italian social security entities, has adapted to comply with the Mandatory General Insurance Programme and has therefore adopted the national defined contribution.

ENPALS insures approximately 200,000 employees in the entertainment sector and 6,000 in the sport sector. The beneficiaries entitled to pensions are approximately 60,000, of which 1,200 are professional athletes. Approximately 17,000 businesses and enterprises, operating in the film, music, theatre, radio, television, various entertainment industries and in sports, pay social security contributions to fund managed by ENPALS.

### **Management and Supervisory Bodies**

The current institutional status of ENPALS is regulated by D.P.R. No. 357 ("**D.P.R. No. 357**") of 24 November 2003, issued pursuant to Article 43 of Law No. 289 of 27 December 2002 (2003 Budget). As a result of the approval of D.P.R. No. 357, D.P.R. No. 26 of 5 January 1950 was superseded and ENPALS' status was redefined by the conforming of its management structure to that of the main social security entities.

Pursuant to D.P.R. No. 357 the management structure and supervisory bodies and officers of ENPALS are as follows:

- *The President*, regulated by Articles 2 and 3 of D.P.R. No. 357, is the legal representative of the entity.
- *The Board of Directors* is regulated by Articles 2 and 5 of D.P.R. No. 357 and is appointed pursuant to Article 8, paragraph 3 of Law Decree No. 479 of 30 June 1994

("Law Decree No. 479"). The Board of Directors is made up of the President who acts as its chairman and of four experts.

- *The Board of Inspection and Governance* is regulated by Articles 2 and 4 of D.P.R. No. 357 and is appointed pursuant to Article 8, paragraph 3 of Law Decree No. 479, which provides for its appointment by trade unions and major national organisations.
- *The Board of Auditors* is regulated by Articles 2 and 6 of D.P.R. No. 357 and exercise all functions of supervision and control set forth in Art. 2403 *et sequitur* of the Italian Civil Code as well as the functions set out in other laws and regulations; and
- *The Chief Executive Officer*, pursuant to Article 7 of D.P.R. No. 357, is chosen amongst the executives of ENPALS or amongst experts in the fields of work carried out by ENPALS. He is appointed by decree of the MoL after proposal from the Board of Directors.

Pursuant to Article 12 of Law No. 259, the Controlling Officer of the general accounting and audit offices (*Magistrato della Corte dei Conti delegato al controllo*) monitors the financial management of ENPALS pursuant to Article 100 of the Constitution.

### **Organisational Structure**

The current organisational structure of ENPALS is comprised of:

- The General Manager's Office in Rome which is organised around the following areas of responsibility: eight departments split into three units: the Services and Contributions unit, which includes the Services Department, the Contributions Department and the Supervision Department; the General Matters and Human Resources Unit, which includes the General Matters Department, the Organisation and Audit Department and the Human Resources Department; the Accounting and Finance Unit, which includes the Budget Department and the Accounting and Control Department;
- The Information Systems and Communications Department;
- The President's Office Department;
- Three Intermediaries of the Professional Consultants: Actuarial Consultancy, Legal Consultancy and Medico-legal Consultancy;
- Five Interregional Departments made up of local branches, which are supervised by the General Manager. On an interregional scale they carry out the operational and management activities relevant to their field. The Interregional Departments have interregional authority and supervise the activities of the local service units. These are: (a) the Interregional Department for the North, which has its head office in Milan and is responsible for the regions of Lombardy, Piedmont, Valle d'Aosta and Trentino Alto Adige; (b) the Interregional Department for Centre-North, which has its head office in Bologna, and is responsible for the regions of Emilia-Romagna, Veneto,

Liguria, Tuscany and Friuli Venezia Giulia; (c) the Interregional Department for the Centre, which has its head office in Rome and which is responsible for the regions of Lazio, Umbria, Marche, Abruzzo and Molise; (d) the Interregional Department for the South, which has its head office in Palermo and is responsible for the regions of Sicily, Calabria and Sardinia;

- Service Units.

### **Financial Information**

The last approved financial statements are for the year 2003. Such financial statements show revenues of approximately €1,431.8 million and aggregate expenses of €1,208.4 million. ENPALS ended the financial year 2003 with a surplus of approximately €223.4 million.

The financial statements, along with the reports of the President, the General Manager and the Board of Auditors are approved by a formal resolution of the Board of Directors and then submitted to the MoL, the MEF and the *Corte dei Conti*.

## **ISTITUTO NAZIONALE PER L'ASSICURAZIONE CONTRO GLI INFORTUNI SUL LAVORO - INAIL**

### **General**

INAIL (the Italian National Insurance Institute for Occupational Accidents) was created by Royal Decree No. 264 of 23 March 1933. INAIL is a public entity (*ente pubblico*) which, funded by contributions from employers, provides allowances to works in the case of accidents or occupational disease.

INAIL has legal personality. By express provision of Article 1 of Royal Decree No. 267 of 1942, on account of its status as an *ente pubblico*, INAIL cannot be the subject of insolvency proceedings.

### **Regulatory Framework and Purpose of INAIL**

INAIL is subject to the supervision of the MoL as well as the MEF. Over the years, INAIL has undergone significant changes, in particular pursuant to Law No. 88 of 9 March 1989, which provided for the reorganisation of the Italian National Insurance Institute (*INPS*) and of INAIL, and Presidential Decree No. 367 of 24 September 1997, which set out the organisation and management of INAIL.

Article 38 of the Italian Constitution provides for the right of workers to have "means of insurance which are appropriate to their needs in the event of injury, illness, disability, old age and involuntary unemployment". The State has therefore entrusted to INAIL the task of managing mandatory insurance for industrial accidents and occupational diseases occurring in industry and agriculture, as well as insurance for doctors exposed to radiation, in order that workers may be insured in the events of temporary inability to work and permanent disability caused by the employment.

Within the scope of its institutional tasks, INAIL pursues the dual goal of reducing accidents in general and achieving a form of overall protection for workers who are engaged in hazardous activities or who have already suffered physical or financial damage following an injury or occupational disease.

INAIL also carries out activities in the fields of prevention of accidents and rehabilitation. Within this framework, INAIL carries out initiatives ranging from the supply of information and advice to small and medium-sized enterprises on accident prevention, health and safety in the workplace, to financial support to employers who invest in safety measures, through to the rehabilitation, recovery and reinstatement of disabled persons in their working and social environments.

### **Activities**

INAIL manages about 3,100,000 mandatory insurance policies, which are defined as insurance coverage (*rapporti assicurativi*) with employers which carry out businesses at risk of accidents and/or occupational diseases. The number of mandatory insurance policies does not correspond to the number of employers, on account of the fact that an employer whose work is complex and divided into several main activities, which do not form a single unit, is obliged to submit several declarations (one for each hazardous activity).

### ***Insurance Coverage***

The insurance coverage is comprised of the following three main elements: (i) persons (insurer/employer/insured party); (ii) subject-matter insured (hazardous activities, defined as ones where the possibility exists of accident or occupational disease); and (iii) content (the insurance premium and the allowance).

Generally speaking, except for some cases such as artisans, the insured party is anyone who (under any form of remuneration whatsoever, even in kind) works for any employer, operating in hazardous industry and agriculture.

### ***Activities covered by Insurance: hazardous activity***

Activities considered to be risk-related are specifically provided for by the law. The danger of each single activity, together with the entity of the hazard to which the worker is actually subjected, is considered only for the purposes of calculating the insurance premium to be paid.

### ***Contents: the insurance premium***

The cost of insurance coverage, that is to say the premium, is solely incurred by the employer and is calculated in advance by applying the rate, notified by INAIL by 31 December of each year, to the estimated remuneration of the workers who are subject to mandatory insurance coverage, subject to set off against the salary actually paid.

### ***Sanctions in the case of breach***



All breaches of provisions relating to mandatory national insurance coverage are subject to sanctions. In the event of delayed and/or defaulted payment of the contribution, the employer is required to pay late fees as damages, the amount of which is set by law.

### **Organisational Structure**

The organisational structure of INAIL is comprised of:

- a Head Office in Rome;
- Regional Head Offices; and
- Branch Offices located in every Italian province (*Province*);
- Operative branches and agencies across Italy.

Each Branch Office is responsible for its own portfolio (insurance positions, collection of the *premia*) and has its own local archive. In addition, there are technical professional consultants at the centralised level and at each Regional Head Office.

### **Management and Supervisory Bodies**

The management and supervisory bodies and officers of INAIL are:

- the President;
- the Board of Directors;
- the Board of Policy Making and Supervision;
- the Board of Auditors; and
- the General Manager.

At the date hereof, Avv. Prof. Vincenzo Mungari is the President of INAIL and Dr. Maurizio Castro is the General Manager.

### **Financial Information**

The financial accounting position of INAIL is summarised by its financial statements approved for the year ending 31 December 2003. Since INAIL is a public entity, it is required to prepare accounts that are drawn up according to the current standards set out for public administrations. The financial statements, prepared by the Board of Directors, together with a report of the Board of Auditors, are approved by the Board of Policy Making and Supervision.

The financial statements for the year 2003 show revenues of approximately €11,506 million. INAIL ended the financial year 2003 with a surplus of approximately €1,512 million.

## **ISTITUTO NAZIONALE DI PREVIDENZA PER I DIRIGENTI DI AZIENDE INDUSTRIALI - INPDAI**

INPDAI (the Italian National Social Security Institute for Industrial Executives) was created by Law No. 967 of 27 December 1953 ("**Law No. 967**"), which converted into a public entity what had originally been the Social Security Institute for Industrial Executives, created by a resolution of the Council of the Federation of Industries, dated 10 December 1929, to manage the mandatory social security contributions of the executive-level employees of industries pursuant to Article 6 of the Collective Labour Agreement of 28 October 1937, published in the *Official Gazette* No. 120 of 28 May 1938, part 2.

With effect from 1 January 2003, pursuant to Article 42 of Law No. 289 of 27 December 2002, INPDAI was wound up and its structures and functions, including its rights and obligations, were transferred into INPS.

## **ISTITUTO NAZIONALE DI PREVIDENZA PER I DIPENDENTI DELL'AMMINISTRAZIONE PUBBLICA - INPDAP**

### **General**

INPDAP (the Italian National Social Security Institute for Public Administration Employees) was created by Legislative Decree No. 479 of 30 June 1994 ("**Decree No. 479**"). The institutional service areas of INPDAP are as follows: provision of pensions and end-of-employment indemnities to retired employees in the public sector; granting of loans and social services to its members, including multi-year term loans, small loans and mortgage loans. Although it operates within the public social security sector, INPDAP extends its activity beyond the strictly economic aspect, and moves into the social sector, granting services for retired members, their spouses, and for the children and orphans of registered members.

### **Regulatory Framework and Purpose of INPDAP**

INPDAP has all the responsibilities that previously belonged to the Social Security Institute (*Casse di Previdenza*) of the Ministry of the Treasury (in respect of employees of local entities, of the health service, teachers and judicial officers), to ENPAS, to INADEL and to ENPDEP (in respect of the other persons described under "General" above). INPDAP is the other large social security institution because of the scope of its responsibilities. Law No. 335 of 8 August 1995 (the *Dini* Reform Law) increased INPDAP's importance as a social security provider, by adding state government employees to INPDAP. INPDAP is a public entity supervised by the MoL and the MEF.

### **Activities**

INPDAP has taken over responsibilities previously held by the Social Security Institute (*Casse di Previdenza*) managed by the MEF, and therefore distributes pensions to retired members registered under the categories of such Social Security Institute, each of which involves a unique type of social security, including:

- *Cassa Dipendenti degli Enti Locali* (Local Entities Employees), created by Royal Decree No. 680, of 3 March 1938;
- *Cassa Pensioni Sanitari* (Pensions for Healthcare Providers), created by Law No. 1035, of 6 July 1939;
- *Cassa Pensioni Insegnanti* (Pensions for Teachers), created by Law No. 176, of 6 February 1941; and
- *Cassa Pensioni Ufficiali Giudiziari* (Pensions for Clerks of the Courts), created by Law No. 2312 of 12 July 1934.

In addition, INPDAP is responsible for the pensions of state government employees, as a result of Law No. 335 of 8 August 1995.

With respect to social security payments, INPDAP distributes the mandatory severance payments, including:

- the end-of-relationship indemnity, previously managed by the former ENPAS, created by Law No. 22 of 19 January 1942;
- the premium indemnity for seniority, previously managed by INADEL, created by Royal Decree No. 1605 of 23 July 1925; and
- the severance indemnity (*TFR*) created by Law No. 335 of 8 August 1995.

In addition, INPDAP distributes a monetary indemnity for the death of the insured, as was previously done by the former ENPDEP (created with Law No. 1436 of 28 July 1939). INPDAP currently offers the only life insurance programme available within the national framework for social security for the public sector.

INPDAP's services in the lending sector include the following:

- granting, directly, multi-year term loans to the registered members;
- granting multi-year term loans indirectly, procuring favourable conditions with credit institutions;
- loans to the registered entities;
- small loans to registered members; and
- mortgage loans.

In the social assistance sector, INPDAP manages several boarding schools for the children or orphans of the registered members, as well as two retirement homes for formerly registered members. Additionally, INPDAP grants scholarships and has set up vacation camps abroad for the children of registered members. Finally, INPDAP has established, together with University *La Sapienza di Roma* and University *La Cattolica di Milano*, post-graduate masters course for the children of registered members. These programmes

currently comprise three courses of 60 credits each, covering *inter alia* public economy, the management of health services and public administration.

In 2003, selected summary information for INPDAP was as follows:

- 7,480 employees;
- 104 Provincial Offices;
- 3,300,000 registered members, employees of the local entities;
- 2,403,910 pensions distributed to employees of the Local Entities;
- 158,626 severance indemnity packages;
- 147,000 loans;
- 9,321 scholarships;
- 8,919 vacations;
- 19,586 vacations abroad;
- 768 boarders;
- 240 students of the *Liceo della Comunicazione*, training to become teachers;
- 244 guests in retirement homes/assisted living facilities; and
- 5 boarding schools for children of registered members.

### **Organisational Structure**

The organisational structure of INPDAP includes:

- (i) a central management system, located in Rome, structured in offices supporting the 12 central divisions with functions of policy making and co-ordination, in 4 independent offices (for general services, official acts, relationship with the press and special projects with representative functions in the European Union), and 9 special offices for strategic projects;
- (ii) four consultancy services offices, each in charge of specific responsibilities requiring specialised knowledge (Legal Department, Actuarial and Statistical Consultancy, Technical and Construction Consultancy and Medical and Psychological Consultancy).

INPDAP also has a local organisational structure divided in 12 local structures, both regional and multi-regional, and 104 provincial structures. The provincial structures provide the institutional services to the registered members whilst the regional structures are primarily in charge of policy making, coordinating, monitoring and supervising the

provincial structures and perform real estate sector activities through the competent real estate office.

The provincial structures are responsible for ensuring the accurate and timely distribution of the services to the members in the territory; and in their territory serve as INPDAP's representative for dealing with the registered and retired members, other administrative entities and bodies, and the social and labour unions. Each provincial structure operates independently with an independent budget.

### **Management and Supervisory Bodies**

The management and supervisory bodies of INPDAP are the following:

- *the President*; who is the legal representative of INPDAP and presides over the Board of Directors;
- *the Board of Directors*; which is responsible for planning and deciding on all institutional activities and related activities, for defining the general criteria for investment and divestment, and for drafting balance sheets and budgets;
- *the Policy Making and Supervisory Council*; which determines the general policy guidelines, decides its long-term objectives; and supervises certain acts of the Board of Directors;
- *the Board of Auditors*; which carries out all the functions required of it under Article 2403 *et sequitur* of the Italian Civil Code; and
- *the General Manager*; who is directly responsible for the organisation in its pursuit of the objectives, and for reaching the objectives.

### **Financial Information**

INPDAP's last published financial statements are for the year 2003. In accordance with Legislative Decree No. 479 of 30 June 1994, such financial statements were prepared by the Board of Directors, approved by the Policy Making and Supervisory Council, and submitted to the supervising Ministries.

## **ISTITUTO NAZIONALE DELLA PREVIDENZA SOCIALE - INPS**

### **General**

INPS (the Italian National Social Security Institute) is a public non-profit entity created by Royal Decree No. 1827 of 4 October 1935. INPS is the principal Italian social security provider and manages over 15 million insurance policies. With effect from 1 January 2003, pursuant to Article 42 of Law No. 289 of 27 December 2002, INPDAP was wound up and its structures and functions, including its rights and obligations, were transferred into INPS.

### **Regulatory Framework and Purpose of INPS**

INPS is a public entity, supervised by the MoL, the MEF and the *Corte dei Conti*. As a public body INPS cannot be declared bankrupt (Article 1 of Royal Decree No. 267 of 1942). INPS is a fundamental instrument of social security policy for the Italian State and therefore the liquidation of INPS could affect the constitutional requirement to provide social security services as contemplated by Article 38 of the Italian Constitution. Consequently should INPS cease its activities, the Italian State would have to act directly to fulfil those aims or transfer the duties and functions previously performed by INPS to another public body.

### **Activities**

INPS provides a wide range of social provisions to contributors and non-contributors alike, including retirement pensions, disability pensions, family benefits, unemployment benefits and compensation for temporary lay-offs, sickness benefits and maternity benefits. INPS requires contributions to be made from all private sector employers also on behalf of their employees and self-employed individuals. Italy operates a 'pay-as-you-earn' pension system where contributions comprise the main source of funding.

Contributions due from the employers for the employees are calculated as a percentage of wages. The contributions are paid in part by the employer and in part by the employee through a deduction from salary. Self-employed individuals pay a fixed quarterly amount plus a variable component based upon the income derived from the business.

### **Organisational Structure**

INPS is present throughout Italy, with 20 regional offices and 476 local branches. INPS has developed a sophisticated system to ensure the timely collection of contributions and payment of benefits. The central office in Rome has laid down guidelines for all local INPS offices as to the hardware they are permitted to purchase so that minimum standards of compatibility and performance are maintained. Most of the software applications are developed in-house by INPS with the help of software designers.

### **Management and Supervisory Bodies**

The management bodies of INPS are:

- the Chairman;
- the Board of Directors;
- the Policy Making and Supervisory Council; and
- the General Manager.

The supervisory bodies are:

- the Board of Auditors; and
- a magistrate from the *Corte dei Conti*.

From November 2002 to July 2004, the functions of the Chairman and the Board of Directors were carried out by the *Commissario Straordinario*, Gian Paolo Sassi, as appointed by ministerial decree, who approved the financial statements for the year ending 31 December 2003. Gian Paolo Sassi was subsequently chosen as Chairman and the Board of Directors was reconstituted in July 2004.

### **Financial Information**

The financial and economic position of INPS can be summarised from its financial statements for the year ending 31 December 2003 as approved by the then *Commissario Straordinario* in July 2004. As a public entity, part of the Italian public administration, INPS produces accounts based on the accounting policies of public administrations which, once approved by the Board of Directors, are submitted to the Board of Auditors and the Policy Making and Supervisory Council. The financial statements for the year 2003 show revenues of approximately €207.265 billion and aggregate expenses for services of approximately €208.162 billion. INPS ended the financial year 2003 with an economic surplus of approximately €16.984 billion.

## **ISTITUTO POSTELEGRAFONICI - IPOST**

### **General**

IPOST (the National Institute for social security and assistance for the employees of the postal, telegraph and telephone industry) was created by D.M. No. 1042 of 12 June 1919 as the *Istituto nazionale di mutualità e previdenza tra il personale postale, telegrafico e telefonico*. IPOST was changed to *Istituto di assicurazione e previdenza per i titolari degli uffici secondari per i ricevitori postali, telegrafici e per agenti rurali* (Institute for insurance and social security for the owners of the branches for postal and telegraph post, and rural agents) by Royal Decree No. 37 of 3 January 1926. The current entity *Istituto Postelegrafonici* was named and established as a public non-economic entity by Law No. 208 of 27 March 1952.

IPOST is a public entity (classified under Category I of the table attached to Law No. 70 of 20 March 1975) according to Ministerial Decree No. 329 of 12 July 1995 concerning the organisation of its functions, and is subject to the accounting regulations pursuant to D.P.R. No. 696 of 18 December 1979 as amended in accordance with Law No. 94 of 3 April 1997.

IPOST operates in the social security and retirement pension systems areas for all employees who work for the Italian postal service (*Poste*) or who have retired from the *Poste*, and for the distribution of assistance and social security to such employees, in accordance with the laws, the regulations, and any agreements entered into in implementation of labour agreements. While carrying out its institutional activities, IPOST operates in compliance with the principles and operating terms of Law No. 241 of 7 August 1990, and follows business financial criteria, in pursuit of effectiveness and efficiency.

Subjects to the limits of the laws and regulations, IPOST has administrative, financial, and accounting independence.

IPOST is supervised by the Ministry of Communications (the "MoC"), as provided by Ministerial Decree No. 523 of 18 December 1997.

### **Organisational Structure**

The organisational structure of IPOST is structured as follows:

- General Management, responsible for ensuring the necessary support to the management and supervisory bodies;
- Pension Services, responsible for distributing pensions to all employees of the postal and telegraph industry;
- Accounting and Financial Services, responsible for the general accounting and the budget, manages cash flow and financial flow with the other institutions and determines costs in accordance with the principles of cost accounting;
- Personnel Organisation and Services, which manages human resources and matters in general;
- Resources and Investment Services, which manages the assets to support the activity of the entity;
- Institutional Activity Services, which manages the social security and assistance services activity;
- Information Technology Services, which manages the information technology resources with regard to procedures and processes and automation;
- Legal Department, which manages litigation on institutional activity and provides legal advice to the management bodies;
- Superintendency, which purchases the assets to support the activity of the entity.

### **Management and Supervisory Bodies**

The management and supervisory bodies of IPOST comprise the following bodies and officers:

- *the President*; appointed in compliance with the procedure described in Article 3 of Law No. 400 of 23 August 1988. The President is the legal representative of IPOST;
- *the Policy Making and Supervisory Council*; appointed by a Decree of the President of the Council of Ministers from nominees chosen by the MoC from the significant national unions;
- *the Board of Directors*; appointed by a Decree of the President of the Council of Ministers from nominees chosen by the MoC;



- *the Board of Auditors*; appointed by a Decree of the MoC; and
- *the General Manager*; appointed by a Decree of the President of the Council of Ministers upon the proposal of *inter alia* the MoC.

### ***Policy Making and Supervisory Council***

The Policy Making and Supervisory Council has the following powers:

- defining the programmes and the policy guidelines for the entity;
- defining long-term strategy and objectives;
- issuing general directives for IPOST's activity; and
- approving the budget and balance sheet.

### ***The Board of Directors***

Acting in accordance with the general guidelines provided by the Policy Making and Supervisory Council, the Board of Directors has the following powers:

- preparing long-term business plans, the budget, any amendments and the final balance sheet;
- deliberating on how to use the available funds, in accordance with the long-term business plans and the investment and divestment criteria approved by the Policy Making and Supervisory Council;
- providing the annual budget to the General Manager; and
- deliberating on the regulations governing the services, and on the endowment of the entity.

### **Financial Information**

The most recent financial statements of IPOST for the year 2003, showed a consolidated *pro-tempore* financial surplus equal to €2,275,497,127.02, an administrative surplus equal to €95,528,355.98 and an economic surplus equal to €113,699,606.00. The net worth on 31 December 2003 stood at €2,542,653,431.00.

Such financial statements were approved by Resolution of the Board of Directors No. 27 of 11 June 2002 and by the Policy Making and Supervisory Council by Resolution No. 8 of 26 June 2002.

## **ISTITUTO DI PREVIDENZA PER IL SETTORE MARITTIMO - IPSEMA**

### **General**

IPSEMA (the Social Security Institute for the Maritime Sector) was created in 1994 by Legislative Decree No. 479 of 30 June 1994 ("**Decree No. 479**") as the result of the

merger of the Social Security Office for the Adriatic Sea (in Trieste), the Tirreno Sea (in Genoa) and Southern Italy (in Naples (*Cassa marittima adriatica* (TS), *tirrenica* (GE) and *meridionale* (NA)).

### **Regulatory Framework and Purpose of IPSEMA**

IPSEMA is a public entity which insures against accidents at work and occupational diseases and allocated sickness compensation benefit for employees of the maritime industry and maternity compensation benefit for employees of the maritime industry and of the aerial sector. IPSEMA's accounting and administrative affairs are supervised by its Board of Auditors pursuant to Article 3 of Decree No. 479 and by the *Corte dei Conti*. IPSEMA is supervised by the MoL and the MEF.

IPSEMA employs approximately 227 persons who periodically attend training and continuous education courses. Pursuant to Article 59 of Decree of the President of the Republic No. 509 of 1979, the employees of IPSEMA are also entitled to support and assistance such as personal loans, home loans for the purchase of first houses and scholarships, and are generally covered by a health insurance policy.

### **Activities**

In addition to the activities related to its social security functions, IPSEMA owns and manages a portfolio of real estate assets located throughout Italy. As part of the Securitisation, the commercial and residential real estate assets previously owned by IPSEMA and transferred to the Issuer have almost all been sold. Consequently IPSEMA owns just real estate assets for instrumental use (institutional offices) and those which are leased or used by the public administration and which were expressly excluded from the Securitisation. The real estate assets still owned by IPSEMA are used mostly to provide healthcare assistance to employees of the maritime industry employed on board, pursuant to Article 1, paragraph 4 of Legislative Decree No. 632 of 7 November 1981, as amended and converted into Law No. 767 of 22 December 1981. All management and ordinary maintenance of the real estate assets owned by IPSEMA is carried out directly thereby, although for certain services, such as maintenance works, external entities are appointed by tender process.

Extraordinary management is carried out by IPSEMA directly, through its Technical-Building Consultancy division and the Central Office for Finance and Assets. IPSEMA carries out periodic inspections of the real estate assets, and inspects any ongoing construction or project for extraordinary maintenance, reporting on both.

IPSEMA's capital investment in relation to those real estate assets was approximately €54,615,263.84 in 2001, approximately €29,765,230.38 in 2002 and approximately €31,790,129.93 in 2003. IPSEMA's management of the remaining assets is computerised. The management of the computer systems and information technology is carried out with the assistance of a specialised company.

### **Organisational Structure**

IPSEMA has a General Office, located in Rome, which is divided in the following Central Offices:

- Central Office for Employees and Organisation;
- Central Office for Finance and Assets;
- Central Office for Insurance and Services;
- Central Office for Supervision and Prevention;
- Data-processing Unit;
- Office of the Legal Department; and
- Technical-Building Consultancy Office.

In addition, IPSEMA has Department Offices in Naples, Genoa, Palermo and Trieste, and Zone Offices in Molfetta, Messina and Mazara del Vallo. The Department Offices are under the supervision and co-ordination of the Office of the General Manager, but are independent and autonomous. The Zone Office in Molfetta is co-ordinated by the Department Office in Naples, and the Zone Offices in Messina and Mazara del Vallo are co-ordinated by the Department Office in Palermo.

### **Management and Supervisory Bodies**

The management and supervisory bodies of IPSEMA comprise the following bodies:

- the President;
- the Board of Directors;
- the Board of Policy Making and Supervising;
- the Board of Auditors; and
- the General Manager.

### **Financial Information**

The balance sheet of IPSEMA for the financial year ended 31 December 2003, as prepared by its Board of Directors, has been definitively approved by the Board of Policy Making and Supervisory Council, pursuant to Article 3, paragraph 4 of Decree No. 479 of 1994, and then submitted to the MoL and the MEF.

The financial statements for the year 2003 show revenues (*entrate correnti*) of approximately €77,877,774.30 and aggregate expenses for services of approximately €36,448,556.13. IPSEMA ended the financial year 2003 with a surplus (*avanzo di parte corrente*) of approximately €17,685,204.10.

## DESCRIPTION OF THE REPUBLIC OF ITALY

*The following is a description of the Republic of Italy by reason of the function of the MEF and the Republic of Italy under the Transaction Documents to which they are party, including as Contributor.*

### **Location, Area and Population**

The Republic of Italy is situated in south central Europe on a peninsula approximately 1,120 kilometres (696 miles) long and includes the islands of Sicily and Sardinia in the Mediterranean Sea and numerous smaller islands. To the North, Italy borders on France, Switzerland, Austria and Slovenia along the Alps, and to the East, West and South it is surrounded by the Mediterranean Sea. Its total area is approximately 301,300 square kilometres (116,336 square miles), and it has 7,375 kilometres (4,582 miles) of coastline. The independent States of San Marino and the Vatican City, whose combined area is approximately 61 square kilometres (24 square miles), are located within the same geographic area. The Apennine Mountains running along the peninsula and the Alps north of the peninsula give much of Italy a rugged terrain.

At the end of 2003, Italy's population was estimated to be approximately 57.9 million, accounting for approximately 15.1 per cent of the European Union population. Italy is the fourth most populated country in the European Union after Germany, France and the United Kingdom. According to 2003 data of Istituto Nazionale di Statistica ("**ISTAT**"), the eight regions in the southern part of the peninsula (including Sicily and Sardinia), known as the "*Mezzogiorno*", have a population of approximately 20.7 million. Northern and central Italy have a population of approximately 26 million and 11.1 million, respectively.

Rome, the capital and largest city, is situated near the western coast approximately halfway down the peninsula and, in 2003, had a population of 2.5 million. The next largest cities at such time were Milan, with a population of 1.3 million, Naples, with 1.0 million and Turin, with 0.9 million. According to the 2001 census, approximately 44.2 per cent of Italy's population lives in urban areas.

### **Constitution, Government and Political System**

Italy was originally a loose-knit collection of city-states most of which united into one kingdom in 1861 and has been a democratic republic since 1946. The Government operates under a constitution, originally adopted in 1948, that provides for a division of powers among the legislative branch, the executive branch and the judiciary.

***The Legislative Branch.*** Parliament consists of a Chamber of Deputies, with 630 elected members, and a Senate, with 315 elected members and a small number of life Senators, consisting of former Presidents of the Republic and prominent individuals appointed by the President. The Chamber of Deputies and the Senate share the legislative power equally and have substantially the same powers. Any statute must be approved by both assemblies before being enacted. Except for life Senators, members of Parliament are elected for five years by direct universal adult suffrage, although elections have been held more frequently

in the past, because the instability of multi-party coalitions has led to premature dissolutions of Parliament.

**The Executive Branch.** The head of State is the President, elected for a seven-year term by an electoral college that includes the members of Parliament and 58 regional delegates. The current President, Carlo Azeglio Ciampi, was elected in May 1999. The President has the power to appoint the Prime Minister and to dissolve Parliament. The Constitution also grants the President the power to appoint one-third of the members of the Constitutional Court, to call general elections and referenda and to command the armed forces. The President nominates and the Parliament confirms the Prime Minister, who is the effective head of Government. The Council of Ministers is appointed by the President on the Prime Minister's advice. The Prime Minister and Council of Ministers are responsible to both houses of Parliament and must resign if Parliament passes a vote of no confidence in the administration.

Following the general elections held on 13 May 2001, the *Polo delle Libertà* obtained a majority in Parliament and Mr. Silvio Berlusconi was appointed to form a new Government, which was sworn in on 11 June 2001. A new election must be held within 5 years of 13 May 2001.

### **The European Union**

Italy is a signatory of the Treaty of European Union of 1992, also known as the "Maastricht Treaty", which established the European Economic and Monetary Union, or EMU, culminating in the introduction of a single currency. Eleven member countries, including Italy, met the budget deficit, inflation, exchange rate and interest rate requirements of the Maastricht Treaty and were included in the first group of countries to join the EMU on 1 January 1999. On that date, conversion from their old national currencies into the Euro was irrevocably fixed, and on the same date the Italian Lire central rate was set at Euro 1 to ITL 1,936.27. The Euro became legal tender, with monetary policy and exchange rate intervention to be conducted in Euros. The Euro was introduced in physical form in the countries participating in the EMU on 1 January 2002 and replaced in their entirety national notes and coins by 28 February 2002.

### **Membership of International Organisations**

Italy is also a member of the North Atlantic Treaty Organisation (NATO), as well as many other regional and international organisations, including the United Nations and many of its affiliated agencies. Italy is one of the Group of Eight (G-8) industrialised nations, together with the United States, Japan, Germany, France, the United Kingdom, Canada and Russia and a member of the Organisation for Economic Co-operation and Development (OECD), the World Trade Organisation (WTO), the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (World Bank), the European Bank for Reconstruction and Development (EBRD) and other regional development banks.

### **2004 Developments**

The following are estimated rounded summary economic and statistical data for the dates

and periods indicated.

## Summary Statistical Data for 2004

### The Economy

Real GDP growth	1.7%
Consumer Price Index	1.9%
Unemployment rate	7.7%

### Public Debt

Government debt (1)	1,429,917
Government debt expressed as a percentage of GDP	105.8%
Government deficit (1)	(40,877)
<i>Government deficit as percentage of GDP</i>	<i>(3%)</i>

(2) On a public accounts basis, in billions of Euro.

Source: Eurostat, other than Government deficit and Government deficit as percentage of GDP the source of which was ISTAT.

### Twelve months ended 31 December

	2003	2004
	<i>(in billions of Euro)</i>	
<b>Balance of payments</b>		
Current account	(18.4)	(10.6)
Capital account	2.5	1.8
Financial account	16.8	9.2
Errors and omissions	(0.9)	(0.3)

Source: Ufficio Italiano Cambi

### Rating of the Republic of Italy

As at the date of this Offering Circular, the Republic of Italy's senior public unsecured and unsubordinated long-term debt is rated AA- by S&P, Aa2 by Moody's and AA by Fitch Ratings.

## DESCRIPTION OF THE AGENZIA DEL DEMANIO

*The following is a description of the Agenzia del Demanio who act as Asset Manager in relation to the Real Estate Assets contributed by the Republic of Italy.*

### **General**

The *Agenzia del Demanio* was incorporated pursuant to Decree No. 300 of 30 July 1999 and started its activity on 1 January 2001. Following the approval of Law Decree No. 173 of 3 July 2003 it became a public economic entity in July 2003. It is a legal entity, as stated in Article 64 of Decree No. 300 of 30 July 1999 and, as a public entity, is not subject to bankruptcy or liquidation procedures.

### **Constitution and Purpose of the Agenzia del Demanio**

The provisions of Decree No. 300 of 30 July 1999 state that the objects of the *Agenzia del Demanio* are to manage the real estate properties of the Republic of Italy, with a view to rationalise and enhance their value, to develop a database containing all relevant information on the real estate portfolio and the "*beni demaniali*" portfolio and to manage all the ordinary and extraordinary maintenance of the real estate assets, including through the use of economic management, including any sale or funding programme on the market.

The *Agenzia del Demanio* is autonomous from a financial, administrative and organisational point of view and is subject to the surveillance of the MEF.

### **Activities**

The *Agenzia del Demanio* carries out the following activities:

- Sales and rentals
- Acquisitions
- Protection and supervision
- Survey
- Improvements
- Maintenance and repair of real estate assets

#### *Sales and Rentals*

The *Agenzia del Demanio* rationalises the composition and use of the real estate of the Republic of Italy in two ways: (i) by renewing contracts and by transferring or taking delivery of properties from public administrations; and (ii) by selling, directly or indirectly, real estate of various types. This is carried out in accordance with the provisions of Law Decree No. 351 and of Law Decree No. 269 of 30 September 2003, converted into Law No. 326 of 24 November 2003.

#### *Acquisitions*

The acquisition of new properties is carried out to meet the specific needs of the various public administrative entities. The importance and the success of this activity are shown by the improved financial terms (for example, payment only upon delivery of the building) and reduced delivery times (approximately within a quarter of the normal time frame).

#### *Protection and Supervision*

Using its authority to ensure the correct use of the real estate of the Republic of Italy, the *Agenzia del Demanio* has intensified the activity of prevention and suppression of abusive use of the managed property. During 2004, over 2,200 supervisory controls were commenced and approximately 1,731 injunctions were sought.

#### *Survey*

The *Agenzia del Demanio* carries out surveys of the real estate assets as a basis for the development of a new integrated information system aimed at improving the effectiveness of value-adding activities and of the management of the real estate entrusted to it. The detailed survey of over 30,000 properties of the Republic of Italy began in 2001 and is expected to be completed in 2008.

#### *Improvements*

The need to increase the value of the real estate assets of the Republic of Italy is fulfilled by the *Agenzia del Demanio* through economic enhancement of a wide spectrum of properties, from high worth properties to minor units.

#### *Maintenance and Repair of the Real Estate*

In order to add value to the real estate, the *Agenzia del Demanio* has planned maintenance and repairing programmes. Through its 19 branches, the *Agenzia del Demanio* is directly responsible for the ordinary maintenance of its real estate assets portfolio. Maintenance for all other assets used by public or private entities is a responsibility of the relevant occupier. Appointment of external entities for outsourcing is implemented in compliance with the law on "public works" (Law 109/1994). Extraordinary maintenance is managed according to a three-year plan. Local branches are responsible for periodical controls of the status of the properties in the territory allocated to them and depending on the results of the checks, for organising maintenance.

### **Organisational Structure**

The organisation has been designed to be both streamlined and operationally effective and, consequently, has only two organisational levels (central and local) that are strongly integrated, notwithstanding distinct responsibilities and competencies.

The Central Management is divided into the following Central Divisions:

- Central Division for Planning and Development;
- Central Division for General Matters,



- Central Division for Organisation and Human Resources;
- Central Division for Administration and Finance;
- Central Division for Portfolio Transactions; and
- Central Division for Operative Area.

The local entities have substantial operational and managerial autonomy, albeit that they focus on meeting common agreed objectives. The *Agenzia del Demanio* has approximately 720 employees, organised in 19 branch offices and 56 sub-units linked to branch offices in order to ensure the best possible territorial coverage for the agency. The branches are responsible, *inter alia*, for the management of the real estate portfolio allocated to each area, in line with the guidelines imposed by the *Direzione Generale dell'Agenzia* and the *Direzione Centrale Area Operativa*.

The *Agenzia del Demanio* has recognised the enhancement of its human resources skills as essential, not only for its development, but also as a key factor for its long-term success. Consequently, it has implemented a training programme aimed at all professional levels (in 2004 resulting in approximately 18,752 hours of training).

The 19 branches are located in: Ancona, Bari, Bologna, Cagliari, Campobasso, Catanzaro, Florence, Genoa, Matera, Milan, Naples, Palermo, Perugia, Pescara, Rome, Turin, Trento, Udine and Venice.

### **Management and Supervisory Bodies**

Administrative responsibility for the *Agenzia del Demanio* is vested in the Director, the Management Committee and the Board of Auditors.

As far as its own financial management is concerned, the *Agenzia del Demanio* is also subject to the control of the *Corte dei Conti*, as stated in the provisions of Law No. 259 of 14 January 1994.

## **DESCRIPTION OF THE NEW HEDGING COUNTERPARTIES, THE SWAP GUARANTOR AND THE NEW LIQUIDITY FACILITY PROVIDER**

*The information contained in this section "Description of the New Hedging Counterparties, the Swap Guarantor and the New Liquidity Facility Provider" has been provided by Barclays Bank PLC or UBS Limited, as applicable and in the relevant capacity, for use in this Offering Circular. Except for the provision of the information relating to itself, neither of such entities in their role of New Hedging Counterparties or New Liquidity Facility Provider, as the case may be, have been involved in the preparation of this Offering Circular as a whole nor do any of them accept responsibility for any part of the Offering Circular.*

Barclays Bank PLC, London branch acts as New Hedging Counterparty and Barclays Bank PLC, Milan branch acts as New Liquidity Facility Provider. UBS Limited, London branch acts as New Hedging Counterparty and UBS AG acts as Swap Guarantor.

### **Barclays Bank PLC**

Barclays Bank PLC is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered and head office at 54 Lombard Street, London EC3P 3AH. Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC".

Barclays Bank PLC and its subsidiary undertakings (together, the "**Group**") is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. It is one of the largest financial services companies in the world by market capitalisation. Operating in over 60 countries and employing over 78,000 people, it moves, lends, invests and protects money for over 18 million customers and clients worldwide. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC, which is the ultimate holding company of the Group.

The short term unsecured obligations of Barclays Bank PLC are rated A-1+ by S&P, P-1 by Moody's and F1+ by Fitch Ratings Limited and the long-term obligations of Barclays Bank PLC are rated AA by S&P, Aa1 by Moody's and AA+ by Fitch Ratings Limited.

As at 31 December 2004, the Group had total assets of £522,253 million (2003: £443,373m), total net loans and advances of £330,077 million (2003: £288,743m), total deposits of £328,742 million (2003: £278,960m) and equity shareholders funds of £17,581 million (2003: £16,485m). The profit before taxation of the Group in respect of the year ended 31 December 2004 was £4,612 million (2003: £3,845m) after charging net provisions for bad and doubtful debts of £1,091 million (2003: £1,347m).

As from 31 May 2005 the registered address will change to 1 Churchill Place, London, E14 5HP.

### **UBS Limited and UBS AG**

UBS Limited ("UBSL") is the interest rate swap provider in respect of the New Notes. UBSL is a company limited by shares incorporated in Great Britain under the Companies Act 1985, registered in England and Wales with number 2035362 on 9 July 1986 and now having its registered office and principal place of business at 1 Finsbury Avenue, London EC2M 2PP, United Kingdom.

UBS Limited is an authorised institution under the FSMA regulated by the FSA and is a wholly-owned subsidiary of UBS AG, a company incorporated with limited liability in Switzerland on 28 February 1978, registered at the Commercial Registry Office of the Canton of Zurich and the Commercial Registry Office of the Canton of Basel-City with Identification No: CH-270.3.004.646-4, having its registered offices at Bahnhofstrasse 45, 8001 Zurich and Aeschenvorstadt 1, 4051 Basel, Switzerland. At 31 December 2003, UBSL had an issued share capital of £21,200,000 divided into 21,200,000 ordinary shares of £1.00 each fully paid to the shareholders funds of £235,168,000. Total assets were £163,490,311,000.

UBS AG is the guarantor for the obligations of UBSL under the interest rate swap. UBS AG was incorporated in Basel under the name SBC AG on 28 February 1978. On 8 December 1997, SBC AG changed its name to UBS AG. UBS AG in its present form was created on 29 June 1998 by the merger of Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872). With headquarters in Zurich and Basel, Switzerland, UBS AG operates in over 50 countries and from all major international centres. As of 31 December 2003, UBS AG had total invested assets of \$1,782 billion, a market capitalisation of \$77 billion and employed approximately 66,000 people. As at the date hereof, UBS AG has a long-term debt credit rating of Aa2 from Moody's and AA+ from S&P.

UBS AG is publicly owned, and its shares are listed on the SWS Swiss Exchange, New York and Tokyo Stock Exchange. The information contained herein with respect to UBSL and UBS AG relates to and has been obtained from it. The delivery of this prospectus shall not create any implication that there has been no change in the affairs UBSL or UBS AG since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to its date.

## DESCRIPTION OF THE COMMERCIAL SALES MANAGERS

*The following is a description of the companies which act as Commercial Sales Managers in respect of the commercial Real Estate Assets.*

The Commercial Sales Managers, responsible for the execution of the disposal procedures of the commercial Real Estate Assets, are as follows:

- (1) Fintecna S.p.A., a company incorporated under the laws of the Republic of Italy, having its registered office at Via Versilia 2, 00187 Rome, Italy ("**Fintecna**"); and
- (2) Lazard & Co. Real Estate S.r.l., a company incorporated under the laws of the Republic of Italy, having its registered office at Via dell'Orso 2, 20121 Milan, Italy ("**L&CRE**").

### **Fintecna**

Fintecna is a leading company owned by the MEF, established in 1994 to provide management services, to enhance value and to sell industrial and service subsidiary companies and a large real estate portfolio, as part of the wide-scale restructuring and reorganisation process of the IRI group (including steel production, infrastructure and real estate). The restructuring and reorganisation involved the merger of over 40 companies, the privatisation of over 400 companies and the sale of performing and under-performing real estate with a value in excess of Euro 1 billion.

Fintecna has a staff of over 200 professionals and developed its real estate expertise operating on its own portfolio, the majority of which was commercial and office real estate but also included some residential properties and many unused industrial areas to be upgraded or rezoned throughout Italy. This business involving its own portfolio, developed in partnership with private companies or through special purpose vehicles, allowed Fintecna to provide real estate services for other public and private clients throughout Italy, operating through its three offices in Rome (main office), Genoa and Naples and a widely distributed network of professionals.

The main real estate activity business of Fintecna is focussed on the following areas:

- (i) Managing and upgrading of non- or under- performing real estate portfolios;
- (ii) Selling real estate units and building, primarily to final users;
- (iii) Upgrading unused industrial areas and rezoning for urban use; and
- (iv) Providing asset and property management services for large and complex portfolios of real estate.

Over the last three years, Fintecna has managed over 1,500 properties with a value of approximately Euro 1,000 million.

### **L&CRE**

L&CRE is wholly owned and controlled by Lazard & Co. S.r.l.. L&CRE was created with the objective of serving real estate industry clients, offering specific know-how and competencies and a dedicated work-force.

The main business focus of L&CRE is in traditional corporate finance areas, advising clients in value creation and/or monetisation of their real estate asset portfolios. The Lazard Group is a leader in the domestic real estate advisory industry and, since 2002, has advised in over 19 transactions, with a total value in excess of Euro 9 billion.

The chairman of L&CRE is Arnaldo Borghesi and the CEO is Giancarlo Scotti.

Lazard & Co. S.r.l., a company incorporated under the laws of the Republic of Italy, with registered office at Via dell'Orso 2, 20121 Milan, Italy, and a branch in Rome, is, together with its subsidiaries, the Italian operating company of the Lazard Group. The Lazard Group today represents an important operator in the financial advisory industry. In the last 3 years, the Lazard Group in Italy has advised in over 120 transactions, with a total value of approximately Euro 81 billion.

Lazard & Co. S.r.l. employs approximately 60 professional staff. The chairman of Lazard & Co. S.r.l. is Gerardo Braggiotti and the CEO is Arnaldo Borghesi.

The Lazard Group is a traditional leader in corporate finance and M&A advisory with a global presence in principal financial capitals (including London, New York and Paris), dating back over 100 years.

Lazard Real Estate S.r.l., a company incorporated under the laws of the Republic of Italy, having its registered office at Via dell'Orso 2, Milan, Italy, will remain liable pursuant to Article 1408 paragraph 2 of the Italian Civil Code for the obligations of Lazard & Co. Real Estate S.r.l. under the Commercial Sales Management Agreement until the date on which the First Notes have been redeemed in full.

## DESCRIPTION OF THE *AGENZIA DEL TERRITORIO*

*The following is a description of the Agenzia del Territorio, who acts as Asset Appraiser of the Real Estate Assets.*

### **General**

Pursuant to Legislative Decree No. 300 of 30 July 1999, on 1 January 2001 the Ministry of Finance created 4 fiscal agencies including the *Agenzia del Territorio*. The *Agenzia del Territorio* was assigned the activities previously carried out by the Ministerial Department of the Territory, other than certain activities then assigned to the *Agenzia del Demanio*.

The *Agenzia del Territorio* is based in Rome and is a public legal entity with its own legal and financial autonomy.

### **Legal Background**

Legislative Decree No. 300 of 30 July 1999, as amended by Legislative Decree No. 173 of 3 July 2003, implemented a re-organisation of the former Ministry of Treasury and Ministry of Finance into the Ministry of Economy and Finance. The structure is organised on an agency model, based on the clear distinction between operational activities attributed to the new fiscal agencies and co-ordination, management and control responsibilities assigned to the ministerial department for fiscal policy. The objective of the re-organisation was to increase the efficiency of the fiscal system through the:

- Increase of the autonomy of the fiscal structure;
- Simplification of the relationship with the general public;
- Implementation of fiscal federalism and integration with the European Union fiscal sector;
- Increasing the professionalism of employees; and
- Development of technologies applied to the activities of the public administration.

The four fiscal agencies are the *Agenzia delle Entrate* (Taxes), *Agenzia del Demanio* (Property), *Agenzia delle Dogane* (Custom) and *Agenzia del Territorio* (Cadastral and Real Estate Registry). The agencies are responsible for the management of all operations relating to taxes and fiscal matters. They are the front office for the general public as regards taxation and fiscal issues.

### **Organisational Structure**

The main office of the *Agenzia del Territorio* is in Rome, but it also operates through regional and provincial offices, distributed throughout Italy.

The *Agenzia del Territorio* has three main management bodies:

- the General Manager, elected for 5 years

- the Management Committee (*Comitato consultivo*), elected for 5 years and including the General Manager and 8 additional members, of which 2 are elected by independent local authorities
- the Board of Auditors, elected for 5 years, comprised of a president, 2 operational members and 2 additional members.

The division responsible for the valuation of the Real Estate Assets is the Valuation and Advisory Division, headed by Engineer Giuseppe Montagna.

At 31 December 2003, the *Agenzia del Territorio* employed 11,500 people, of whom 10,000 were on a permanent basis and 1,500 on a temporary basis. The *Agenzia del Territorio* benefits from a performance incentive scheme that is based on achievement of certain pre-defined targets for its activities. It assigns part of the incentive amount to its employees pursuant to contracts agreed with trade union organisations.

### **Activities**

The *Agenzia del Territorio* is in charge of providing services on real estate throughout Italy with the support of technical and cadastral analysis of the properties. It also manages the *Osservatorio dei Valori Immobiliari*, a national database that is comprised of real estate information for 8,000 Italian municipalities.

The *Agenzia del Territorio* is also responsible for a series of functions attributed to it by law relating to cadastral registrations, geo-topographic services (including updating the cartographic system on which the real estate tax system is based), maintenance of the real estate registries and constitution of the *anagrafe* (public registry) of properties in Italy.

The *Agenzia del Territorio* is promoting the standardisation of the real estate information available from public local archives in order to create a general consolidated database across Italy.

### **Valuation Activity**

The *Agenzia del Territorio* has a long track record of valuation activity performed since its inception. Among the property valuation projects the most important have been finalised with the following entities: Regione Lombardia, Regione Lazio, Regione Toscana, Regione Piemonte, Regione Puglia, Regione Marche, Comune di Milano, Comune di Pesaro, Istituto per la Vigilanza sulle Assicurazioni Private e di interesse collettivo (ISVAP), Ente Nazionale per l'Aviazione Civile (ENAC), Società Italiana degli Autori ed Editori (SIAE), Aviazione Civile, Università Cattolica Bocconi di Milano and Università Federico II Napoli.

## DESCRIPTION OF THE REAL ESTATE ADVISOR

*The following is a description of Patrigest S.p.A. who acts as Real Estate Advisor.*

### **General**

Patrigest S.p.A. operates in the real estate services sector, with particular regard to technical advice to major investors in the real estate field, debt collection and litigation management with respect to mortgage-backed debts and the promotion of participation of potential customers in auctions by court order. Patrigest S.p.A. offers consulting services for management and value enhancement of real estate portfolios to large distribution companies, banks, insurance companies, national and international institutional investors, both public and private, and multinational companies.

Patrigest S.p.A. is part of the Gabetti group, which is one of the leading real estate brokerage firms. Patrigest has offices located in Milan and Rome with its registered office at Via Ugo Bassi 4/b, Milan. In its evaluation activities, Patrigest S.p.A. extensively utilises the Gabetti network (over 900 offices widespread throughout Italy).

### **Ownership and financial performance**

Patrigest S.p.A. is a limited liability joint-stock company with a share capital of €1,550,000. Its shares are owned 100% by Gabetti Holding S.p.A.. The balance sheet as at 31 December 2003 showed a net profit of €1.181 million (in comparison to a loss of €58,000 in the previous financial year) and net assets of €4.340 million (€3.160 million in 2002).

### **Services**

Patrigest provides a wide range of consulting services, which can be grouped broadly under two categories:

- (1) Valuation and Technical Due Diligence, including:
  - Valuation and strategic analysis of assets or portfolios;
  - Lease audits and yields analysis;
  - Market surveys;
  - Technical due diligence;
  - Coordination and supervision for acquisitions and/or divestments;
  - Investments analysis (including determination of investment value and analysis of due diligence results made by third parties).
- (2) Advisory, including:
  - Feasibility studies and HBU (Highest and Best Use) analysis;



- Estate development (including supervision of the due diligence phases, elaboration of business plan and structure of the operation);
- Acquisitions and divestments (including assistance with the selection of the investment/disinvestments into portfolios and evaluation of the congruity of proposals with their likely final outcome); and
- Securitisations (selection of properties, identification of base prices, presentation of the analysis results to the rating agencies and coordination of all the real estate related issues).

Patrigest S.p.A. is one of the major players in its field and is constantly involved with portfolio analysis for acquisition by qualified investors, securitisations of private and public real estate portfolios, spinoffs and portfolio disposals.

## SELECTED ASPECTS OF ITALIAN LAW

*The following is a summary only of certain aspects of Italian law that are relevant to the transactions described in this Offering Circular and of which prospective Noteholders should be aware. It is not intended to be exhaustive and prospective Noteholders should also read the detailed information set out elsewhere in this document.*

### **Law Decree No. 351**

Specific legislation has been enacted by the Italian parliament in the form of Law Decree No. 351 in connection with the privatisation and securitisation of real estate assets owned by, *inter alios*, the Contributors (the "**Assets**"). Law Decree No. 351 has its origins in the legislative framework established in 1996 for the enhancement and disposal of real estate assets owned by the Republic of Italy and certain entities in the public sector.

Law Decree No. 351 supersedes any prior legislation for the disposal of real estate assets owned by, *inter alia*, the Contributors and provides that all such real estate assets, which were not sold as at 31 October 2001 in accordance with such prior legislation, will be subject to the disposal process set out in Law Decree No. 351 as described below.

The following is a summary of certain provisions of Law Decree No. 351.

#### **1. Special Purpose Vehicles**

The MEF is authorised to set up, also acting through third entities, one or more special purpose vehicles (each, an "**SPV**") having as its sole purpose the carrying out of one or more securitisation transactions of the proceeds (*proventi*) arising from the disposal of the Assets.

Each SPV must be a limited liability company (*società a responsabilità limitata*) with a minimum share capital of Euro 10,000. Each SPV is a regulated financial intermediary and must be registered in the register held by the *Ufficio Italiano dei Cambi* pursuant to Article 106 of Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**"). The SPVs need not to be registered in the special register held by the Bank of Italy pursuant to Article 107 of the Banking Act.

#### **2. Segregation of SPV Assets**

As a general rule, under the terms of Article 2 of Law Decree No. 351, the real estate assets and any other rights acquired by the SPV against the Republic of Italy, any other contributor and any third parties relating to each securitisation transaction will be segregated, for all purposes, by operation of law, from all other assets of the SPV as well as from segregated assets relating to any other securitisation transaction (such assets being referred to as the "**Segregated Assets**" - *patrimonio separato*).

The Segregated Assets will only be available to the holders of the notes issued by the SPV to fund the securitisation transaction, and/or to the lenders providing funds to the SPV for the purchase of the Segregated Assets, as the case may be, and to the third parties who have incurred expenses in connection with such transaction. In addition, the Segregated

Assets relating to a particular transaction will not be available to the holders of the notes issued to finance any other securitisation transaction carried out by the same SPV, or to other lenders or to general creditors of the SPV.

Furthermore, following publication of the relevant decree concerning the transfer of the relevant Assets in the *Gazzetta Ufficiale*, the only enforcement proceedings permitted against the Segregated Assets are those aimed at protecting the rights of the noteholders or lenders described above. If the SPV is declared insolvent by any court or otherwise subject to insolvency proceedings, the provisions concerning its Segregated Assets would continue to apply and the relevant noteholders, or lenders, as the case may be, would retain the right to be repaid from the Segregated Assets owned by the SPV and all cash-flows deriving therefrom in priority to other creditors not ranking senior to, or *pari passu* with, such noteholders or lenders.

Therefore, without prejudice to any specific contractual provisions, the principle set out above is that only the noteholders or the lenders would be able to attach the Segregated Assets in any debt action, whether before or after the insolvency of the SPV. Article 2, paragraph 2 of Law Decree No. 351 provides for an absolute statutory security right over the Segregated Assets for the benefit of the holders of the notes issued to fund the purchase of the assets or the lenders providing funds for such purchase.

### 3. **The Real Estate Assets**

By means of one or more decrees, the *Agenzia del Demanio* will identify, on the basis of the documentation available in the archives and in the public offices and on the basis of the lists to be provided by the contributors, the real estate assets to be considered as owned by such contributors. Such decrees (the "**Agency Decrees**") will be published in the *Gazzetta Ufficiale della Repubblica Italiana*.

### 4. **Transfer of the real estate assets to the relevant SPV and Payment of the Purchase Price**

The MEF may, from time to time, select from among the real estate assets identified in the Agency Decrees the assets to be transferred to the SPV for the purpose of the securitisation (the "**Selected Assets**"). The Selected Assets will be transferred to the relevant SPV by way of ministerial decrees to be issued by the MEF pursuant to Article 3, paragraph 1 of Law Decree No. 351. The transfer, in any case, will not be effected by way of contract.

The contributors previously owning the transferred Selected Assets are exempt from the delivery to the SPV of documents evidencing their property rights in the Selected Assets and their compliance with any tax, building and planning regulations.

The above decree (or any further ministerial decree) will also determine, *inter alia*, the initial transfer price to be paid by the SPV in respect of the Selected Assets and the circumstances in which deferred transfer price, if any, shall be paid. The SPV may fund such deferred transfer price through the issue of one or more class of notes or by taking out one or more loans.

One or more further ministerial decrees may provide for the notes issued or the loans borrowed by the SPV to be secured by a State guarantee specifying the terms and conditions of such guarantee.

If a securitisation transaction contemplates an issue of notes, a representative of the noteholders will be appointed; such representative of the noteholders will be empowered to approve any amendment to the terms and conditions of the notes issued in connection with the securitisation transaction, subject to the conditions set out in the documentation regulating the organisation of the noteholders and the representative thereof.

#### **5. Management of the Assets**

Law Decree No. 351 provides that the management of the Selected Assets transferred to the SPV must be entrusted by the SPV to one or more third parties on the basis of specific agreements to be entered into between the SPV and the relevant asset managers. The asset management services carried out pursuant to each asset management agreement will be for consideration.

Pursuant to Law Decree No. 351, each relevant asset manager will be responsible, up to the re-sale of the Selected Assets transferred to the SPV, for both ordinary and extraordinary management in respect thereof, as well as for ensuring that the Selected Assets comply with any applicable legislation. Any costs incurred in connection with the above duties will be borne by the relevant asset manager, which will also be liable for payment of local real estate taxes (*Imposta Comunale sugli Immobili - ICI*) due on the relevant Selected Assets (to the extent that such assets were subject to such taxation prior to their transfer to the SPV).

Further duties and responsibilities of the asset managers may be contained in the relevant ministerial decrees or in the relevant asset management agreement.

#### **6. Re-sale of the Selected Assets by the SPV**

Funds borrowed by the SPV in relation to the transfer of the Selected Assets will be repaid from *inter alia* the proceeds arising out of the Selected Assets transferred to it.

The SPV will not be entitled to dispose of the Selected Assets other than in accordance with the procedures set out in Law Decree No. 351.

Save as to certain exceptions described below, the sale price of the Selected Assets will be the current fair market value of such assets determined by reference to the sale price of similar vacant assets.

The assessment of the sale price of each Selected Asset and the collection of the relevant legal documentation may be entrusted to the State Territory Agency (*Agenzia del Territorio*) or to companies having real estate expertise to be chosen by way of tender, the terms of which will be determined by a specific ministerial decree.

As a general rule, Law Decree No. 351 provides that vacant Assets, as well as assets in relation to which the relevant lessees have not exercised their purchase option (as described

below) will be sold by means of bidding proceedings (*procedure competitiva*). The details of the bidding procedures will be provided for by ministerial decree.

Preferential treatment is granted by Law Decree No. 351 to the lessees of residential Real Estate Assets as described below.

In particular, re-sale by the SPV of leased Selected Assets owned by the Republic of Italy and Italian public entities will be conducted in accordance with the following guidelines, depending upon the nature of the Selected Assets.

(A) *Leased residential real estate assets*

- (1) Leased residential real estate assets included in the Selected Assets will be first offered to the relevant lessees which are entitled, certain criteria having been met, to exercise an option right (*diritto di opzione*) for the purchase of the assets. The purchase price will be determined in accordance with the market value of the vacant property, discounted by 30 per cent (except for those assets having certain characteristics which render such assets more valuable (*immobili di pregio*) for which no discount is provided). A further discount of a rate varying up to 15 per cent will be granted on such discounted amount if the sale is made through a collective purchase agreement entered into by a certain percentage of the lessees of the properties in a single building. An exception is provided by Law Decree No. 41 for leased residential real estate assets (other than the *immobili di pregio*) in respect of which the relevant lessee has shown its intention to purchase by 31 October 2001 by means of return receipt letter: in such case, the residential asset will be sold at the price as of 31 October 2001.
- (2) The right of renewal of the existing lease agreements is granted (for a nine year term and at the same rent due thereunder) in the event that the lessee (provided that the family of such lessee has an aggregate gross income lower than (a) €19,000 per annum or (b) €22,000 per annum in case of families including individuals over 65 or disables, such income to be determined pursuant to Law No. 457 of 1978) does not intend to exercise its right to purchase. In addition, if the real estate assets are leased to, *inter alia*, individuals over 65, who have exercised the option right only in respect of the usufruct right (*diritto di usufrutto*), the only bare ownership (*nuda proprietà*) of such real estate assets shall be subject to re-sale.
- (3) The Selected Assets in respect of which (a) the relevant lessee does not exercise its option right, or (b) no lease agreement is currently pending, will be sold at auction, provided that, however, a pre-emption right is granted to the lessee in the event that the relevant Selected Asset is sold at a price lower than the price determined for the exercise of the option right.

(B) *Non-residential real estate assets*

Non-residential Selected Assets (i) not subject to lease agreement, and (ii) in respect of which the relevant lessee has not exercised its option right, will be sold at auction. The lessee will also have a pre-emption right it may exercise in the event that the relevant property is sold on a single asset sale basis (as opposed to a block sale basis). In the event of the block sale within a building, the tenants thereof, provided they represent 100 per cent of the tenants of such block of units within the building, will have an option to purchase the same at the same price as that offered at auction.

Please note that, pursuant to general legal provisions applicable to the leasing of non-residential real estate assets, a pre-emption right is granted to a lessee in any case where the asset is leased for commercial or handicraft activities and such commercial or handicraft activities are carried out directly with the public.

The preferential treatment described under (A) and (B) above is granted to lessees (irrespective of the nature of the leased asset) only to the extent that the relevant lease agreement complies with applicable legislation and there has been no default by the Tenant in the payment of rent and other connected charges. In particular, the preferential treatment granted to the lessees of residential Selected Assets is further subject to the relevant lessee (or any other relative living in the same property) not being the owner of any other real estate asset (capable of hosting the same family) located in the same municipality as the leased property.

The procedures relating to the exercise of the option right and pre-emption right of the lessees in respect of the Selected Assets will be determined by the relevant ministerial decrees.

The SPVs will be exempt from (i) guaranteeing to purchasers of the Selected Assets protection against eviction (*evizione*) from the properties sold and from guaranteeing the absence of physical defects in the Selected Assets sold; and (ii) delivering to the purchasers the documents evidencing ownership of the Selected Assets and those relating to compliance with planning regulations. The relevant contributor owning the Selected Assets transferred to the SPV shall be directly responsible for guaranteeing protection against eviction (*evizione*) and the absence of defects in the Selected Assets to those who purchase the Selected Assets from the SPV.

Public notary fees incurred in connection with the resale of the Selected Assets by the SPV will be reduced by half and in case of sale to the lessee the public notary fees are reduced to 25 per cent. In addition, the public notary will arrange, if necessary, for the execution of all necessary formalities for registration of the real estate assets in the relevant public registries.

## **7. Taxation**

The segregated assets relating to the Assets securitised by the Issuer will be exempt from IRPEG and IRAP. No Italian registration tax, stamp duty or mortgage tax or any other indirect taxation will be levied on the transaction documents, the transfer of the assets and

the services provided in relation to the completion of the securitisation carried out by the SPV pursuant to Law Decree No. 351. For the purposes of the application of INVIM, the transfer of the Selected Assets to the SPV is not considered as a sale. The local property tax (ICI), where and to the extent that it was due by the contributor before the transfer, shall be payable by the relevant asset manager.

Any interest accrued in the SPVs' bank accounts and payable to the SPVs will not be subject to the 27 per cent withholding tax provided for by Article 26(2) and (3) of Presidential Decree No. 600 of 1973.

For a description of the taxation of the Notes, see "Taxation in the Republic of Italy".

## **General Principles of a Sale of Real Estate under Italian Law**

### **1. Legal aspects of sale of real estate**

Under Italian law, upon execution of a real estate sale agreement, in the form provided for by law, ownership of the real estate is automatically transferred from the seller to the purchaser, while actual possession may be transferred at a later date.

It is compulsory for real estate sales to be carried out by means of a written deed generally made either as a public deed or as a certified private deed before a public notary for the purposes of registration of the sale at the land registry (*registro immobiliare*).

The public notary is a public officer authorised and entrusted to give public effect to the deeds Italian law requires to be transcribed in public registries.

The notary public is under an obligation to make enquiries at the land registry office as to the basis of title of the real estate and, thus, to confirm the seller has good title to the real estate.

Although the sale agreement, once executed by means of a written deed, has immediate effect as between the parties, it must still be registered at the land registry in order to become effective as against third parties. Once registered at the land registry, third parties are deemed to have notice of the sale agreement, irrespective of whether they have carried out a search at the land registry.

In accordance with Article 2644 of the Italian Civil Code, if a seller subsequently enters into multiple sale agreements having as their subject the same real estate, the purchaser whose rights will prevail is based upon priority of registration (*trascrizione*) of the sale agreement at the land registry.

Once the sale agreement has been executed by the parties, the seller is obliged to:

- (i) ensure the purchaser acquires ownership of the real estate asset, in the event it is not an immediate effect of the execution of the sale agreement, for instance, due to a condition precedent in the sale agreement;
- (ii) grant the purchaser possession of the real estate asset; and

- (iii) give the purchaser guarantees against eviction (*evizione*) in relation to any third party claims against the purchaser's ownership rights.

The purchaser is obliged to pay the price according to the terms and conditions provided for by the sale agreement.

Under Italian law, a prospective seller and a prospective buyer of a real estate asset may enter into a preliminary agreement, that binds the parties to enter into a final agreement at a later stage. The preliminary agreement must be carried out by means of a written deed.

Although a preliminary agreement need not be certified by a notary public, the preliminary agreement can also be drawn up as a public deed or as a certified private deed. The agreement must include details of the real estate, price, terms of payment and delivery and indicate the date by which the notarial deed for the definitive sale agreement should be drawn up.

In the event one of the parties to a preliminary agreement refuses to enter into the final agreement, the other party is entitled to bring an action for specific performance (*esecuzione in forma specifica*) before the relevant court. The judgment issued by the court would aim to put the parties in the same position as if the final agreement had been entered into (i.e. by enforcing the transfer of the ownership of the real estate asset, against the payment of the purchase price, and the right of the non-defaulting party to be awarded damages).

Under Italian law, the content of negotiations between the parties before entering into a sale agreement are taken into consideration in construing the nature of the overall agreement between the parties. Italian law provides for pre-contractual liability obliging the parties to act in good faith during negotiations. Should this obligation not be complied with (e.g. by causing the counterparty to believe negotiations to have been concluded, by omitting important information or by violating the secrecy obligation), then the so-called negative interest must be reimbursed. This interest consists of all expenses incurred during negotiations and all losses suffered because of occasions that have not been exploited during that phase.

In general, the purchaser pays a certain amount to the seller upon the execution of the preliminary agreement. This amount is generally considered as a deposit (*caparra confirmatoria*) and forms part of the purchase price.

This means that if the purchaser, subsequent to the execution of the preliminary agreement, decides not to enter into the final agreement, the seller will keep the deposit paid. Conversely, if the seller does not proceed to execute the final agreement, the seller will be liable to pay to the purchaser an amount equal to twice the amount of the deposit.

The deposit paid upon execution of the preliminary agreement may be considered as a right to which the non-defaulting party (that is, the party that complies with its obligations under the preliminary agreement) may have recourse. Alternatively, the non-defaulting party may either ask for the specific performance of the agreement or for its termination and then sue the defaulting party for damages.



The preliminary contract may be registered in the land registry, if entered into as a public deed or as a certified private deed. The preliminary registered contract takes precedence over subsequent agreements entered into by the seller, provided that the final agreement or the judgment granting specific performance are registered within three years from the date of registration of the preliminary contract at the land registry. If not registered within this period, the preliminary agreement will lose all effect and associated priority.

## 2. Taxation upon sale of real estate

In general, under current Italian tax legislation, the sale of real estates is subject to either VAT or proportional registration tax.

In particular, the sale of real estate by a company other than a building company, a company which carries out restoration of real estate or a company whose exclusive or main object is the resale of real estate:

- (i) shall be subject to VAT at a rate of 20% and to registration, cadastral and mortgage taxes at fixed rate of €168.00 each, in the case of a sale of commercial real estate;
- (ii) shall be exempt from VAT but subject to registration, cadastral and mortgage taxes at proportional rates, in the case of a sale of residential real estate.

In the latter case, registration tax is generally applied at a rate of 7% (reduced to 3% and 1% in certain cases: for example, subject to certain conditions being met, the applicable registration tax rate is 3% for the sale of non-luxury residential buildings used by the purchaser as a first residence) and cadastral and mortgage taxes shall apply at a global rate of 3%.

In practice, registration, cadastral and mortgage taxes are generally borne by the purchaser.

In accordance with the interpretation first given by the *Agenzia delle Entrate* pursuant to its Resolution No. 215/E of 20 December 2001 and confirmed by the *Agenzia delle Entrate* by Resolution dated 5 December 2002 (according to which the Issuer qualifies as a company that is not a building company, a company which carries out restoration of real estate or a company whose exclusive or main object is the resale of real estate), the regime described above under (i) and (ii) should be respectively applicable with regard to sales of commercial and residential real estate by the Issuer.

## REGULATORY FRAMEWORK OF THE SECURITISATION

### Decrees of *Agenzia del Demanio*

Pursuant to the provisions of Article 1 of Law Decree No. 351, the Italian State Property Agency (*Agenzia del Demanio*), by way of directorial decrees (*decreti dirigenziali*) Prot. No. 32843 of 27 November 2001, Prot. No. 33312 of 28 November 2001, Prot. No. 33691 of 28 November 2001, Prot. No. 16358 of 31 May 2002, Prot. No. 18768 of 31 May 2002, Prot. No. 18804 of 31 May 2002, Prot. No. 18902 of 31 May 2002, Prot. No. 18907 of 31 May 2002, Prot. No. 24089 of 5 July 2002, Prot. No. 24103 of 5 July 2002, Prot. No. 25933 of 19 July 2002, Prot. No. 33560 of 2 October 2002, Prot. No. 33604 of 2 October 2002, Prot. No. 38391 of 4 November 2002, Prot. No. 38393 of 4 November 2002, Prot. No. 38409 of 4 November 2002, Prot. No. 38488 of 4 November 2002, Prot. No. 38602 of 5 November 2002, Prot. No. 38744 of 5 November 2002, Prot. No. 38834 of 5 November 2002 and Prot. No. 39567 of 8 November 2002, each as subsequently amended and integrated (together, the "**Agency Decrees**"), identified certain residential real estate assets belonging to Istituto di Previdenza per il Settore Marittimo (IPSEMA), Istituto Nazionale della Previdenza Sociale (INPS), Istituto di Previdenza dei Postelegrafonici (IPOST), Ente di Previdenza e di Assistenza per i Lavoratori dello Spettacolo (ENPALS), Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro (INAIL), Istituto Nazionale di Previdenza per i Dipendenti dell'Amministrazione Pubblica (INPDAP), Istituto Nazionale di Previdenza per i Dirigenti di Aziende Industriali (INPDAI) and the Republic of Italy.

Pursuant to Article 1 of Law Decree No. 351, each of the Agency Decrees: (i) has the effect of recognising (*effetto dichiarativo*) that the real estate assets listed in the annex thereto are the legal property of the relevant Contributor; and (ii) following publication thereof in the Official Gazette of the Republic of Italy and in the absence of any registered rights in respect of the relevant real estate assets, will produce the effects provided for by Article 2644 of the Italian Civil Code, which, *inter alia*, prevents any third parties who have acquired legal title to the relevant real estate asset, but have not registered (*trascritto/iscritto*) the relevant deed prior to the date of publication of the relevant Agency Decree, to successfully challenge the ownership by the relevant Contributor of the relevant asset. The inclusion of the relevant real estate assets in the list contained in the annex to each of the Agency Decrees can be challenged by any third party having an interest therein within 60 days of the date of publication of the relevant Agency Decree in the *Gazzetta Ufficiale*.

### First MEF Decree

The First MEF Decree was published in the *Gazzetta Ufficiale* on 28 November 2002 and provided, pursuant to Article 3 of Law Decree No. 351, for the transfer to the Issuer of the real estate assets identified in the Agency Decrees (which constitute the Initial Real Estate Assets), as of the date of the publication of the First MEF Decree in the *Gazzetta Ufficiale*.

Pursuant to the First MEF Decree, the Issuer paid, as consideration for the transfer of the Real Estate Assets, an initial transfer price and will pay a deferred transfer price, if any, to

be distributed by the MEF among the Contributors identified as the previous owners of the Real Estate Assets.

Pursuant to the First MEF Decree, the benefit of the agreements related to the Real Estate Assets was transferred to the Issuer provided that, in relation to the related lease agreements, the rental payments due thereunder has been transferred to the Issuer with effect from 1 February 2003.

The First MEF Decree provided that the remaining part of the transfer price, which shall be paid as a deferred transfer price (if any), will be equal to the positive difference between the Issuer's revenues derived from the management and sale of the Real Estate Assets and from any ancillary transaction to the securitisation transaction carried out in relation thereto, and the amount due as principal and interest in respect of the First Notes and for the payment of the other charges and costs related to the securitisation to be paid in priority to the deferred transfer price, in accordance with the Priorities of Payments.

The First MEF Decree determined, *inter alia*, (i) the Initial Transfer Price and the criteria for the calculation of the deferred transfer price and allocation thereof by the MEF among the Contributors; (ii) the main features of the First Notes and of the securitisation transaction as carried out on 11 December 2002; and (iii) the conditions upon which the MEF may be required to compensate the Issuer, by transfer of Additional Real Estate Assets or, in certain circumstances, by a cash transfer, for the occurrence of certain prejudicial events in relation to *inter alia* any Real Estate Asset.

The First MEF Decree also set out provisions for the management and sale of the Initial Real Estate Assets *pro tempore* entrusted to the Social Security Entities or, in respect of the Initial Real Estate Assets being transferred by the Republic of Italy, to the *Agenzia del Demanio*, which were utilised until execution of the Asset Management Agreements.

Finally, the First MEF Decree provided that the Issuer open an account at the *Tesoreria Centrale dello Stato*, into which the Asset Managers shall deposit or arrange for the deposit of certain amounts collected on behalf of the Issuer in relation to the sale of the Initial Real Estate Assets.

Every six months, the MEF shall pay interest on the average balance of such account, at a rate equal to the interest rate paid by the Bank of Italy on the account entitled *disponibilità del Tesoro per il servizio di Tesoreria*, pursuant to Law No. 483 of 26 November 1993. Pursuant to Article 2, paragraph 7 of Law Decree No. 351, the withholdings set forth in paragraphs 2 and 3 of Article 26 of Decree of the President of the Republic No. 600 of 29 September 1973 shall not apply to the interest accrued and other revenues paid on the account held at the *Tesoreria Centrale dello Stato*, and to the other accounts in the name of the Issuer.

## **Second MEF Decree**

The Second MEF Decree provided for certain of the modalities and procedures for the resale of the Real Estate Assets by the Issuer.

### **Third MEF Decree**

The Third MEF Decree determined, *inter alia*, (i) the main features of the New Notes and of the Transaction Documents to be executed by the MEF on behalf of the Contributors or the Asset Managers; (ii) the amendments to the Asset Management Agreements to be executed by the Asset Managers; and (iii) the conditions on which a partial prepayment of the deferred transfer price may be made by the Issuer.

## THE ISSUER

### Introduction

The Issuer was incorporated in the Republic of Italy (under registration No. 06825791004 in the register of companies held in Rome) pursuant to Article 2 of Law Decree No. 351 as a limited liability company on 23 November 2001 under the name of S.C.I.P. - Società Cartolarizzazione Immobili Pubblici S.r.l. and is registered under No. 32969 in the register held by *Ufficio Italiano dei Cambi* pursuant to Article 106 of the Banking Act.

Since the date of its incorporation the Issuer has not engaged in any business other than the 2001 Securitisation, the entry into the Limited Recourse Loan Agreements and the entry into the Transaction Documents to which it is a party, no dividends have been declared or paid and no indebtedness, other than the Issuer's costs and expenses of incorporation or in connection with the 2001 Securitisation or in accordance with the Transaction Documents has been incurred by the Issuer. The Issuer has no employees.

The quota capital of the Issuer is €10,000, which has been fully paid up. The quotaholders of the Issuer are as follows:

Stichting Thesaurum .....	50 per cent; and
Stichting Palatium .....	50 per cent.

### Principal Activities

The sole object of the Issuer, as set out in Article 2 of its by-laws (*statuto*), is the carrying out of one or more securitisation transactions as provided for and regulated by Article 2 of Law Decree No. 351, to be carried out in respect of the disposal process of real estate assets of the Republic of Italy or other public entities, to be financed by the issue of asset-backed securities or by bank loans.

So long as any of the Notes remain outstanding, the Issuer shall not incur any other indebtedness for borrowed monies or engage in any business, pay any dividends, repay or otherwise return any equity capital, have any subsidiaries, employees or premises, consolidate or merge with any other person or convey or transfer its property or assets to any person (otherwise than as contemplated in the Conditions) or increase its capital, save as required by applicable law, without the consent of the Representative of the Noteholders or as permitted by the Conditions and the Transaction Documents.

In December 2001, the Issuer carried out a securitisation (the "**2001 Securitisation**") involving the revenues arising from the disposal process of other residential and commercial real estate assets previously owned by some of the Contributors (the "**2001 Portfolio**") under Law Decree No. 351. The Issuer financed the purchase of the 2001 Portfolio through the issue of the €1,000,000,000 Series 1 Asset-Backed Floating Rate Notes due 2005 and the €1,300,000,000 Series 2 Asset-Backed Notes due 2005 (together, the "**2001 Notes**"). The 2001 Notes have been repaid in full by the Issuer.

The Issuer will covenant to observe, *inter alia*, the restrictions set out in Condition 4 (*Covenants*).

### **Director and registered office**

The current directors of the Issuer (the "**Directors**") are Gordon E.C. Burrows (Chairman), Gabriele Perrotti and Gabriele Boleso. The Directors were each appointed on 7 May 2004 until annulment or resignation.

The Issuer's registered office is located at Via Eleonora Duse, 53, 00197 Rome, Italy.

### **Capitalisation and Indebtedness Statement**

The capitalisation of the Issuer as at the date of this Offering Circular, adjusted for the issue of the Notes to be issued on the New Issue Date but before deducting expenses of the offering of the Notes, is as set out below.

#### ***Quota capital***

##### *Issued*

€10,000 fully paid	€10,000
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##### ***Loan capital***

€2,000,000,000 Class A2 Asset-Backed Floating Rate Notes due 2007	€2,000,000,000
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€1,743,000,000 Class A3 Asset-Backed Floating Rate Notes due 2008	€1,743,000,000
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€858,000,000 Class B Asset-Backed Floating Rate Notes due 2008	€858,000,000
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€536,000,000 Class C Asset-Backed Floating Rate Notes due 2008	€536,000,000
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€1,000,000,000 Class A4 Asset-Backed Step-Up Floating Rate Notes due 2013	€1,000,000,000
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€2,895,000,000 Class A5 Asset-Backed Step-Up Floating Rate Notes due 2025	€2,895,000,000
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€475,000,000 Class B2 Asset-Backed Step-Up Floating Rate Notes due 2025	€475,000,000
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€800,000,000 Limited Recourse Loan	€800,000,000
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<b>Total</b>	<b>€10,307,010,000</b>
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In connection with the issue by the Issuer of the New Notes referred to in the Offering Circular (as is the case with the First Notes), the transaction would be reported as an off

balance sheet transaction in the *Nota integrativa* to the financial statements of the Issuer at the date.

Save for the foregoing, as at the date of this Offering Circular, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

The Issuer's financial year commences on 1 January and ends on 31 December in each year. There have been no material changes to the capitalisation, indebtedness, contingent liabilities and guarantees of the Issuer from 31 December 2003 to the date of this Offering Circular.

### **Sole Director's Report**

The following is an approximate English translation of the text of a report received in the Italian language by the quotaholders of the Issuer from the (then) sole director of the Issuer. The statutory financial statements for the year ended 31 December 2003 were approved by the quotaholders on 7 May 2004 and has been delivered to the Rome Chamber of Commerce by the Issuer Corporate Servicer on behalf of the Issuer. The following report has been translated into the English language solely for the convenience of international readers.

"The financial statements as at and for the year ended 31 December 2003 have been drawn up in accordance with the ruling legal requirements and comprise:

- balance sheet;
- profit and loss account;
- notes.

The notes consist of:

Introduction	- General Information
Part A	- Accounting policies
Part B	- Information on the balance sheet
Part C	- Information on the profit and loss account
Part D	- Other information

### **BALANCE SHEET**

*(Amounts in Euro)*

Assets	31 December 2003	31 December 2002
20 Due from banks.....	9,944	7,277
(a) repayable on demand.....	9,944	7,277
(b) other.....		
90 Intangible fixed assets.....	2,564	1,911

*Including:*

-	start-up and capital costs.....	2,564	1,911
130	Other assets.....	75,509	4,611
140	Accrued income and prepaid expenses		
(a)	prepaid expenses .....	474	
	<b>Total assets.....</b>	<b>88,491</b>	<b>13,799</b>

*(Amounts in Euro)*

<b>Liabilities</b>	<b>31 December 2003</b>	<b>31 December 2002</b>
50 Other liabilities.....	78,334	3,799
80 Provisions for contingencies and charges.....	157	0
(a) pension and similar provisions.....	0	0
(b) provisions for taxes.....	157	0
(c) other provisions.....	0	0
120 Quota capital.....	10,000	10,000
<b>Total liabilities.....</b>	<b>88,491</b>	<b>13,799</b>

## **PROFIT AND LOSS ACCOUNT**

*(Amounts in Euro)*

<b>Costs</b>	<b>2003</b>	<b>2002</b>
20 Commission expense.....	56	56
40 Administrative expenses:		
(a) other.....	180,019	55,155
50 Amortisation and depreciation of intangible and tangible fixed assets....	960	637
130 Income taxes for the year.....	157	0
<b>Total costs.....</b>	<b>181,192</b>	<b>55,848</b>

<b>Revenues</b>	<b>2003</b>	<b>2002</b>
70 Other operating income.....	181,192	55,848
<b>Total revenues.....</b>	<b>181,192</b>	<b>55,848</b>

## **NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2003**

### **Introduction – General information**

#### *Operations*



The company was set up on 23 November 2001 by deed notarised by Mr. Guido Tomazzoli of Rome in line with Article 2 of Decree law no. 351 of 25 September 2001 converted into law. It closed its third financial year on 31 December 2003.

S.C.I.P.'s sole business object is the performing of one or more securitisation transactions of the proceeds arising from the disposal of real estate belonging to the State and other state bodies. The company may finance such transactions by issuing securities, in one or more instalments, or by taking out loans.

It is subject to the regulations set out in section V of the Consolidated Banking Act pursuant to Legislative Decree no. 385 of 1 September 1993 except for those contained in paragraphs 2, 3, letters b) and c) and 4 and Article 107. The company is registered with no. 32969 in the financial companies list held by the Italian Exchange Office as required by Article 106 of the Consolidated Banking Act, given that it is a financial company which works with the general public.

### **Financial statements structure and content**

The financial statements are drawn up in Euros, pursuant to the provisions of Legislative Decree no. 87 of 27 January 1992 and the related implementing regulations (in particular, regulation no. 103 dated 31 July 1992 of the Bank of Italy) and the approach set out in the subsequent regulation of the central bank of 29 March 2000, published in the Official Journal no. 78 of 3 April 2000. They are accompanied by a directors' report.

The financial statements consist of a balance sheet, profit and loss account and these notes which comply with the formats established by the Bank of Italy in its regulation of 31 July 1992 on financial companies' financial statements.

These notes are made up of four sections:

- Part A – Accounting policies
- Part B – Information on the balance sheet
- Part C – Information on the profit and loss account
- Part D – Other information

### **Securitisation transaction**

The accounting treatment of the real estate securitisation transactions performed by the company during 2001 and 2002 complies with the requirements of Law no. 130/99 whereby "the securitised assets related to each transaction are recognised as assets separately from those of the company and of the other transactions".

In its regulation dated 29 March 2000, considering the principle of substance over form required by Legislative decree no. 87/1992 and this type of transaction, the Bank of Italy expressly stated that:

- (i) accounting disclosures about each securitisation transaction are to be given separately in the annexes to the notes;

- (ii) the annexes should include all the qualitative and quantitative information necessary to give a transparent and complete picture of each transaction.

The Bank of Italy especially required that:

- (a) a special section should be included summarising at least the following information about the existing securitisation transactions, separately for each one;
  - (i) amount of properties purchased;
  - (ii) amount of securities issued, with a breakdown by class and the related subordination;
- (b) a special annex should be prepared giving all the information about each transaction listed in the aforesaid regulation. The company will include all the additional disclosures held necessary to give a complete view of the transaction without providing excessive details that would decrease the clarity and ease of reading of the document.

The transactions undertaken as part of the securitisation of the proceeds arising from the disposal of state real estate are described exclusively in the notes (annexes 1 and 2), with special reference to the securities issued, application of the funds arising from management of the properties, interest on the securities issued and revenues deriving from management of the securitisation transaction.

## **Part A - Accounting Policies**

The accounting policies are consistent with those applied in 2002.

The key accounting policies and valuation criteria applied to prepare the financial statements are described below.

### ***Accounting Policies applied to prepare the Financial Statements***

**Due from banks** – This caption, consisting of current account credit balances with banks, is recognised at its nominal value equal to its estimated realisable value and includes interest accrued at balance sheet date.

**Intangible fixed assets** – This caption comprises start-up costs stated at their acquisition cost, less amortisation calculated on a straight-line basis over five years.

**Other assets**– Other assets are stated at their nominal value, equal to their estimated realisable value.

**Accrued income and prepaid expenses** – They are calculated on an accruals basis and matched to the related costs and revenues.

**Other liabilities** – They are booked at their nominal value.

**Provisions for contingencies and charges** – These provisions include the provision for taxes calculated on the basis of a reasonable estimate of the tax payable for the year.

**Costs and revenues** – Costs and revenues are recognised on an accruals basis. Given that the company exclusively performs management activities in accordance with Legislative Decree no. 351/2001, its operating costs are charged to the separate assets in line with the securities issued to ensure the company achieves a breakeven position. This amount is classified under other operating income.

**Income taxes** – They are calculated on the basis of a reasonable estimate of the tax payable for the year. The amount is provided for in the provisions for contingencies and charges. The company has not recognised any deferred tax assets in line with the general principle of prudence, as there is no reasonable certainty that they will be recovered given the forecasts about the company's future taxable profits.

## **Part B - Information on the Balance Sheet**

### *Assets*

20. Due from Banks – Euro 9,944

This caption comprises the current account balance held with Deutsche Bank, properly reconciled at the balance sheet date. The Euro 9,944 balance consists of the paid in quota capital less bank charges. It is available on demand. The caption shows a Euro 2,667 increase on the previous year.

90. Intangible Fixed Assets – Euro 2,564

This caption comprises the start-up costs of Euro 3,185 and by-law modification costs of Euro 1,613. Amortisation of the total Euro 4,798 is charged on a straight-line basis over five years and the charge for the year is Euro 960.

130. Other Assets – Euro 75,509

The other assets include the captions set out in the following table.

	<b>31 December 2003</b>	<b>31 December 2002</b>	<b>Change</b>
Receivables from SCIP 1 separate assets	0	4,371	(4,371)
Receivables from SCIP 2 separate assets	75,265	0	75,265
IRPEG receivable from 2003 tax return	240	240	0
Receivables for tax settlement on withholdings	4	0	4
<b>Total other assets</b>	<b>75,509</b>	<b>4,611</b>	<b>70,898</b>

Receivables from SCIP 2 separate assets mainly consist of operating costs incurred by SCIP S.r.l. and charged, such as fees for accounting assistance, the sole director's fees, amortisation/depreciation and taxes.

Receivables for the settlement of tax withholdings represent the amount matured on withholdings paid during the year on fees to the sole director.

140. Accrued Income and Prepaid Expenses – Euro 474

The Euro 474 balance includes insurance premiums for the director's third party liability paid in 2003 but partly related to the subsequent year.

### *Liabilities*

50. Other Liabilities – Euro 78,334

The other liabilities mainly consist of the following captions, all of which are repayable on demand.

	<b>31 December 2003</b>	<b>31 December 2002</b>	<b>Change</b>
Accounts payable to creditors for invoices received	76,092	0	76,092
Accounts payable to creditors for invoices to be received	647	2,891	(2,244)
Sums payable to taxation authorities for withholdings on consultants' fees	212	0	212
Sums payable to taxation authorities for withholdings on director's fees	1,379	118	1,261
Social security charges payable	0	400	(400)
Expenses to be reimbursed to the director	0	390	(390)
Due to director for tax settlement	4	0	4
<b>Total other liabilities</b>	<b>78,334</b>	<b>3,799</b>	<b>74,535</b>

Payables for invoices received include amounts matured during the year for services received.

The payables for invoices to be received relate to provisions made at year end for costs of the year for which the related invoices have not yet been received at year end.

Sums payable to taxation authorities refer to withholdings made as withholding agent of Euro 212 and withholdings to be paid on the sole director's fees of Euro 1,379.

80. Provisions for Contingencies and Charges – Euro 157

The provision for taxes includes accruals for the year's IRAP tax of Euro 157 which has not yet been paid.

120. Quota Capital – Euro 10,000

The balance is unchanged with respect to the previous year. At year end, the quota capital amounts to Euro 10,000, split into quotas with a nominal value of Euro 1 or multiples thereof. It is held as follows:

- Euro 5,000, equal to 50%, by "Stichting Thesaurum" foundation with its head office in Parnassustoren, Locatellikade 1, 1076 AZ, Amsterdam, Holland;

- Euro 5,000, equal to 50%, by "Stichting Palatium" foundation with its head office in Parnassustoren, Locatellikade 1, 1076 AZ, Amsterdam, Holland

**Guarantees, Commitments and Off-Balance Sheet Transactions**

Guarantees, commitments and off-balance sheet transactions - The company has not given guarantees to third parties.

Commitments - It does not have any commitments.

Off-balance sheet transactions - At year end, the company did not have any off-balance sheet transactions.

Foreign currency assets and liabilities - The company's balance sheet as at 31 December 2003 does not include any foreign currency assets or liabilities.

**Part C – Information on the Profit and Loss Account**

**Costs**

20. Commission Expense – Euro 56

The balance of Euro 56 consists of bank charges and commissions matured on the company's current account at year end. It is unchanged with respect to the previous year.

40. Administrative Expenses – Euro 180,019

These expenses are made up of the captions listed in the following table.

	<b>31 December 2003</b>	<b>31 December 2002</b>	<b>Change</b>
--	-----------------------------	-----------------------------	---------------

Administrative consultancy	162,907	44,707	118,200
Sole director's fees	10,000	8,400	1,600
Social security charges	333	0	333
Insurance premiums	5,702	0	5,702
Notary fees		208	(208)
Annual tax on authentication of company books	310	0	310
Chamber of Commerce fees	373	0	373
Other services	394	1,840	(1,446)
<b>Total administrative expenses</b>	<b>180,019</b>	<b>55,155</b>	<b>124,864</b>

50. Amortisation of Intangible Fixed Assets – Euro 960

This caption is exclusively composed of the amortisation of the start-up costs calculated on a straight-line basis over five years.

130. Income Taxes – Euro 157

The Euro 157 balance consists of the accrual for the IRAP tax for the year.

**Revenues**

70. Other Operating Income – Euro 181,192

This caption includes income related to the charging of costs incurred or accrued at year end by the company to the relevant separately managed assets in order to ensure the company's continued existence. The company charged Euro 28,794 to SCIP 1 and Euro 151,357 to SCIP 2.

The caption also comprises prior year items of Euro 1,041 arising from positive adjustments to estimates made in 2002. The caption has increased Euro 125,344 over the previous year.

**Part D – Other Information**

Employees - The company did not have any employees during the year. It is administered by an external company.

Sole director's fees - These fees amount to Euro 10,333 and include social security contributions. They were fully paid at year end.

**Information on the Securitisation Transactions**

Structure, format and accounting policies used to prepare the summary of the assets securitised and securities issued - The structure and format of the schedules comply with the requirements of the Bank of Italy's regulation of 29 March 2000 as far as is possible. They are drawn up in accordance with the regulations set out in the aforesaid Decree no. 87/92 and the accounting principles issued by the Italian Accounting Profession."

Not included in the Offering Circular are the annexes to the Notes to the Financial Statements (the reports on the securitisation transactions carried out by the Issuer) which are available for inspection by Noteholders together with the remainder of the financial statements. See "General Information".

## ACCOUNTS

The Issuer has established the following accounts:

- (1) the Transaction Payment Account with the Transaction Accounts Bank, a Euro denominated account out through which all payments to Noteholders and to the other Issuer Creditors will be made and into which certain amounts under the Securitisation will be paid (including amounts received under the Hedging Agreements, the Swap Guarantee or the Liquidity Facility Agreements (other than any Standby Amount received pursuant to the New Liquidity Facility Agreement) and in respect of Expense Amount);
- (2) the Transaction Security Deposit Account with the Transaction Accounts Bank, a Euro denominated account into which all security deposits in respect of the sale of the residential and commercial Real Estate Assets pursuant to the terms of the Asset Management Agreements or the Commercial Sales Management Agreement will be paid;
- (3) the Collection Account with the Collection Account Holder acting through the Bank of Italy, a Euro denominated account for the deposit of all amounts received by the Issuer in respect of the Revenues deriving from the Initial Real Estate Assets, any Additional Real Estate Assets and certain other amounts under the Securitisation (including any Standby Amount under the New Liquidity Facility Agreement); and
- (4) with the Transaction Accounts Bank, a Euro denominated account for the deposit of the quota capital of the Issuer (the "**Quota Capital Account**" and, together with the Transaction Accounts and the Collection Account, the "**Accounts**").

Except for the Accounts and the accounts opened by the Issuer in relation to the 2001 Securitisation, the Issuer will not open or maintain a bank account with any person without the prior written consent of the Representative of the Noteholders.

The Expense Amount will be held in the Transaction Payment Account and the Accumulation Amount and (from the Payment Date in April 2005) the First Notes Reserve Amount will be held in the Collection Account. On the New Issue Date, the First Notes Reserve Amount will be held in the Transaction Payment Account.

The Transaction Accounts will be maintained with Deutsche Bank S.p.A. as Transaction Accounts Bank for so long as (a) its controlling parent company's short-term, unsecured and unsubordinated debt obligations are rated at least F1 by Fitch Ratings, P-1 by Moody's and A-1+ by S&P and long-term, unsecured and unsubordinated debt obligations are rated at least A-1 by Moody's; (b) the shareholding held by its controlling parent company does not fall below 90 per cent; (c) there are no material changes in the ownership structure of its controlling parent company which would result in the downgrading of any of the Notes; and (d) the words "Deutsche Bank" are contained in its legal name unless the Rating Agencies confirm that the deletion of such words does not affect the status of eligible institution, and, in any case, only until such date when any of the Rating Agencies notifies the Issuer that Deutsche Bank S.p.A. no longer qualifies as an eligible institution.



The Collection Account will be maintained with the *Tesoria Centrale dello Stato*, acting through the Bank of Italy, as Collection Account Holder as long as the Republic of Italy's short term unsecured and unsubordinated debt obligations are rated at least F1 by Fitch Ratings, P-1 by Moody's and A-1+ by S&P.

## **USE OF PROCEEDS**

The net proceeds from the issue of the First Notes, amounting to €6,632,704,800, were applied by the Issuer in the funding of the Initial Transfer Price in respect of the Real Estate Assets on the First Issue Date and, as to €5,151,815, as expense amount for payment of expenses incurred in connection with the securitisation carried out on the First Notes Issue Date.

The net proceeds from the issue of the New Notes being €4,367,809,315, will be applied as to €4,366,960,510 towards First Notes Reserve Amount and €848,805 will be used for payment of general expenses incurred in connection with the securitisation carried out on the New Issue Date.

## **DESCRIPTION OF THE REAL ESTATE MARKET IN THE REPUBLIC OF ITALY**

### **Residential Sector**

The residential sector, representing 65% of the Italian real estate market, performed well in 2004 and sustained the building sector as a whole. This positive trend has lasted since 1999 and a heavy downturn in this sector (which would doubtless affect the whole real estate market) is not foreseeable in the next years.

In 2003, the residential sector registered approximately 770,000 sales (representing an increase of 1% over 2002) while, for 2004, sales are expected to reach approximately 765,000. Sales of residential units have shown bigger increases in Milan, Rome and certain large regional cities with a dynamic market such as Naples and Florence (together, the "Class A Towns") and in regional cities with a less dynamic but liquid market ranging from 3% to 5%. New houses represent 15% of these residential transactions.

Motivations pushing purchasers include better loans offered by the banking system and a wide variety of supply (new and second hand products) combined with the purchaser's desire to gain better comfort through selling their houses or apartments to buy new ones in better locations, with better building quality and bigger sizes.

Italians prefer to purchase (over 70% of Italians own the house in which they live) rather than renting houses (only 17% of houses are rented): this phenomenon does not contribute to mobility but does consolidate urban environments. Purchasers are mainly families (35%), followed by young couples (30%) and singles (20%).

The most requested residential unit typology in Class A Towns is the two bedroom unit (90 to 120 square metres) followed by the single bedroom unit (45 to 65 square metres). The latter is also sought for investment.

Home purchasing for investments (the so called "buy to let") is gaining ground in the residential sector reaching a percentage of 26% on total sales transactions.

Rents for city centre apartments of 90 square metres in Class A Towns range from €2,500 to €3,000 per month.

During 2004, average prices for the better locations (Milan and Rome) have gone up of 8%: bigger increases (from 10% to 12%) have been registered in city centres and in Southern Italy for residential quality products.

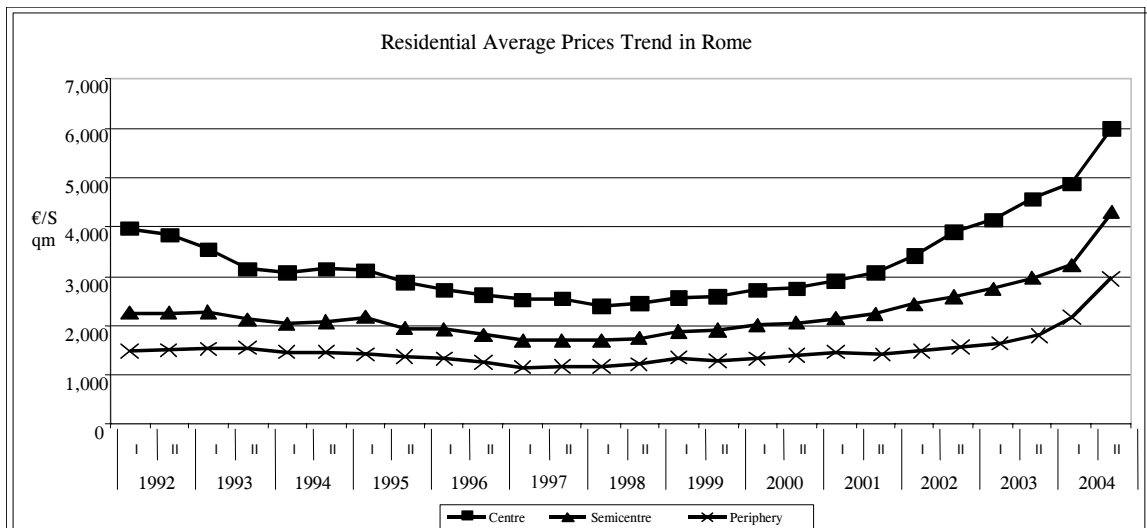
Discounts on asking prices ranges from 8% to 10% while domestic average time to sell residential units is three months.

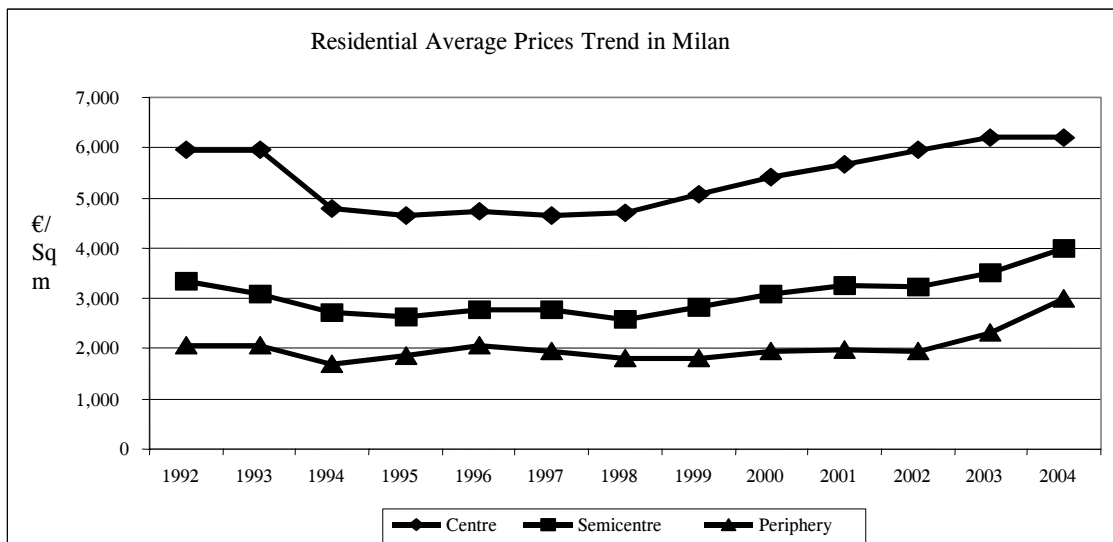
In this sector, a big performance has been seen in lock up garages in condominium buildings in Class A Towns where prices can reach peaks of €100,000 per unit (units of 16 square metres) in Milan and Rome city centre. In this environment lock up garages, yielding 5% to 6% income per year, are becoming increasingly attractive investment products competing with alternative investments such as securities.

The table below shows the residential sector average prices registered during 2004 for main Italian cities and historical trends as from 1992 for residential average prices in city centre, semi centre and periphery for the cities of Rome (semestral data) and Milan:

City	Luxury	City Centre	Semi-Centre	Suburb
Turin	3,350	2,800	2,100	1,800
Genoa	6,850	4,500	3,100	1,800
Milan	6,200	4,600	3,500	2,200
Bologna	4,000	3,400	2,400	1,600
Florence	5,200	4,300	3,000	2,200
Rome	6,400	4,900	3,100	2,200
Naples	4,900	3,360	2,300	1,600
Bari	2,700	2,500	2,000	1,600

The tables below show the residential sector average prices from 1992 to 2004 in city centre, semi-centre and peripheral areas for the city of Rome (semestral data) and for the city of Milan:





### **Commercial Sector: Office and Retail**

The office sector as from 2003 has been negatively influenced by the weak economic recovery and by the crisis that has hit the information technology sector.

Office spaces in top locations (Milan or Rome city centre) have different trends from the ones in secondary locations or suburban areas (business districts).

In the first case rents, have small increases (3% per annum) with yields ranging from 6.0 to 7.0%. In the second case, rents are at best stable and absorption time of office spaces has increased (from 4 to 8 months to 6 to 12 months).

The demand is mainly characterised by a request office spaces of 1,000 to 2,000 square metres in "A Class" buildings. There has been a noticeable demand for substitution, especially by quality tenants, of obsolete "C" or "B" buildings with new concept "A" buildings (well furnished and technologically equipped).

Many investors are moving from top locations to purchase complexes in secondary locations (cities like Bologna, Turin, Genoa, Naples) where better yields and developments of products, in medium long terms, are possible.

The retail sector is performing well as far as small to medium size shops (100 to 150 square metres) in city centres or within commercial malls are concerned. In these cases, retail does well if anchored to a famous non-food brand or to a major food store chain.

Commercial units in top locations (Milan - Via Montenapoleone and Rome - Via Condotti, both known as the "fashion streets") carry rental levels close to €1,300 per square metre per annum.

The tables below highlight average rents and yields for the office and retail sector in major Italian cities:

Office	2002		2003		2004	
	Rent €/Sqm/Year	Average Yield %	Rent €/Sqm/Year	Average Yield %	Rent €/Sqm/Year	Average Yield %
Turin	150	7.00	150	7.00	155	7.00
Genoa	150	7.50	140	7.00	140	7.00
Milan	415	6.50	400	6.50	400	6.50
Bologna	170	6.80	165	6.20	165	6.20
Florence	210	7.00	220	8.00	220	8.00
Rome	410	6.50	360	6.50	360	6.50
Naples	235	6.00	235	6.00	230	6.00
Bari	160	7.50	150	7.00	150	7.00

Retail	2002		2003		2004	
	Rent €/Sqm/Year	Average Yield %	Rent €/Sqm/Year	Average Yield %	Rent €/Sqm/Year	Average Yield %
Turin	550	8.00	550	8.00	5,80	8.00
Genoa	600	8.30	620	8.50	620	8.50
Milan	1,200	7.50	1,300	7.30	1,250	7.30
Bologna	680	8.30	700	7.80	700	7.80
Florence	900	9.80	950	8.50	1,000	8.50
Rome	1,200	7.50	1,200	7.30	1,200	7.30
Naples	870	7.00	870	7.00	900	7.00
Bari	730	8.00	680	8.00	650	8.00

## DESCRIPTION OF THE TRANSACTION DOCUMENTS

*The description of the Transaction Documents set out below is a summary of certain features of such Transaction Documents and is qualified by reference to the detailed provisions contained therein. Prospective Noteholders may inspect a copy of the Transaction Documents described below upon request at the specified offices of, respectively, the Representative of the Noteholders and the Luxembourg Paying Agent.*

### ASSET MANAGEMENT AGREEMENTS

Pursuant to Law Decree No. 351 and the Decrees, the Issuer and each of the Asset Managers has entered into an Asset Management Agreement on or about the First Issue Date as amended on or about the New Issue Date, each of which has been or will be acknowledged by the Representative of the Noteholders by execution thereof.

Pursuant to each Asset Management Agreement, each Asset Manager acts or will act on behalf of the Issuer to manage:

- (i) the Initial Real Estate Assets transferred to the Issuer pursuant to the First MEF Decree:
  - (a) in the case of each Social Security Entity, which such Social Security Entity owned immediately before such transfer; and
  - (b) in the case of the *Agenzia del Demanio*, which the Republic of Italy owned before such transfer;
- (ii) the Additional Real Estate Assets (if any) subsequently transferred to the Issuer and allocated by the MEF as being managed by such Asset Manager (together with the Initial Real Estate Assets managed thereby, the "**Relevant Assets**" for such Asset Manager); and
- (iii) the agreements related to the Relevant Assets and to promptly take all actions required by it, under the relevant Asset Management Agreement, aimed at attaining the full and timely resale of the Relevant Assets.

The duties of the Social Security Entities and the *Agenzia del Demanio* as Asset Managers shall be carried out in a manner consistent with the professional diligence applied thereby as owner/manager or, in the case of the *Agenzia del Demanio*, manager of the Relevant Assets prior to the Transfer Date.

In particular, each Asset Manager shall provide the Issuer with certain administrative, maintenance and property management services in relation to the Relevant Assets including *inter alia* the management of the related rental agreements and the management of the disposal of the residential Relevant Assets.

### Management and maintenance of the Relevant Assets

Each Asset Manager will be responsible, at its own cost for, *inter alia*:

1. the ordinary and extraordinary maintenance of the properties and of any part thereof until a final sale of the Relevant Assets; the preservation of the Relevant Assets; and supervising any work carried out in connection with the Relevant Assets;
2. taking all actions to obtain the updating of the existing file relating to each of the residential Relevant Assets with the competent Cadastral Office (*Ufficio del Catasto*);
3. taking all actions for achieving the results set out in the Business Plan, although the Asset Managers shall not guarantee or be responsible for the achievement of such results;
4. promptly maintaining effective, renewing and punctually paying the premiums of all existing and outstanding insurance policies relating to the Relevant Assets and any part thereof and having the Issuer named as beneficiary and principal insured party of such insurance policies;
5. the payment of the Italian property tax ICI - *imposta comunale sugli immobili*, to the extent that such tax was due by the Contributor prior to the transfer;
6. keeping the Issuer fully indemnified for any action for or request of damages it may be subject to by any third parties in connection with any existing or future management contracts or in connection with any work carried out in respect of the Relevant Assets;
7. punctually overseeing the activities of any sub-contractors or advisors appointed by the Asset Manager in accordance with the relevant Asset Management Agreement; and
8. making available to the Issuer and the Programme Administrator all registers, records, accounts and contracts relating to the management of the Relevant Assets.

#### **Management of contracts connected to the Assets**

Each Asset Manager will be responsible at its own cost for, *inter alia*:

1. managing and performing, in the name and on behalf of the Issuer, each contract connected to the Relevant Assets and, in particular, collecting the amounts due under the lease agreements and ensuring that all lease agreements are managed in accordance with all applicable laws and regulations;
2. taking any necessary action to implement the Law Decree No. 351 in connection with the renewal of residential leases and carrying out all necessary formalities required as a consequence of such renewal;
3. taking any necessary action to implement the sale procedures in a timely fashion in respect of the residential Relevant Assets and to make available all documents and provide all necessary assistance to the Commercial Sales Managers to allow it to



implement the sales procedures in a timely fashion in respect of the commercial Relevant Assets;

4. not renewing any residential lease, unless such renewal is due pursuant to applicable law or the relevant residential lease;
5. not renewing any commercial lease unless the yearly rentals of the relevant commercial lease are renewed as determined by the Decrees;
6. keeping the Issuer fully indemnified from any claim or action under any lease agreement of the Tenants against the Issuer and from any negative consequences of any such claim or action to the Issuer;
7. continuing to operate its credit control system in respect of any arrears of rent, service charges or other payments due from Tenants since the Transfer Date and implementing procedures for the recovery of monies due to the Issuer; and
8. reporting to the Issuer any information which may be relevant or in any way affect the provisions of the Business Plan.

The Asset Managers will have no right or power to set-off any credit with monies due to the Issuer.

#### **Management of the procedures for the sale of the Relevant Assets**

Pursuant to the Decrees and the relevant Asset Management Agreement, each Asset Manager will be responsible for, *inter alia*, promptly and diligently managing the Portfolio Disposal Process in respect of the relevant residential Real Estate Assets and for creating a sale file for each residential Relevant Asset to be sold.

The Asset Manager shall keep the Issuer fully harmless and indemnified for any claim the Issuer may receive from any third party in connection with the sale procedures of and the violation of a right granted to a tenant of a Relevant Asset by Law Decree No. 351, including, but not limited to, any pre-emption or option right.

#### **Co-operational duties in respect of the sale process of the commercial properties**

Pursuant to the Asset Management Agreements, each Asset Manager shall co-operate with the Commercial Sales Managers in the aim of the completion of the sales procedures of the commercial Real Estate Assets. In this respect, each Asset Manager shall inform the Commercial Sales Managers by 30 April 2005 of the availability of the documents collected by or in the possession of the Asset Managers in connection with the sales procedures (specifying *inter alia* (i) place of availability and (ii) date and time at which access will be allowed). In respect of the commercial Real Estate Assets which have not been included in any identification list by the relevant Asset Manager, the Commercial Sales Managers will have access to the relevant documentation on the fifth day following the date of delivery of the relevant identification list.

Each Asset Manager shall procure that the Commercial Sales Manager (or any of its delegates) will have access to such any such documents and sale files (or to any database or archive connected thereto).

### **Consideration**

In return for the services provided, the Issuer will pay each of the Asset Managers a basic sale fee and an incentive fee payable from the Payment Date in July 2005.

#### *Basic fee*

The basic sale fee shall be equal to 0.30% of the proceeds realised by the relevant Asset Manager on the sale of the residential Real Estate Assets during the reference quarter.

#### *Incentive fee*

The incentive fee shall be equal to a sliding scale commission from zero up to a maximum of 8% and shall be proportional to the proceeds deriving from the disposal of the Relevant Assets, depending on the performance of the relevant Asset Manager during the relevant quarter.

The incentive fee shall be equal to the aggregate of the amounts potentially payable by the Issuer on the ratio between the expected proceeds deriving from the disposal of the Relevant Assets (net of applicable VAT) and the actual proceeds deriving therefrom during the relevant quarter, provided that if the aggregate amount of the revenues at such quarter is lower than 85% of the expected aggregate revenues for the same quarter, no incentive will be paid.

To the extent that by the date as set out in the relevant Business Plan, the relevant Asset Manager has achieved 90% of the quarterly expected proceeds, the incentive fee shall be equal to 1.25% of the aggregate actual proceeds for each relevant quarter.

No incentive fee shall be payable to the relevant Asset Manager if at the date in which all the Relevant Assets should be definitely sold the aggregate actual proceeds for the relevant quarter achieved by such manager are lower than 100% of the expected proceeds for such quarter.

The table below shows the quarterly expected sales targets in respect of the residential Real Estate Assets:

Reference quarter ending on	INPDAI		INPDAP		INPS		INAIL		ENPALS		IPSEMA		AGENZIA DEL DEMANIO	
	A*	B**	A*	B**	A*	B**	A*	B**	A*	B**	A*	B**	A*	B**
30 June 2005	70	70	130	130	30	30	30	30	1.0	1.0	1.5	1.5	2.0	2.0
30 September 2005	45	115	100	230	35	65	30	60	1.5	2.5	1.5	3.0	2.5	4.5

31 December 2005	85	200	150	380	30	95	30	90	1.5	4.0	2.0	5.0	2.5	7.0
31 March 2006	85	285	150	530	30	125	40	130	1.5	5.5	1.0	6.0	2.3	9.3
30 June 2006	85	370	150	680	30	155	40	170	1.5	7.0	-	-	-	-
30 September 2006	55	425	85	765	30	185	40	210	1.5	8.5	-	-	-	-
31 December 2006	95	520	145	910	30	215	40	250	1.5	10.0	-	-	-	-
31 March 2007	100	620	120	1,030	30	245	40	290	1.5	11.5	-	-	-	-
30 June 2007	100	720	120	1,150	30	275	40	330	1.5	13.0	-	-	-	-
30 September 2007	60	780	70	1,220	30	305	40	370	1.5	14.5	-	-	-	-
31 December 2007	100	880	110	1,330	30	335	40	410	-	-	-	-	-	-
31 March 2008	90	970	110	1,440	16	351	40	450	-	-	-	-	-	-
30 June 2008	90	1,060	75	1,515	-	-	40	490	-	-	-	-	-	-
30 September 2008	45	1,105	-	-	-	-	40	530	-	-	-	-	-	-
31 December 2008	80	1,185	-	-	-	-	40	570	-	-	-	-	-	-
31 March 2009	80	1,265	-	-	-	-	20	590	-	-	-	-	-	-
30 June 2009	75	1,340	-	-	-	-	20	610	-	-	-	-	-	-
30 September 2009	45	1,385	-	-	-	-	19	629	-	-	-	-	-	-
31 December 2009	80	1,465	-	-	-	-	-	-	-	-	-	-	-	-
31 March 2010	80	1,545	-	-	-	-	-	-	-	-	-	-	-	-
30 June 2010	56	1,601	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>1,601</b>		<b>1,515</b>		<b>351</b>		<b>629</b>		<b>14.5</b>		<b>6</b>		<b>9.3</b>

\* Figures in columns labelled "A" refer to quarterly expected revenues (in millions of Euros)

\*\* Figures in columns labelled "B" refer to expected aggregate revenues (in millions of Euros)

No event shall entitle the Asset Manager to amend, adjust or increase its fees.

The fees shall be payable by the Issuer to the Asset Managers quarterly in arrears, on each Payment Date and in accordance with the Priority of Payments, to the extent that there are Issuer Available Funds which can be used for that purpose. The fees shall be paid by the Issuer to the Asset Managers only if (i) the Asset Managers have complied with the requirement to deliver the reports and (ii) have regularly presented invoices for the amount of the fees owed thereto.

Each Asset Management Agreement and any of the rights and obligations of the Asset Manager set forth therein shall be automatically extended to the Relevant Assets (if any) transferred to the Issuer as Additional Real Estate Assets in accordance with the First MEF Decree and the First Warranty and Indemnity Agreement and allocated by the MEF as being managed by such Asset Manager.

### **Rental payments**

The collection of rental payments is the duty of and at the exclusive risk of the Asset Managers. The Asset Managers are obliged to pay to the Issuer on a quarterly basis an amount equal to 85 per cent of the contractual rental amounts due in respect of the Relevant Assets, whether or not the Asset Managers actually collect the full amount due and payable as contractual rental amounts from the Tenants.

### **Delegation of Duties**

Each Asset Manager is entitled to appoint at its own cost and at its responsibility any advisor as it deems useful or necessary for the fulfilment of the obligations of such Asset Manager under the relevant Asset Management Agreement and to delegate the performance of some (but not all) of its services under the relevant Asset Management Agreement to any person or company acting as a sub-contractor. If the delegation relates to a significant part of the Asset Manager's powers, discretions or functions, the appointment of the relevant delegate is subject to receipt of confirmation from the Rating Agencies that the then outstanding ratings of the Notes would not be adversely affected by such appointment.

### **Sales Manager**

In the event that, *inter alia*, collections from the Portfolio Disposal Process are lower by a certain percentage than the expected collections set forth in the Business Plan and certain obligations to be performed in accordance with the criteria set out in the Asset Management Agreement are not fulfilled, the relevant Asset Manager shall meet with the Issuer in order to establish the reasons therefore and to decide whether the Assets Manager shall appoint a new Sales Manager to act as its sub-contractor in respect of the sale of the Relevant Assets. Any such appointment shall be made by the Asset Manager at its exclusive cost and expense, upon the receipt of confirmation by the Rating Agencies that the ratings of the outstanding Notes would not be affected by such appointment, from persons to be selected in accordance with criteria set out in the Asset Management Agreement and to make a replacement as a matter of urgency (*con procedura di urgenza*).

In the event that a change has occurred in the law or regulations applicable to the Asset Management Agreement and that such change renders it legally impossible or unlawful for

the Asset Manager to perform its activities and fulfil its obligations under the Asset Management Agreement to a material extent, the Issuer, in its sole discretion, may by written notice to the Asset Manager, terminate the relevant Asset Management Agreement.

### **Reporting**

The Asset Managers will issue a report on a monthly basis containing certain information on the Portfolio Disposal Process to the Issuer and to the Programme Administrator.

### **Acknowledgement**

Each Asset Manager will acknowledge and accept the limited recourse nature of the Issuer's obligations as well as the Priorities of Payment. Furthermore, each Asset Manager will agree that, until one year and one day have elapsed following the full repayment of all of the Notes or cancellation thereof in accordance with the Conditions, it will not institute against, or join any other person in instituting against, the Issuer any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceedings, or other proceedings under any bankruptcy or similar law.

Each Asset Manager will also acknowledge that, upon the Notes becoming due and payable under certain conditions, the Representative of the Noteholders will exercise all the Issuer's rights, powers and discretion under the Transaction Documents and generally take action in the name and on behalf of the Issuer, including the giving of instructions to the Asset Managers.

### **Law and Jurisdiction**

The Asset Management Agreements will be governed by, and will be construed in accordance with, Italian law.

## **COMMERCIAL SALES MANAGEMENT AGREEMENT**

Pursuant to Law Decree No. 351 and the Decrees, the Issuer, Lazard Real Estate S.r.l. and Fintecna entered into the Commercial Sales Management Agreement, on or about the First Issue Date as amended thereby together with L&CRE on or about the New Issue Date, pursuant to which the Commercial Sales Managers provide certain sales services to the Issuer in relation to the commercial Real Estate Assets.

Pursuant to the Commercial Sales Management Agreement as entered into on or about First Issue Date, Lazard Real Estate S.r.l. acted as one of the initial Commercial Sales Managers. Pursuant to the Commercial Sales Management Agreement as amended on or about the New Issue Date, Lazard Real Estate S.r.l. will assign to L&CRE, with effect from the New Issue Date, all its rights and obligations as Commercial Sales Manager under the Commercial Sales Management Agreement but will remain liable pursuant to Article 1408 paragraph 2 of the Italian Civil Code for the obligations of L&CRE under the Commercial Sales Management Agreement until the date on which the First Notes have been redeemed in full.

The Commercial Sales Management Agreement has also been acknowledged by the Representative of the Noteholders by execution thereof.

Pursuant to the Commercial Sales Management Agreement, the Commercial Sales Managers will *inter alia*, (i) manage, implement and complete, on behalf of the Issuer, the sale procedures of the commercial Real Estate Assets in accordance with the law and pursuant to the provisions of the Business Plan, in order to achieve definitive sales, but will not guarantee nor be liable for the effective and actual achievement of the final sales of the commercial Real Estate Assets and/or the targets contemplated by the Business Plan or for the successful completion of the Securitisation (provided that the Commercial Sales Management Agreement is subject to certain termination events in connection therewith); (ii) take all necessary measures to promote the marketing for the sales also to expert investors; (iii) receive, file, organise, deliver and/or make available to the Issuer, the Programme Administrator and to any potential purchaser the documentation relating to the commercial Real Estate Assets and carry out any other reasonable activities which may render the assets marketable to expert investors; (iv) manage any dispute or procedural, commercial, technical, legal and administrative issues in any manner connected to the sale procedures of the commercial Real Estate Assets; (v) act in the name and on behalf of the Issuer pursuant to the power of attorney conferred on each of them; (vi) perform any other activity pertaining to the Commercial Sales Managers as contemplated by law, the Decrees and the Commercial Sales Management Agreement; (vii) co-operate with each Asset Manager in the context of the sale procedures of the commercial Real Estate Assets; (viii) verify the legal and *de facto* status of each commercial Real Estate Asset in connection with the sale procedure, on the basis of the documents and information recovered by the Commercial Sales Manager and (where applicable) on-site visits; and (ix) provide the Issuer, the Programme Administrator and each Asset Manager with information in relation to the commercial Real Estate Assets.

The Commercial Sales Managers are under an obligation to perform their duties under the Commercial Sales Management Agreement diligently and in good faith. The Commercial Sales Managers are jointly and severally liable for the obligations under the Commercial Sales Management Agreement.

### **Remuneration**

As consideration for the services provided, the Issuer will pay the Commercial Sales Managers a basic sale fee and an incentive fee from the Payment Date in July 2005.

#### *Basic sale fee*

The basic sale fee shall be equal to Euro 1,300, excluding VAT, for each commercial Real Estate Asset in respect of which the Commercial Sales Managers have completed the relevant sales file.

The basic sale fee shall be payable by the Issuer to the Commercial Sales Managers quarterly, in arrears, on every Payment Date and in accordance with the Priority of

Payments, to the extent that there are Issuer Available Funds which can be used for that purpose.

A bonus fee will be paid to the Commercial Sales Managers if at 30 June 2006 they complete 90% of the sales files in accordance with the Commercial Sales Management Agreement (with the exception of the commercial Real Estate Assets which have been sold as at 19 April 2005); such further fee (to be calculated by the Programme Administrator on the basis of the reports delivered by the Commercial Sales Managers) will be equal to Euro 250, excluding VAT, for each sale file completed and will be paid at the Payment Date falling in July 2006.

Both the basic sale fee and the further fee described above shall be paid by the Issuer to the Commercial Sales Managers only if (i) the Commercial Sales Managers have complied with the requirement to deliver the reports and (ii) have regularly presented invoices for the amount of the basic sale fee owed thereto.

#### *Incentive Fee*

The incentive in favour of the Commercial Sales Managers shall be equal to:

- (i) 1% of the revenues of the sales arising during each quarter (excluding VAT) if such revenues are lower than 100% of the expected revenues for such quarter (as set out in the table below); or
- (ii) 1.5% of the revenues of the sales arising during each quarter (excluding VAT), where such revenues are equal to or higher than 100% of the expected revenues for such quarter (as set out below),

as the case may be.

Such incentive fee shall be payable by the Issuer to the Commercial Sales Managers quarterly, in arrears, on each Payment Date starting from the Payment Date in July 2005 and in accordance with the Priority of Payments, to the extent that there are Issuer Available Funds which can be used for that purpose.

For the purpose of the quarterly payment of the incentive fee on each Payment Date, the percentages under (i) and (ii) above shall apply to the sales carried out in the quarter that ends in the month preceding such Payment Date.

A further incentive fee will be paid to the Commercial Sales Managers if at 31 December 2006 the aggregate amount of the revenues is higher than 110% of the expected aggregate amount during the period starting from April 2005 and ending on December 2006: such fee will be equal to 1.8% of the revenues exceeding the expected revenues and will be paid at the Payment Date falling in January 2007.

The table below shows the quarterly expected sales targets in respect of the commercial Real Estate Assets:

<b>Reference quarter ending on:</b>	<b>Quarterly expected revenues (in millions of Euros)</b>	<b>Expected aggregate revenues (in millions of Euros)</b>
30 June 2005	40	40
30 September 2005	40	80
31 December 2005	110	190
31 March 2006	100	290
30 June 2006	130	420
30 September 2006	60	480
31 December 2006	170	650
31 March 2007	120	770
30 June 2007	150	920
30 September 2007	60	980
31 December 2007	220	1,200
31 March 2008	120	1,320
30 June 2008	155	1,475
30 September 2008	60	1,535
31 December 2008	220	1,755
31 March 2009	100	1,855
30 June 2009	60	1,915

Both the incentive fee and the further incentive fee referred to above shall be paid by the Issuer to the Commercial Sales Managers only if (i) the Commercial Sales Managers have complied with the requirement to deliver the reports and (ii) have regularly presented invoices for the amount of the incentive fee owed thereto.

### **Delegation of Duties**

The Commercial Sales Managers may, at their own care, expense and responsibility, appoint one or more entities to whom to delegate part of their powers, discretion and functions under the Commercial Sale Management Agreement. If the delegation relates to a significant part of the Commercial Sales Manager's powers, discretions or functions, the appointment of the relevant delegate is subject to receipt of confirmation from the Rating Agencies that the outstanding ratings of the Notes would not be adversely affected by such appointment.

The Commercial Sales Managers may, at their own care, expense and responsibility, appoint any advisor as they deem useful or necessary for the fulfilment of their obligations under the Commercial Sales Agreement.

No part of the Commercial Sales Management Agreement or any rights thereunder may be assigned by the Commercial Sales Managers.



## **Reporting**

The Commercial Sales Managers will issue a monthly report containing certain information on the commercial Real Estate Assets to the Issuer, the Asset Managers and the Programme Administrator.

## **Acknowledgement**

Each Commercial Sales Manager has acknowledged and accepted the limited recourse nature of the Issuer's obligations as well as the Priorities of Payment. Furthermore, each Commercial Sales Manager has agreed that, until one year and one day have elapsed following the full repayment of all of the Notes or cancellation thereof in accordance with the Conditions, it will not institute against, or join any other person in instituting against, the Issuer any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceedings, or other proceedings under any bankruptcy or similar law.

Each Commercial Sales Manager has also acknowledged that, upon the Notes becoming due and payable under certain conditions, the Representative of the Noteholders will exercise all the Issuer's rights, powers and discretion under the Transaction Documents and generally take action in the name and on behalf of the Issuer, including the giving of instructions to the Commercial Sales Managers.

## **Law and Jurisdiction**

The Commercial Sales Management Agreement will be governed by, and construed in accordance with, Italian law.

## **ASSET APPRAISAL AGREEMENT**

On or about the First Issue Date, the Issuer and the Asset Appraiser entered into the Asset Appraisal Agreement as supplemented on or about the New Issue Date. Under the terms of the Asset Appraisal Agreement, the Asset Appraiser will (i) determine the value of each unit comprising the Real Estate Asset and (ii) provide certain administrative and surveying services in relation to the Real Estate Asset in favour of the Asset Managers who request such services.

In order to facilitate the valuation of the Real Estate Assets and the provision of such services by the Asset Appraiser, each Asset Manager has acceded to the Asset Appraisal Agreement by means of an accession letter. The Asset Managers may separately retain the Asset Appraiser for the fulfilment of the administrative and surveying services referred to at (ii) above, on the terms provided for in the Asset Appraisal Agreement.

## **Ongoing Valuation of the Real Estate Assets**

On the last Business Day of each month, each Asset Manager will send to the Asset Appraiser a list (the "**Identification List**") identifying the Relevant Assets (the "**Identified Assets**") which such Asset Manager intends to prepare for sale and, with respect to the residential Relevant Assets, sell within the following 180 days, and shall, within 15 days of the Identification List, also provide the Asset Appraiser with all the relevant documentation

relating to the Identified Assets, as set out in the Asset Appraisal Agreement (other than in relation to the commercial Real Estate Assets, for which the relevant documentation will be sent directly by the Commercial Sales Managers to the Asset Appraiser).

The Asset Appraiser will, within 45 days of the Identification List being sent, make the valuation of each Identified Asset. For each Identified Asset valued, the Issuer will pay to the Asset Appraiser a fee equal to 0.09% of such value.

#### **Administrative and surveying services in relation to residential Real Estate Assets**

In the event that the Asset Appraiser is retained to render administrative and surveying services to any Asset Manager, within 15 days of sending the Identification List to the Asset Appraiser the relevant Asset Manager will provide the Asset Appraiser with the documents necessary for carrying out such services (together, the "**Property File**") in respect of each residential Identified Asset on the Identification List, as set out in the Asset Appraisal Agreement.

Following receipt of such documentation, the Asset Appraiser will, within 45 days of the Identification List being sent, perform the following administrative and surveying services through its provincial branches:

- (1) acquisition of plans and research documents;
- (2) checking the documents provided by the Asset Managers against official plans and documents;
- (3) general survey of the Identified Assets identified;
- (4) technical and surveying checks;
- (5) obtaining and presenting update cadastral documentation; and
- (6) checking whether any *ex post facto* building permission are required.

As consideration for the administrative and surveying services, the relevant Asset Manager will pay a fee to the Asset Appraiser, as set out in the Asset Appraisal Agreement. In the event that the Asset Appraiser is required to carry out some only of the administrative and surveying services, the relevant Asset Manager will pay a fee to the Asset Appraiser for such activities carried out as set out in the Asset Appraisal Agreement.

The Assets Appraiser, the Issuer and the Asset Managers will operate within the timetable set out in the Asset Appraisal Agreement and take all steps necessary for the Relevant Assets identified to be sold on the proposed dates. In particular, within 45 days from the Identification List being sent, the Asset Appraiser will send to each Asset Manager the full Property File.

Each Asset Manager will, within 55 days of sending the Identification List, send the relevant Property Files regarding the residential Real Estate Assets to the National Council of Public Notaries and to the relevant banks.

On or about the First Issue Date, the Asset Appraiser and the *Consiglio Nazionale del Notariato* entered into a *convenzione* pursuant to which the Asset Appraiser allowed the *Consiglio Nazionale del Notariato* access via electronic means to its information archives for the purpose of obtaining cadastral information on the Real Estate Assets. The *Consiglio Nazionale del Notariato* shall make such information and any information regarding the Real Estate Assets available to the *Consigli Notarili Distrettuali* in order to assist the notaries carrying out their activities in relation to the sale of the Real Estate Assets for which such notaries have been appointed.

#### **Initial valuation carried out for the Securitisation Transaction**

The *Agenzia del Territorio* was mandated to perform the valuation prior to the First Issue Date of the Initial Real Estate Assets transferred by the Contributors to the Issuer. See "Description of the Initial Real Estate Assets - Evaluation Process of the *Agenzia del Territorio*". For this activity, the Issuer has undertaken to pay fees equal to 0.03% of the value of each Initial Real Estate Asset as ascertained thereby in its initial valuation, to be paid from the Payment Date in July 2003 in accordance with the Priority of Payments on the Payment Date following the period in which such Initial Real Estate Asset becomes a valued Identified Asset.

#### **Acknowledgement of limited recourse and non petition**

The Asset Appraiser has acknowledged and accepted the limited recourse nature of the Issuer's obligations. Furthermore, the Asset Appraiser will agree that, until one year and one day have elapsed following the full repayment of all of the Notes or cancellation thereof in accordance with the Conditions, it will not institute against, or join any other person in instituting against, the Issuer any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceedings, or other proceedings under any bankruptcy or similar law.

#### **Law and Jurisdiction**

The Asset Appraisal Agreement is governed by, and construed in accordance with, Italian law.

#### **FIRST WARRANTY AND INDEMNITY AGREEMENT**

On or about the First Issue Date, the MEF, the Issuer, the Representative of the Noteholders and the First Managers entered into the First Warranty and Indemnity Agreement in which the MEF made certain representations and warranties to the Issuer and the First Managers. Furthermore, the MEF agreed to indemnify the Issuer and the First Managers to the extent set out therein.

#### **Representations and warranties**

The MEF made, *inter alia*, the following representations and warranties to the Issuer and the First Managers as of the First Issue Date:

- (1) With respect to the execution and performance of the First Warranty and Indemnity Agreement and the other Transaction Documents to which the MEF was a party at such time, certain representations as to the power, capacity and authority of the MEF to enter into such agreements and perform the obligations arising thereunder. In addition, the MEF represented that:
  - (i) neither the entering into and the performance of such agreements nor the performance of the obligations contained therein conflicted with any applicable laws or regulations or with obligations previously assumed by the MEF;
  - (ii) the entering into and the performance of such agreements to which the MEF was a party, were private acts, even if regulated and authorised by administrative acts or public laws;
  - (iii) with regard to the performance of such agreements, the MEF cannot raise against the Issuer any immunity arising as a consequence of its public nature, save as provided for by laws in respect of enforcement of third party rights against the Italian public administration; and
  - (iv) it was fully aware of the contractual obligations assumed by the Issuer in the transaction documents at such time and, in particular, it was fully aware of the terms which, according to the priority of payments of such time, regulate payments to be made by the Issuer thereunder;
- (2) In relation to certain sections of the information contained in the First Offering Circular;
- (3) With respect to the Asset Managers, certain representations as to the power, capacity and authority of each Asset Manager to enter into the relevant Asset Management Agreement and to perform the obligations arising thereunder. In addition, certain representations as to the financial statements (*bilancio consuntivo*) of each Asset Manager as at and for the year ended 31 December 2001 (the "**2001 Financial Statements**"), the budget for the financial year 2002 (*bilancio preventivo*) of such Asset Manager (the "**2002 Budget**") and the fact that, since the date of approval of the 2001 Financial Statements and the 2002 Budget, no fact or act was occurred which, even indirectly, could cause a material adverse effect on the ability of each Asset Manager to perform its obligations under the relevant Asset Management Agreement;
- (4) With respect to the Initial Real Estate Assets, *inter alia* that:
  - (i) the Initial Real Estate Assets were those identified in the First MEF Decree;
  - (ii) each Initial Real Estate Asset was (i) as of the Transfer Date, in existence; and (ii) immediately before the transfer of the same to the Issuer, owned by the relevant Contributor indicated in the relevant decree of the *Agenzia del*

*Demanio* and was free from any prejudicial registration (*libero da iscrizioni e trascrizioni pregiudizievoli*);

- (iii) all the information related to the Initial Real Estate Assets and listed in the relevant decrees of the *Agenzia del Demanio* and in the First MEF Decree was true, correct and up to date;
- (iv) each Initial Real Estate Asset had been included in any relevant tax declaration;
- (v) save as provided by law, there were no option or pre-emptive rights over any Initial Real Estate Asset in favour of any person;
- (vi) with reference to any lease agreements relating to the Initial Real Estate Assets, there were no clauses or provisions imposing the renewal of such lease agreements without the right of the landlord to withdraw from the lease agreement, and no such imposition existed save as otherwise provided for by law;
- (vii) the Initial Real Estate Assets included residential tenanted *Pregio* Assets with an aggregate Offer Price of at least €754,500,000; and
- (viii) the aggregate values of the following categories of Initial Real Estate Assets as set out in Annex 3 to the First Warranty and Indemnity Agreement were accurate: commercial tenanted Initial Real Estate Assets, residential tenanted Initial Real Estate Assets, *Pregio* Assets and vacant residential Initial Real Estate Assets.

### **Indemnities to the Issuer**

Pursuant to the First Warranty and Indemnity Agreement, the MEF undertook, also on behalf and in the interest of the Asset Managers and the Republic of Italy, to indemnify and hold harmless the Issuer, upon first demand and with no exception, against any reasonably documented losses, claims, damages, liabilities, costs or expenses to which the Issuer may become subject, insofar as such losses, claims, damages, liabilities, costs or expenses (or actions or demands in respect thereof) arise out of or are based on:

- (1) any materially incomplete, incorrect or untrue representation made by the MEF in the First Warranty and Indemnity Agreement in respect of (a) the execution and performance of the First Warranty and Indemnity Agreement and the transaction documents to which it was a party at such time; (b) power, capacity and authority of each Asset Manager to enter into the relevant Asset Management Agreement and to perform the obligations arising thereunder; (c) the Initial Real Estate Assets;
- (2) any demand or action (either judicial or extra-judicial) brought by third parties against the Issuer with respect to events or actions actually or allegedly occurred or carried out (or omitted to be carried out) by the relevant Asset Manager before the

Transfer Date, provided that such losses, claims, damages, liabilities, costs or expenses are not indemnifiable under the relevant Asset Management Agreement;

- (3) any judgment effective against the Issuer as successor owner of the Real Estate Assets and agreements connected thereto, with respect to events or actions actually or allegedly occurred or carried out (or omitted to be carried out) by the relevant Asset Manager before the Transfer Date, provided that such losses, claims, damages, liabilities, costs or expenses are not indemnifiable under the relevant Asset Management Agreement;
- (4) any claim, demand or action (either judicial or extra-judicial) brought by any person against the Issuer with respect to the sale procedures of the Real Estate Assets and/or the violation of a right granted to a tenant of a Real Estate Asset by Law Decree No. 351 and/or by any other applicable law or regulation, provided that such losses, claims, damages, liabilities, costs or expenses are not indemnifiable under the Asset Management Agreements; or
- (5) failure by an Asset Manager to timely and fully pay any tax and expense (including condominium expenses) due by such Asset Manager in relation to the Real Estate Assets and accrued before the Transfer Date (irrespective of whether any such tax or expense has been assessed or liquidated before or after the Transfer Date);

and to reimburse the Issuer for any reasonable and duly documented legal or other fees and expenses (including, without limitation, value added tax) incurred by the Issuer in connection with investigating or defending any such action, demand or claim.

Any amounts due under the above indemnity provision shall be paid by the MEF to the Issuer as soon as practicable and in any case not later than 60 days from receipt of the relevant request of the Issuer.

Without prejudice to the remedies available to the Issuer under the above-mentioned indemnity, if one of the following events occurs:

- (A) the unlawfulness or ineffectiveness of the transfer of the Real Estate Assets (in whole or in part) is ascertained in a Court decision (even if not of a final nature) or by any other decision (even if not of a final nature) issued by any competent authority including any office of the public administration;
- (B) the partial or total eviction (*evizione*) of any Real Estate Asset;
- (C) one or more Real Estate Assets are ascertained not to comply with any applicable law or regulation including in relation to their current use (*destinazione d'uso*) and this results in such Real Estate Assets being legally impossible to sell by the Issuer including at such current use;
- (D) one or more Real Estate Assets do not comply in any material respect with any applicable law or regulation on protection of health and environment, such that the sale of such Real Estate Assets becomes legally impossible,

the MEF undertook to transfer to the Issuer, as soon as practicable and in any case not later than 60 days from receipt of the Issuer's documented request, Additional Real Estate Assets of the same nature (tenanted residential Real Estate Assets not qualifying as *Pregio* Assets, tenanted residential Real Estate Assets qualifying as *Pregio* Assets, tenanted commercial Real Estate Assets or vacant Real Estate Assets) as the Real Estate Assets in respect of which the obligation to transfer Additional Real Estate Assets has arisen. Such Additional Real Estate Assets shall be identified by the MEF. The *Agenzia del Territorio* was entrusted with the evaluation of each such asset and, once so determined, such value shall be confirmed by the Real Estate Advisor (at the sole cost and expense of the MEF) as follows: (i) in relation to tenanted Real Estate Assets, such value shall be no less than 100% of the Offer Price of the Real Estate Asset in respect of which the obligation to transfer Additional Real Estate Assets has arisen; and (ii) in relation to vacant Real Estate Assets, such value shall be no less than 100% of the value of the Real Estate Asset in respect of which the obligation to transfer Additional Real Estate Assets has arisen, as of the date on which the substitution of the relevant Additional Real Estate Asset is expected to occur.

The transfer of such other real estate assets shall benefit from the same representations, warranties and obligations to those assumed by the MEF under the First Warranty and Indemnity Agreement in respect of the Initial Real Estate Assets.

If the transfer of such other assets is not carried out pursuant to the above conditions, the MEF shall, on behalf and in the interest of the Contributors, pay to the Issuer, as soon as reasonably practicable and in any case not later than 60 days from receipt of the relevant Issuer's request, a cash amount equal to 100 per cent of the value of the relevant Real Estate Assets which are affected, such value to be determined as described above.

The indemnity provisions applied only if and to the extent that payment of such indemnity (including by way of transfer of assets) was necessary in order to enable the Issuer to meet, or to avoid further delay in meeting, the redemption of the First Notes in accordance with their respective expected maturity dates (including the relevant rate of interest but taking into account the Hedging Agreements) and to pay any other amounts, costs and expenses of, or connected to, the Securitisation taking into account the then priority of payments.

In addition, (i) the first indemnity provision referred to above applied on a continuing basis and at any time until the Notes are redeemed in full but only if the aggregate amount of any losses, claims, damages, liabilities, costs or expenses to which the Issuer may become subject from time to time, exceeds €200,000 and only for the excess amount; and (ii) the second indemnity provision referred to above will apply on a continuing basis and at any time until the First Notes are redeemed in full starting from the date on which the aggregate value, as at the Transfer Date, of the Initial Real Estate Assets in respect of which certain of the events referred to above (under (A) to (D) above) have from time to time occurred, exceeds €5,000,000, and only for the excess amount; such value to be ascertained in accordance with the procedures described above.

The indemnity obligations in favour of the Issuer are subject to the ordinary prescription (10 years) provided by Italian law.

### **Voluntary contribution of *Pregio* Assets**

If, at any time prior to Payment Date falling in July 2005, the MEF so elects, the MEF may arrange for the transfer of additional residential *Pregio* Assets to the Issuer as Additional Real Estate Assets. To the extent that the representation of the aggregate offer price of the *Pregio* Assets contained in the Initial Real Estate Assets is later found to have been higher than the actual aggregate offer price of the *Pregio* Assets contained in the Initial Real Estate Assets, the amount of indemnity payable (if any) by the MEF as a consequence of such breach shall be reduced by the value of the additional *Pregio* Assets transferred to the Issuer since the Transfer Date.

### **Compensating Cash Transfer by the MEF**

Pursuant to the First MEF Decree, the MEF, on behalf of the Contributors, is required to compensate the Issuer if it is legally impossible to sell one or more Real Estate Assets in a manner and with formalities such as to make the transfer effective as against third parties (*opponibile ai terzi*) as a result of material and repeated breaches by the relevant Asset Manager of its obligation under the Asset Management Agreement to co-operate with the residential assets Sales Manager appointed pursuant to the relevant Asset Management Agreement, any substitute Asset Manager and the Commercial Sales Manager (including but not limited to the case in which such legal impossibility arises as a consequence of any failure by the Asset Managers to deliver such documents as are necessary to perfect the sale and such documents cannot be otherwise obtained). If any such event occurs, the MEF shall procure that a compensating cash payment is made to the Issuer, upon first demand, in the amount equal to 100 per cent of the value determined (at the sole cost and expense of the MEF) by *Agenzia del Territorio* pursuant to Law Decree 351 and to be confirmed by the Real Estate Advisor as not being higher than the vacant open market value of each such asset as if there were no legal impossibility to sell the same and with reference to the date at which the claim is made by the Issuer.

Any amounts due under the compensating provisions above shall be paid by the MEF to the Issuer as soon as practicable and in any case not later than 60 days from receipt of the relevant request of the Issuer (such request to be transmitted by way of returned receipt letter and to be reasonably documented).

### **Law and Jurisdiction**

The First Warranty and Indemnity Agreement is governed by, and construed in accordance with, Italian law.

### **SECOND WARRANTY AND INDEMNITY AGREEMENT**

On or about the New Issue Date, the MEF, the Issuer, the Representative of the Noteholders and the New Managers will enter into the Second Warranty and Indemnity Agreement in which the MEF will make certain representations and warranties to the Issuer and the New Managers. Furthermore, the MEF will agree to indemnify the Issuer and the New Managers to the extent set out therein.



The obligations of the MEF under the Second Warranty and Indemnity Agreement are separate to and do not supersede or amend its obligations under the First Warranty and Indemnity Agreement.

### **Representations and warranties**

The MEF will make, *inter alia*, the following representations and warranties to the Issuer and the New Managers as of the New Issue Date:

- (1) With respect to the execution and performance of the Second Warranty and Indemnity Agreement and the other Transaction Documents which are executed by the MEF on or around the New Issue Date, certain representations as to the power, capacity and authority of the MEF to enter into such agreements and perform the obligations arising thereunder. In addition, the MEF will represent that:
  - (i) neither the entering into and the performance of such agreements nor the performance of the obligations contained therein conflicts with any applicable laws or regulations or with obligations previously assumed by the MEF;
  - (ii) the entering into and the performance of such agreements to which the MEF is a party, are private acts, even if regulated and authorised by administrative acts or public laws;
  - (iii) with regard to the performance of such agreements, the MEF cannot raise against the Issuer any immunity arising as a consequence of its public nature, save as provided for by laws in respect of enforcement of third party rights against the Italian public administration; and
  - (iv) it is fully aware of the contractual obligations assumed by the Issuer in the Transaction Documents and, in particular, it is fully aware of the terms which, according to the Priorities of Payments, regulate payments to be made by the Issuer under the Transaction Documents;
- (2) In relation to certain sections of the information contained in the Offering Circular;
- (3) With respect to the Asset Managers, certain representations as to the power, capacity and authority of each Asset Manager to enter into the relevant Asset Management Agreement and to perform the obligations arising thereunder. In addition, certain representations as to the financial statements (*bilancio consuntivo*) of each Asset Manager as at and for the year ended 31 December 2003 (the "**2003 Financial Statements**"), the budget (*bilancio preventivo*) for the financial year 2004 of such Asset Manager (the "**2004 Budget**") and the fact that, since the date of approval of the 2003 Financial Statements, the 2004 Budget, no fact or act has occurred which, even indirectly, could cause a material adverse effect on the ability of each Asset Manager to perform its obligations under the relevant Asset Management Agreement.

In addition, the MEF will repeat for the benefit of the New Managers some of the representations made thereby in the First Warranty and Indemnity Agreement to the First Managers as at the date thereof and in respect of the facts and circumstances then existing.

### **Indemnities to the Issuer**

Pursuant to the Second Warranty and Indemnity Agreement, the MEF undertook, also on behalf and in the interest of the Asset Managers and the Republic of Italy, to indemnify and hold harmless the Issuer, upon first demand and with no exception, against any reasonably documented losses, claims, damages, liabilities, costs or expenses to which the Issuer may become subject, insofar as such losses, claims, damages, liabilities, costs or expenses (or actions or demands in respect thereof) arise out of or are based on certain materially incomplete, incorrect or untrue representations made by the MEF in the Second Warranty and Indemnity Agreement.

Any amounts due under the above indemnity provision shall be paid by the MEF to the Issuer as soon as practicable and in any case not later than 60 days from receipt of the relevant request of the Issuer.

The indemnity provisions apply only if and to the extent that payment of such indemnity is necessary in order to enable the Issuer to meet, or to avoid further delay in meeting, the redemption of the Notes in accordance with their respective expected maturity dates (including the relevant rate of interest but taking into account the New Hedging Agreements) and to pay any other amounts, costs and expenses of, or connected to, the Securitisation taking into account the Priorities of Payments.

In addition, the indemnity provisions apply on a continuing basis and at any time until the Notes are redeemed in full but only if the aggregate amount of any losses, claims, damages, liabilities, costs or expenses to which the Issuer may become subject from time to time, exceeds €200,000 and only for the excess amount, provided that, should the same event or circumstances be indemnifiable under both the First Warranty and Indemnity Agreement and the Second Warranty and Indemnity Agreement, the Issuer will be entitled to be indemnified in respect of such event or circumstances only under one of the Warranty and Indemnity Agreements, to the exclusion of the other.

The indemnity obligations in favour of the Issuer are subject to the ordinary prescription (10 years) provided by Italian law.

### **Law and Jurisdiction**

The Second Warranty and Indemnity Agreement is governed by, and construed in accordance with, Italian law.

### **ISSUER CORPORATE SERVICES AGREEMENT**

On or about the New Issue Date, the Issuer, the Issuer Corporate Servicer and the Representative of the Noteholders will enter into the amended and restated Issuer Corporate Services Agreement. Under the terms of the Issuer Corporate Services

Agreement, the Issuer Corporate Servicer will agree to provide certain administrative, corporate, supporting and other services to the Issuer.

These services include the safekeeping of documentation pertaining to meetings of the Quotaholders, noteholders and directors, maintaining the Quotaholders' register, preparing value added tax and other tax and accounting records, preparing the Issuer's annual balance sheet, administering all matters relating to the taxation of the Issuer, making on behalf of the Issuer any tax payments, making all payments necessary in order to preserve the corporate existence of the Issuer, liaising with the Representative of the Noteholders, liaising with the Luxembourg Stock Exchange and the *Mercato dei Titoli di Stato* and liaising with the Quotaholders.

As compensation for its services under the Issuer Corporate Services Agreement, the Issuer Corporate Servicer is entitled to a basic annual fee of €37,680. Since certain of the services are already being carried out in the context of the 2001 Securitisation, the basic annual fee will be split between the 2001 Securitisation and the Securitisation. The fee shall be re-valued annually by application of the ISTAT inflation index. In addition, the Issuer Corporate Servicer is entitled to an annual fee in respect of the Securitisation equal to €90,000 multiplied by the ratio between the unsold commercial Real Estate Assets on the first Business Day of the calendar year and the commercial Initial Real Estate Assets as at the Transfer Date.

### **Law and Jurisdiction**

The Issuer Corporate Services Agreement is governed by, and will be construed in accordance with, Italian law.

### **AGENCY AGREEMENT**

On or about the New Issue Date, the Issuer, the Principal Paying Agent, the Agent Bank, the Luxembourg Paying Agent, the Italian Paying Agent and the Representative of the Noteholders will enter into the amended and restated Agency Agreement.

Under the terms of the Agency Agreement, the Paying Agents perform certain services in relation to the Notes, including arranging for the payment of principal and interest to the Noteholders.

The Agent Bank calculates the amount of interest and principal payable on the Notes on each Payment Date and performs certain other calculations in respect of the Notes in accordance with the Conditions.

### **Law and Jurisdiction**

The Agency Agreement will be governed by, and will be construed in accordance with, Italian Law.

### **CASH MANAGEMENT AGREEMENT**

On or about the New Issue Date, the Issuer, the Transaction Accounts Bank, the Cash Manager and the Representative of the Noteholders will enter into the amended and restated Cash Management Agreement.

Pursuant to the Cash Management Agreement, the Cash Manager provides the Issuer with cash management, calculation, notification and reporting services in relation to monies from time to time standing to the credit of the Collection Account, the Transaction Accounts and the Quota Capital Account. In addition the Cash Manager determines the amounts payable to all the Issuer Creditors in accordance with Condition 5 (*Priorities of Payments*). The duties of the Cash Manager will include:

- (1) liaising with the Collection Account Holder and the Transaction Accounts Bank;
- (2) directing the payment of all amounts required by Condition 5 (*Priorities of Payments*);
- (3) calculating for each Determination Date the Issuer Available Funds and notifying the same to *inter alia* each of the Issuer and the Representative of the Noteholders, the Paying Agents and Monte Titoli;
- (4) instructing (through the Issuer) the Collection Account Holder and (on behalf of the Issuer) the Transaction Accounts Bank to make the relevant transfers of monies between the Accounts in accordance with the Cash Management Agreement and the Intercreditor Agreement and for the payment of monies due in accordance with the Transaction Documents; and
- (5) calculating the First Notes Reserve Amount at each Determination Date.

The Transaction Accounts Bank has waived any right it has or may acquire to combine, consolidate or merge either Transaction Account with the other or any other account or liabilities of the Issuer or any other person.

Pursuant to the Cash Management Agreement, the Cash Manager prepares and delivers:

- (1) within three Business Days of each Determination Date, on the basis of the reports of the Collection Account Holder and the Transaction Accounts Bank, a report (the "**Payments Report**") notifying to, *inter alia*, the Issuer, the Representative of the Noteholders, the Paying Agents and Monte Titoli *inter alia* (i) the interest and principal payments to be made in respect of each Class of Notes and (ii) other amounts payable under the Priorities of Payments set out in Condition 5 (*Priorities of Payments*), in each case on the immediately succeeding Payment Date; and
- (2) within three Business Days of each Determination Date, a quarterly report (the "**Quarterly Accounts Report**") notifying to, *inter alia*, the Issuer, the Representative of the Noteholders and each of the Rating Agencies the balance standing to the credit of each of the Collection Account and the Transaction Accounts (plus interest on each of such amounts) on the immediately preceding Determination Date.

On the first Business Day of each month, the Collection Account Holder shall send to the Cash Manager (through the Issuer) a report stating the balance standing to the credit of the Collection Account, and the Transaction Accounts Bank shall send to the Cash Manager a report stating the balance standing to the credit of each Transaction Account (plus interest) on the immediately preceding Business Day.

Under the Cash Management Agreement, the Cash Manager has been appointed as initial Cash Manager and will be the *soggetto incaricato dei servizi di cassa e pagamento* pursuant to Article 2, paragraph 6 of Law No. 130 of 30 April 1999, as amended from time to time (*Legge sulla cartolarizzazione dei crediti*).

As compensation for their services under the Cash Management Agreement, the Transaction Accounts Bank and the Cash Manager are entitled to fees as agreed in separate fee letters.

### **Law and Jurisdiction**

The Cash Management Agreement will be governed by, and will be construed in accordance with, Italian law.

### **FIRST SUBSCRIPTION AGREEMENT**

On the First Issue Date, the Issuer, the First Managers and the Representative of the Noteholders entered into a subscription agreement (the "**First Subscription Agreement**") under which the First Managers agreed to subscribe for the First Notes and pay the Issuer the issue price for the First Notes on the First Issue Date, subject to the conditions set out therein. Under the terms of the First Subscription Agreement, the First Managers appointed Sanpaolo Fiduciaria S.p.A. as the representative of the holders of the First Notes for the period commencing on the First Issue Date and ending (subject to early termination of its appointment) on the date on which all of the First Notes have been cancelled or redeemed in accordance with the Conditions.

The Issuer has agreed to pay the Representative of the Noteholders an annual fee of €7,000 for its services in respect of the First Notes. Following service of a Trigger Notice, the annual fee will be increased to €15,000 in recognition of the additional services required to be performed thereby in such circumstances.

### **Law and Jurisdiction**

The First Subscription Agreement was governed by, and construed in accordance with, Italian law.

### **SECOND SUBSCRIPTION AGREEMENT**

On or about the New Issue Date, the Issuer, the New Managers and the Representative of the Noteholders will enter into a subscription agreement (the "**Subscription Agreement**" and, together with the First Subscription Agreement, the "**Subscription Agreements**") under which the New Managers will jointly and severally agree to subscribe for the New

Notes and pay the Issuer the issue price for the New Notes on the New Issue Date, subject to the conditions set out therein.

### **Terms of appointment of the Representative of the Noteholders**

Under the terms of the Second Subscription Agreement, the New Managers confirmed Sanpaolo Fiduciaria S.p.A. as the Representative of the Noteholders also on behalf of the holders of the New Notes, ending (subject to early termination of its appointment as discussed below) on the date on which all of the New Notes have been cancelled or redeemed in accordance with the Conditions.

The Issuer will pay the Representative of the Noteholders an annual fee of €15,000 for its services in respect of the New Notes. Following service of a Trigger Notice, the annual fee will be increased to €45,000 in recognition of the additional services required to be performed by the Representative of the Noteholders in such circumstances. These fees are due in respect of all the duties of the Representative of the Noteholders in relation to the New Notes and are additional to the fees due pursuant to the First Subscription Agreement.

The Issuer has agreed to indemnify the Representative of the Noteholders for costs, liabilities, charges, expenses and claims properly incurred by or made against the Representative of the Noteholders or its delegates, except insofar as the same are incurred because of the fraud, negligence or wilful misconduct of the Representative of the Noteholders.

The terms on which the Representative of the Noteholders has been appointed contain provisions relieving the Representative of the Noteholders from certain responsibilities. In particular, the Representative of the Noteholders is not required to supervise or monitor the performance of any of the parties to the Transaction Documents of their respective obligations thereunder, to investigate the validity or effectiveness of any of the Transaction Documents, to take any steps to investigate whether a Trigger Event has occurred or to maintain the rating of the Notes attributed by the Rating Agencies. The Representative of the Noteholders is also given certain powers and discretions. In particular, the Representative of the Noteholders may make amendments to certain of the Transaction Documents to correct a manifest error, or which are of a formal, minor or technical nature and may certify whether or not a Trigger Event is in its opinion materially prejudicial to the interests of the Noteholders (which certification will be conclusive and binding upon the Issuer, the Noteholders and the other Issuer Creditors).

Noteholders have the power, exercisable by extraordinary resolution, to remove any Representative of the Noteholders for the time being, but any such removal will not be effective until the Noteholders have appointed a new representative of the Noteholders by extraordinary resolution. The Representative of the Noteholders may retire by giving three calendar months' written notice to the Issuer and the Noteholders but any such retirement will not become effective until a new representative of the Noteholders has been appointed.

### **Law and Jurisdiction**

The Second Subscription Agreement is governed by, and will be construed in accordance with, Italian law.

## **PROGRAMME ADMINISTRATION AGREEMENT**

On the New Issue Date, the Issuer, the Representative of the Noteholders and the Programme Administrator will enter into the amended Programme Administration Agreement. Under the Programme Administration Agreement, the Programme Administrator performs certain performance monitoring, reporting and calculation activities on behalf of the Issuer in order to verify (i) compliance by the Asset Managers and the Commercial Sales Managers with the relevant performance provisions of the Asset Management Agreements (and the Business Plans attached thereto) and the Commercial Sales Management Agreement (and the Business Plan attached thereto), respectively, (ii) the number of the sales and relevant amounts realised during the Portfolio Disposal Process by the Asset Managers, the Commercial Sales Managers and the Sales Managers (if any).

In particular, the Programme Administrator shall *inter alia*: (i) verify the monthly reports received from the Asset Managers and the Commercial Sales Managers, prepare a summary thereof and of the other information received from the Asset Managers and the Commercial Sales Managers on a monthly basis, and forward such summary to, the Issuer, the MEF and the relevant Asset Managers and Commercial Sales Managers; (ii) shortly prior to each Payment Date, prepare a quarterly report relating to the immediately preceding Determination Period (the "**Investors Report**") detailing the sales performance and the collections, and forward such report to the Issuer, the Representative of the Noteholders, the Rating Agencies, Bloomberg and the MEF; (iii) determine on a quarterly basis whether any trigger event provided for under the Asset Management Agreements or the Commercial Sales Management Agreement has occurred and, on a half yearly basis, give information to the Issuer, the MEF and the relevant Asset Manager or the Commercial Sales Managers, as the case may be, of any anomaly in the database, and shall request the relevant Asset Manager or Commercial Sales Managers to provide it with an updated database; (iv) calculate the fees due by the Issuer to the Asset Managers and the Commercial Sales Managers; (v) calculate the allocation of the amount of Deferred Transfer Price, if any, between the Contributors and, upon request of the Issuer or the MEF, check on a periodic basis the levels the amounts standing to the credit of the Collection Account in excess of the aggregate of the First Notes Reserve Amount and the Standby Amount, which may be used by the Issuer to prepay the Deferred Transfer Price in accordance with the Decrees and the Transaction Documents; and (vi) verify on a quarterly basis, on a sample of sales made, whether the data provided corresponds with the data on the collections credited to the Collection Account.

The above duties are carried out by the Programme Administrator on the basis of documentation and information received from the Asset Managers and the Commercial Sales Managers (pursuant to the Asset Management Agreements and the Commercial Sales Management Agreement, respectively, and as specified in the operational hand-book delivered by the Programme Administrator to such parties), the Transaction Bank and the Cash Manager. The Programme Administrator shall not be required, although shall be

entitled, to request further documentation or information from such entities if it deems it necessary or advisable for the performance of its duties.

The Issuer will pay the Programme Administrator a semi-annual fee of €150,000 in October 2005 reducing to €137,500 for each six-month period thereafter.

### **Governing law and jurisdiction**

The Programme Administration Agreement will be governed by, and will be construed in accordance with, Italian law.

## **LIQUIDITY FACILITY AGREEMENTS**

### ***New Liquidity Facility Agreement***

On or about the New Issue Date, the Issuer, the Representative of the Noteholders, the Cash Manager and the New Liquidity Facility Provider will enter into the New Liquidity Facility Agreement. Under the terms of the New Liquidity Facility Agreement, the New Liquidity Facility Provider will provide a 364-day renewable revolving liquidity facility (the "**Liquidity Facility**") pursuant to which the Issuer will be entitled to make drawings in respect of each Payment Date to the extent that on such Payment Date, the Issuer Available Funds available to meet the payment obligations required to be met thereby under items (i) to (xv) of the Priority of Payments on such Payment Date would be otherwise insufficient to make such payments.

The maximum amount available under the Liquidity Facility shall be equal to Euro 190 million and, upon renewal, shall be equal to the lower of (i) Euro 190 million and (ii) the sum of:

- (i) 4.00 per cent of the Principal Amount Outstanding of the Class A4 Notes, 4.13 per cent of the Principal Amount Outstanding of the Class A5 Notes and 4.41 per cent of the Principal Amount Outstanding of the Class B2 Notes; and
- (ii) the higher of (a) all payments made under items (ix), (x) and (xi) of the Priority of Payments in the preceding 12 month period (excluding any fees paid to the Asset Managers or the Commercial Sales Managers) and (b) Euro 9 million, subject in any case to a maximum of Euro 20 million.

If at any time the New Liquidity Facility Provider does not renew the Liquidity Facility or does not have credit ratings from the Rating Agencies which are equal to or better than F1 by Fitch Ratings, P-1 by Moody's and A-1+ by S&P and, in any such case, a suitable successor liquidity provider with at least such ratings is not appointed in its place, the Issuer will be entitled to have the Standby Amount credited to the Collection Account. Upon renewal of a suitable credit rating for the Liquidity Facility Provider, the assignment of the Liquidity Facility to a suitable successor liquidity provider, termination or cancellation of the Liquidity Facility, the Standby Amount (or a proportion if cancelled in part) will be returned to the New Liquidity Facility Provider.



Amounts drawn down pursuant to the Liquidity Facility and repaid will be available to be redrawn by the Issuer. Amounts drawn down pursuant to the Liquidity Facility shall be repaid together with interest accumulated thereon in accordance with the New Liquidity Facility Agreement by the Issuer from Issuer Available Funds in accordance with the Priority of Payments.

The Liquidity Facility will be reduced proportionally to any redemption in full or in part of any Class of New Notes, in accordance with the calculations of facility renewal.

Until the Liquidity Facility terminates or is cancelled in full and reduced to zero in accordance with the New Liquidity Facility Agreement, the New Liquidity Facility Provider will be entitled to a quarterly commitment fee calculated at the rate of 0.15 per cent of that part of the aggregate amount available under the Liquidity Facility which has not been drawn during the quarter in relation to which the commitment fee is paid.

### **Law and Jurisdiction**

The New Liquidity Facility Agreement will be governed by, and will be construed in accordance with, Italian law.

### ***First Liquidity Facility Agreement***

On or about the First Issue Date, the Issuer, the Representative of the Noteholders, the Cash Manager and the First Liquidity Facility Providers entered into the First Liquidity Facility Agreement pursuant to which the First Liquidity Facility Providers agreed to provide a 364-day renewable revolving liquidity facility to the Issuer. In accordance with the Intercreditor Agreement, the First Liquidity Facility Agreement will terminate upon the Payment Date in April 2005.

## **HEDGING AGREEMENTS**

### ***New Hedging Agreements***

Under the terms of the New Hedging Agreements, the New Hedging Counterparties will provide protection to the Issuer. The New Hedging Agreements mitigate certain risks borne by the Issuer in respect of its payment obligations under the New Notes, including by providing certain interest rate arrangements. The transactions under each New Hedging Agreement will terminate on the Legal Maturity Date of the New Notes unless terminated earlier in accordance with their terms.

The New Hedging Agreements will contain certain limited termination events and events of default which will entitle either party to terminate the relevant New Hedging Agreement.

In particular, if the ratings of the unsecured and unsubordinated debt obligations of the New Hedging Counterparties fall below certain ratings and the other conditions indicated in the relevant New Hedging Agreements are met, the relevant New Hedging Counterparty will be required within 30 days (or, in certain cases following a further fall in ratings, within 10 days) of the occurrence of such event either; (a) to transfer all of its rights and obligations with respect to such New Hedging Agreement to an appropriately rated entity;

or (b) to arrange for an appropriately rated entity to become co-obligor in respect of the obligations of the relevant New Hedging Counterparty under its New Hedging Agreement; or (c) to put in place an appropriate mark-to-market collateral arrangement which may be based on the credit support documentation published by ISDA or otherwise in such amount as is set out in the relevant New Hedging Agreement and in any case acceptable to the Rating Agencies in order to maintain the outstanding ratings of the New Notes, or (d) to take such other action as may be agreed with the relevant Rating Agency. If the relevant New Hedging Counterparty does not take any of the measures described in (a), (b), (c) or (d) above, then the relevant New Hedging Agreement may be terminated.

The Issuer and certain of the New Hedging Counterparties may also enter into a credit support annex pursuant to which, from time to time, each such New Hedging Counterparty will make transfers of collateral to a cash account or custody account opened by the Issuer in accordance with the Intercreditor Agreement in support of its obligations under its New Hedging Agreement and the Issuer will be obliged to return such collateral to the relevant New Hedging Counterparty in accordance with the terms of the relevant credit support annex. On or about the New Issue Date, Barclays Bank PLC will enter into such a credit support annex.

The obligations of UBS Limited as Hedging Counterparty under its Hedging Agreement are guaranteed by the Swap Guarantor pursuant to the Swap Guarantee.

### ***First Hedging Agreements***

On or about the First Issue Date, the Issuer entered into the First Hedging Agreements. The First Hedging Agreements will be terminated (together with any credit support annexes entered into in connection therewith) on the Payment Date in April 2005 in accordance with the Intercreditor Agreement.

### **Law and Jurisdiction**

The New Hedging Agreements and the Swap Guarantee will be governed by, and will be construed in accordance with, English law.

### **LETTER OF UNDERTAKING**

On or about the New Issue Date, the Quotaholders, the MEF, the Quotaholder Corporate Servicer and the Representative of the Noteholders will execute a letter of undertaking, supplemental to the letter of undertaking entered into on or about the First Issue Date (as supplemented, the "**Letter of Undertaking**"). Pursuant to the Letter of Undertaking, the Quotaholder Corporate Servicer and the Quotaholders have given and will give certain undertakings to the Representative of the Noteholders in relation to the continued corporate existence and management of the Quotaholders. In particular, each of the Quotaholder Corporate Servicer and the Quotaholders agree not to take any action to liquidate or wind up the Quotaholders and not to replace any director of the Issuer without the prior written consent of the Representative of the Noteholders. The Quotaholders also agree not to dispose of, charge or pledge, their respective quotas in the Issuer without the prior written consent of the Representative of the Noteholders.

### **Law and Jurisdiction**

The Letter of Undertaking is governed by, and will be construed in accordance with, the laws of The Netherlands.

### **INTERCREDITOR AGREEMENT**

On or about the New Issue Date, the Issuer, the MEF (also on behalf of the Contributors and the Asset Managers), the Representative of the Noteholders (on its own behalf and as agent for the Noteholders), the Agent Bank, the Paying Agents, the Transaction Accounts Bank, the Issuer Corporate Servicer, the Liquidity Facility Providers, the Hedging Counterparties, the Programme Administrator and the Cash Manager will enter into the amended and restated Intercreditor Agreement. Pursuant to the Intercreditor Agreement, provision is made as to the application of the Revenues and as to the circumstances in which the Representative of the Noteholders will be entitled to exercise certain rights in relation to the Real Estate Assets. The Intercreditor Agreement also contains limited recourse provisions and non-petition undertakings by the Issuer Creditors who are parties thereto.

The Intercreditor Agreement also sets out the orders of priority for payments to be made by the Issuer in connection with the Securitisation.

### **Law and Jurisdiction**

The Intercreditor Agreement will be governed by, and will be construed in accordance with, Italian law.

### **QUOTAHOLDER CORPORATE SERVICES AGREEMENT**

The Quotaholders and the Quotaholder Corporate Servicer entered into the Quotaholder Corporate Services Agreement on 21 December 2001, as amended on or about the First Issue Date, pursuant to which the Quotaholder Corporate Servicer provides certain corporate administrative services to the Quotaholders.

### **Law and Jurisdiction**

The Quotaholder Corporate Services Agreement is governed by, and construed in accordance with, the law of the Netherlands.

### **FIRST DEED OF CHARGE**

On the First Issue Date, the Issuer and the Representative of the Noteholders entered into the First Deed of Charge, pursuant to which the Issuer pledged in favour of the Representative of the Noteholders on behalf of *inter alios* the holders of the First Notes and the other Issuer Creditors, all monetary claims and rights and all the amounts payable from time to time (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Issuer is entitled pursuant to the First Hedging Agreements. For the avoidance of doubt, the First Hedging Agreements are being terminated in accordance with the Intercreditor Agreement.

**Law and Jurisdiction**

The First Deed of Charge is governed by, and construed in accordance with, English law.

**SECOND DEED OF CHARGE**

On the New Issue Date, the Issuer and the Representative of the Noteholders will enter into the Second Deed of Charge, pursuant to which the Issuer will assign in favour of the Representative of the Noteholders on behalf of the Issuer Creditors and the third party creditors of the Issuer in connection with the Securitisation, all monetary claims and rights and all the amounts payable from time to time (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Issuer will be entitled pursuant to the New Hedging Agreements.

**Law and Jurisdiction**

The Second Deed of Charge will be governed by, and construed in accordance with, English law.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes (the "Conditions"). In these Conditions, references to the "holder" of a Note or to "Noteholders" are to the beneficial owners of Notes issued in dematerialised form and evidenced in book entry form with Monte Titoli S.p.A. in accordance with the provisions of (i) Legislative Decree No. 213 of 24 June 1998 and (ii) Regulation No. 11768 of 23 December 1998 of the Commissione Nazionale per le Società e la Borsa ("CONSOB"), each as amended from time to time.*

*Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, société anonyme (formerly Cedelbank) are intermediaries authorised to operate through Monte Titoli S.p.A..*

*The Class A1 Notes were redeemed in full on the Payment Date (as defined in the Conditions) falling in July 2004.*

*These Conditions are subject to the detailed provisions of the Transaction Documents.*

The €1,500,000,000 Class A1 Asset-Backed Floating Rate Notes due 2006 (the "**Class A1 Notes**"), the €2,000,000,000 Class A2 Asset-Backed Floating Rate Notes due 2007 (the "**Class A2 Notes**"), the €1,743,000,000 Class A3 Asset-Backed Floating Rate Notes due 2008 (the "**Class A3 Notes**", and, together with the Class A1 Notes and the Class A2 Notes, the "**First Class A Notes**"), the €858,000,000 Class B Asset-Backed Floating Rate Notes due 2008 (the "**Class B1 Notes**") and the €536,000,000 Class C Asset-Backed Floating Rate Notes due 2008 (the "**Class C Notes**" and, together with the First Class A Notes and the Class B1 Notes, the "**First Notes**") have been issued by S.C.I.P. - Società Cartolarizzazione Immobili Pubblici S.r.l. (the "**Issuer**") on 11 December 2002 (the "**First Issue Date**").

The €1,000,000,000 Class A4 Asset-Backed Step-Up Floating Rate Notes due 2013 (the "**Class A4 Notes**"), the €2,895,000,000 Class A5 Asset-Backed Step-Up Floating Rate Notes due 2025 (the "**Class A5 Notes**" and, together with the Class A4 Notes, the "**New Class A Notes**", and the New Class A Notes together with the First Class A Notes, the "**Class A Notes**") and the €475,000,000 Class B2 Asset-Backed Step-Up Floating Rate Notes due 2025 (the "**Class B2 Notes**" and, together with the Class B1 Notes, the "**Class B Notes**" and the Class B2 Notes together with the New Class A Notes, the "**New Notes**") have been issued by the Issuer on 21 April 2005 (the "**New Issue Date**").

The First Notes and the New Notes are together referred to as the "**Notes**". Any references in these Conditions (a) to the "**holder**" of a Note or to "**Noteholders**" are to the beneficial owners of Notes issued in dematerialised form and evidenced in book entry form with Monte Titoli S.p.A. ("**Monte Titoli**") in accordance with the provisions of (i) Legislative Decree No. 213 of 24 June 1998 and (ii) Regulation No. 11768 of 23 December 1998 of the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**"), each as amended from time to time; (b) to a "**Class**" of Notes or a "**Class**" of holders of Notes shall be construed as a reference to the Class A1 Notes, the Class A2 Notes, the

Class A3 Notes, the Class B1 Notes, the Class C Notes, the Class A4 Notes, the Class A5 Notes or the Class B2 Notes, as the case may be, or to the respective holders thereof; and (c) to any agreement or document shall be construed as a reference to such agreement or document as the same may have been, or may from time to time be, amended, varied, novated or supplemented.

The securitisation of the proceeds arising from the disposal process of the Real Estate Assets (as defined below) as financed by the Notes (the "**Securitisation**") was effected pursuant to Law Decree No. 351 (as defined below). The transfer of the Real Estate Assets to the Issuer was effected pursuant to the First MEF Decree (as defined below) and in accordance with Article 3 of Law Decree No. 351 and took effect on the date of publication of the First MEF Decree in the Official Gazette (*Gazzetta Ufficiale della Repubblica Italiana*) of the Republic of Italy on 28 November 2002 (the "**Transfer Date**").

The principal source of payment of interest and principal on the Notes will be (i) the revenues arising out of the disposal process of and certain rental payments deriving from certain residential and commercial real estate assets (the "**Initial Real Estate Assets**") transferred to the Issuer on the Transfer Date and which may be transferred to the Issuer in the future to substitute certain Initial Real Estate Assets in accordance with the First MEF Decree (if any, the "**Additional Real Estate Assets**" and, together with the Initial Real Estate Assets, the "**Real Estate Assets**") and (ii), in respect of the First Notes, the First Notes Reserve Amount (as defined below). Prior to the transfer thereof to the Issuer, the Initial Real Estate Assets were owned by one of seven Italian social security public entities, namely *Ente Nazionale di Previdenza ed Assistenza per i Lavoratori dello Spettacolo - ENPALS*, *Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro - INAIL*, *Istituto Nazionale di Previdenza per i Dirigenti di Aziende Industriali - INPDAI*, *Istituto Nazionale di Previdenza per i Dipendenti dell'Amministrazione Pubblica - INPDAP*, *Istituto Nazionale della Previdenza Sociale - INPS*, *Istituto Postelegrafonici - IPOST* and *Istituto di Previdenza per il Settore Marittimo - IPSEMA* (together, the "**Social Security Entities**" and individually, a "**Social Security Entity**") or the Republic of Italy (together with the Social Security Entities, the "**Contributors**" and, individually, a "**Contributor**").

The Real Estate Assets include (i) the Initial Real Estate Assets and (ii) the Additional Real Estate Assets, together with the rights under any agreement related to the Real Estate Assets.

By operation of Italian law and the Transaction Documents, the Issuer's right, title and interest in and to the Real Estate Assets and any rights that the Issuer has acquired against the Contributors, the other parties to the Transaction Documents (as defined herein) and any other third parties in relation to the Securitisation (together, the "**Issuer's Rights**") will be segregated from all other assets of the Issuer (including from assets pertaining to any other separate securitisation carried out thereby), and amounts deriving therefrom and the other Issuer's Rights will be available, both before and after a winding-up of the Issuer, to satisfy the Issuer's obligations to the Issuer Creditors (as defined below) and any third party creditors in relation to the Securitisation in the orders of priority set out in Condition 5 (*Priorities of Payments*) in priority to the Issuer's obligations to any other creditor. The

"**Issuer Creditors**" are (i) the Noteholders and (ii) the Issuer's other creditors under the Transaction Documents. The Real Estate Assets and the other Issuer's Rights may not be seized or attached in any form by creditors of the Issuer other than the Noteholders, until full discharge by the Issuer of its payment obligations under the Notes or cancellation of the Notes.

By a subscription agreement entered into on or about the First Issue Date (the "**First Subscription Agreement**") between the Issuer, Sanpaolo Fiduciaria S.p.A. as representative of the holders of the First Notes and ABN AMRO Bank N.V., Banca Nazionale del Lavoro S.p.A., J.P. Morgan Securities Ltd and Salomon Brothers International Limited as joint lead managers of the First Notes (the "**First Managers**"), the First Managers as subscribers for the First Notes appointed Sanpaolo Fiduciaria S.p.A. as representative of the holders of the First Notes to perform, on their behalf, the activities described, *inter alia*, in the First Subscription Agreement and the Conditions. By a subscription agreement entered into on or about the New Issue Date (the "**Second Subscription Agreement**" and, together with the First Subscription Agreement, the "**Subscription Agreements**") between the Issuer, Sanpaolo Fiduciaria S.p.A. and Barclays Bank PLC, Mediobanca - Banca di Credito Finanziario S.p.A. and UBS Limited as joint lead managers of the New Notes (the "**New Managers**"), the New Managers as subscribers for the New Notes have, *inter alia*, confirmed the appointment of Sanpaolo Fiduciaria S.p.A. as representative of the holders also of the New Notes (Sanpaolo Fiduciaria S.p.A. as representative of the holders of the Notes, the "**Representative of the Noteholders**"). The terms of such appointment are included in the Subscription Agreements, a copy of which are available for inspection at the specified office of the Representative of the Noteholders and at the specified office of the Luxembourg Paying Agent (as defined below). The Noteholders have the power to remove and appoint any representative of the Noteholders pursuant to the Rules of Organisation. Notice of any change of representative of the note holders will be published in accordance with Condition 16 (*Notices*) in a leading daily newspaper having general circulation in Luxembourg.

By a warranty and indemnity agreement entered into on the First Issue Date (the "**First Warranty and Indemnity Agreement**") between *inter alios* the MEF, the Issuer and the First Managers, the MEF made certain representations and warranties to the Issuer and the First Managers and agreed to indemnify the Issuer and First Managers in connection with such representations and warranties to the extent set out therein. By a warranty and indemnity agreement entered into on or about the New Issue Date (the "**Second Warranty and Indemnity Agreement**" and, together with the First Warranty and Indemnity Agreement, the "**Warranty and Indemnity Agreements**") between *inter alios* the MEF, the Issuer and the New Managers, the MEF made certain representations and warranties to the Issuer and the New Managers and agreed to indemnify the Issuer and the New Managers in connection with such representations and warranties to the extent set out therein.

By separate asset management agreements entered into on or about the First Issue Date, as amended on or about the New Issue Date (each, as amended, an "**Asset Management Agreement**" and together the "**Asset Management Agreements**") between the Issuer and

each of the Social Security Entities and the *Agenzia del Demanio* (together with the Social Security Entities in such capacity, the "**Asset Managers**") and acknowledged by the Representative of the Noteholders, each of the Asset Managers agreed *inter alia* to provide to the Issuer certain administrative, maintenance and property management services in relation to (i) the portion of the Initial Real Estate Assets previously belonging to it as Contributor or, in the case of the *Agenzia del Demanio*, to the Republic of Italy as Contributor, and (ii) the Additional Real Estate Assets allocated by the MEF as being managed by such Asset Manager. Furthermore, each of the Asset Managers agreed to manage the sale process of the residential properties comprised within the Real Estate Assets managed thereby.

By a commercial sales management agreement entered into on or about the First Issue Date as amended on or about the New Issue Date (as amended, the "**Commercial Sales Management Agreement**") between (upon amendment) the Issuer, the Representative of the Noteholders, Lazard Real Estate S.r.l., Fintecna S.p.A. and Lazard & Co. Real Estate S.r.l. (Lazard & Co. Real Estate S.r.l. together with Fintecna S.p.A., the "**Commercial Sales Managers**"), the Commercial Sales Managers agreed *inter alia* to provide to the Issuer certain sales and related services in relation to the commercial properties comprised within the Real Estate Assets.

By a programme administration agreement entered into on or about the First Issue Date as amended on or about the New Issue Date (as amended, the "**Programme Administration Agreement**") between the Issuer, the Representative of the Noteholders and KPMG Business Advisory Services S.p.A. (formerly known as KPMG Consulting S.p.A.) as programme administrator (the "**Programme Administrator**"), the Programme Administrator has agreed to perform, *inter alia*, certain performance reporting activities on behalf of the Issuer in order to verify compliance by the Asset Managers under the Asset Management Agreements with the Portfolio Disposal Process and the Commercial Sales Managers under the Commercial Sales Management Agreement.

By a *convenzione* entered into on or about the First Issue Date as supplemented on or about the New Issue Date, (as supplemented, the "**Asset Appraisal Agreement**") between the Issuer and the *Agenzia del Territorio* (State Territory Agency) of the Republic of Italy (the "**Asset Appraiser**"), the Asset Appraiser has agreed to perform certain evaluation services in respect of the Real Estate Assets and documentation collection services on behalf of the Issuer, in each case in accordance with the Decrees.

By a corporate services agreement entered into on or about the First Issue Date as amended and restated on or about the New Issue Date (as amended and restated, the "**Issuer Corporate Services Agreement**") between the Issuer, the Representative of the Noteholders and KPMG Fides Servizi di Amministrazione S.p.A. (formerly known as KPMG Fides Fiduciaria S.p.A.) as corporate servicer for the Issuer (the "**Issuer Corporate Servicer**"), which expression shall include its successors and any further or other corporate servicer appointed pursuant to the Issuer Corporate Services Agreement, the Issuer Corporate Servicer has agreed to provide the Issuer with certain corporate administrative and management services.



By an agency agreement entered into on or about the First Issue Date as amended and restated on or about the New Issue Date (as amended and restated, the "**Agency Agreement**") between the Issuer, the Representative of the Noteholders, Deutsche Bank AG London acting through its London branch as principal paying agent (the "**Principal Paying Agent**"), Deutsche Bank Luxembourg S.A. as Luxembourg paying agent (the "**Luxembourg Paying Agent**"), Deutsche Bank S.p.A. as Italian paying agent (the "**Italian Paying Agent**" and, together with the Principal Paying Agent and the Luxembourg Paying Agent, the "**Paying Agents**"), Deutsche Bank AG London acting through its London branch as agent bank (the "**Agent Bank**"), the Paying Agents have agreed to provide the Issuer with certain paying agency services and the Agent Bank has agreed to provide the Issuer with certain calculation, notification, reporting and record keeping services. The Agency Agreement also contains provisions for, *inter alia*, the payment of principal and interest in respect of the Notes of each Class.

By a cash management agreement entered into on or about the First Issue Date as amended and restated on or about the New Issue Date (as amended and restated, the "**Cash Management Agreement**") between the Issuer, the Representative of the Noteholders, Deutsche Bank AG London acting through its London branch as cash manager (the "**Cash Manager**") and Deutsche Bank S.p.A. as Transaction Accounts Bank (the "**Transaction Accounts Bank**"), the Cash Manager has agreed to provide the Issuer with certain cash administration services in relation to the Securitisation and the Transaction Accounts Bank has agreed to provide its services as Transaction Accounts Bank in respect of the Securitisation.

By (i) a liquidity facility agreement entered into on or about the First Issue Date between *inter alios* the Issuer and ABN AMRO Bank N.V. London branch, Citibank N.A. London branch and JPMorgan Chase Bank London branch (the "**First Liquidity Facility Agreement**") and (ii) a liquidity facility agreement entered into on or about the New Issue Date between *inter alios* the Issuer and Barclays Bank PLC Milan branch (the "**New Liquidity Facility Agreement**" and, together with the First Liquidity Facility Agreement, the "**Liquidity Facility Agreements**"), the Issuer has been provided with a liquidity facility in relation to certain of its payment obligations under the Priority of Payments. In accordance with the Intercreditor Agreement, the First Liquidity Facility Agreement will be terminated upon the Payment Date in April 2005.

By (i) swap agreements entered into on or about the First Issue Date (the ISDA Master Agreement together with the schedules thereto, the confirmations evidencing the swap transactions entered into thereunder and any ISDA Credit Support Annex (Bilateral Form - Transfer) entered into in connection therewith, the "**First Hedging Agreements**") between *inter alios* the Issuer and each of ABN AMRO Bank N.V. London branch, Citibank N.A. London branch and JPMorgan Chase Bank London branch as hedging counterparties pursuant to the First Hedging Agreements, and (ii) swap agreements entered into on or about the New Issue Date (the ISDA Master Agreement together with the schedules thereto, the confirmations evidencing the swap transactions to be entered into thereunder and any ISDA Credit Support Annex (Bilateral Form - Transfer) entered into in connection therewith, the "**New Hedging Agreements**" and, together with the First Hedging

Agreements, the "**Hedging Agreements**") between the Issuer, the Representative of the Noteholders and each of Barclays Bank PLC, London branch and UBS Limited, London branch as hedging counterparties pursuant to the New Hedging Agreements (together the "**New Hedging Counterparties**" and, together with the First Hedging Counterparties, the "**Hedging Counterparties**"), the potential exposure of the Issuer in relation to its floating rate interest obligations under the Notes has been hedged. In accordance with the Intercreditor Agreement, the First Hedging Agreements will be terminated upon the Payment Date in April 2005. The obligations of UBS Limited as Hedging Counterparty under its Hedging Agreement are guaranteed by UBS AG (the "**Swap Guarantor**") pursuant to a guarantee dated 24 January 2003 (the "**Swap Guarantee**").

By a deed of charge entered into on or about the First Issue Date (the "**First Deed of Charge**") and a deed of charge entered into on or about the New Issue Date (the "**Second Deed of Charge**" and, together with the First Deed of Charge, the "**Deeds of Charge**") the Issuer assigned in favour of the Representative of the Noteholders on behalf of the holders of the First Notes or the Noteholders (as the case may be), the Issuer Creditors and the other third party creditors of the Issuer in connection with the Securitisation under the Transaction Documents all monetary claims and rights and all the amounts to which the Issuer is entitled pursuant to the Hedging Agreements.

By a letter of undertaking entered into on or about the First Issue Date as supplemented on or about the New Issue Date between Stichting Thesaurum, Stichting Palatium (together, the "**Quotaholders**"), the MEF, TMF Management B.V. (the "**Quotaholder Corporate Servicer**") as corporate servicer of the Quotaholders and the Representative of the Noteholders (the "**Letter of Undertaking**"), the Quotaholder Corporate Servicer and the Quotaholders have given certain undertakings to the Representative of the Noteholders (in its capacity as representative of the holders of the Notes) in relation to the continued corporate existence and management of the Quotaholders and the exercise of the rights of the Quotaholders as quotaholders of the Issuer. In particular, each of the Quotaholders and the Quotaholder Corporate Servicer have agreed not to take any action to liquidate or wind-up the Quotaholders or the Issuer and not to replace the directors of the Issuer without the prior written consent of the Representative of the Noteholders. The Quotaholders have also agreed not to dispose of, or charge or pledge, their respective quotas in the Issuer without the prior written consent of the Representative of the Noteholders.

By limited recourse loan agreements entered into on 22 April 2004 (and guaranteed by the Republic of Italy pursuant to a decree issued by the MEF in conjunction with the MoL on 21 April 2004) (each a "**Limited Recourse Loan Agreement**" and together, the "**Limited Recourse Loan Agreements**") between the Issuer and Banca OPI S.p.A. and DEPFA ACS Bank (each a "**Lender**" and together the "**Lenders**"), each Lender has advanced to the Issuer a subordinated five year loan (each a "**Limited Recourse Loan**" and together, the "**Limited Recourse Loans**"), together for an aggregate principal amount of €800,000,000.

By an intercreditor agreement entered into on or about the First Issue Date as amended and restated on or about the New Issue Date (as amended and restated, the "**Intercreditor Agreement**") between the Issuer, the MEF (also on behalf of the Contributors and the Asset Managers, the Representative of the Noteholders (on its own behalf and as agent for the Noteholders), the Programme Administrator, the Agent Bank, the Paying Agents, the Transaction Accounts Bank, the Issuer Corporate Servicer, the Liquidity Facility Providers, the Hedging Counterparties and the Cash Manager (each as defined herein), provision is made as to the application of the proceeds of the sale of the Real Estate Assets and as to the circumstances in which the Representative of the Noteholders will be entitled to exercise certain rights in relation to the Real Estate Assets. The Representative of the Noteholders shall have the exclusive right under the Intercreditor Agreement to make demands, give notices, to exercise or refrain from exercising any rights and to take or refrain from taking any action in accordance with the Intercreditor Agreement.

A Euro denominated account (the "**Collection Account**") has been established in the name of the Issuer with the *Tesoreria Centrale dello Stato* acting through the Bank of Italy (the "**Collection Account Holder**") for the deposit of all amounts denominated in Euro received or recovered by the Issuer in respect of the revenues deriving from the Real Estate Assets and certain other amounts received from any other party to the Securitisation in accordance with the terms of the Transaction Documents.

A Euro denominated account (the "**Transaction Payment Account**") has been established in the name of the Issuer with the Transaction Accounts Bank through which payments to Noteholders and the other Issuer Creditors will be made.

A Euro denominated account (the "**Transaction Security Deposit Account**" and, together with the Transaction Payment Account, the "**Transaction Accounts**") has been established in the name of the Issuer with the Transaction Accounts Bank to hold security deposits paid in respect of the Real Estate Assets by the Asset Managers and the Commercial Sales Managers.

A Euro denominated account (the "**Quota Capital Account**") has been established with Deutsche Bank S.p.A. for the deposit of the quota capital of the Issuer.

These Conditions include summaries of, and are subject to, the detailed provisions of the Warranty and Indemnity Agreements, the Asset Management Agreements, the Commercial Sales Management Agreement, the Asset Appraisal Agreement, the Programme Administration Agreement, the Intercreditor Agreement, the Hedging Agreements, the Swap Guarantee, the Liquidity Facility Agreements, the Deeds of Charge, the Issuer Corporate Services Agreement, the Letter of Undertaking, the Subscription Agreements, the Agency Agreement and the Cash Management Agreement (together with these Conditions, the "**Transaction Documents**"). Copies of the Transaction Documents are available for inspection during normal business hours by the Noteholders at the specified offices for the time being of each of the Representative of the Noteholders and the Luxembourg Paying Agent.

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them. In particular, each Noteholder, by reason of holding Notes, recognises the Representative of the Noteholders as its representative and accepts to be bound by the terms of each of the Transaction Documents signed by the Representative of the Noteholders as if such Noteholder was a signatory thereto.

The rights and powers of the Noteholders may only be exercised in accordance with the rules of organisation of Noteholders attached as the exhibit to these Conditions (respectively, the "**Rules of the Organisation of Noteholders**" and the "**Organisation of Noteholders**") which are deemed to form part of these Conditions.

## 1. DEFINITIONS

In these Conditions:

"**Accumulation Amount**" means, on any Payment Date on which the Notes have not been redeemed in whole, any Available Redemption Funds, which shall be applied as accumulation amount standing to the credit of the Collection Account;

"**Available Redemption Funds**" means, in respect of any Class of Notes, as calculated at any Determination Date, the difference between the Issuer Available Funds in respect of such Determination Date and:

- (1) in respect of the Class A2 Notes, the aggregate of the payments described under items (i) to (iii) (inclusive) in the Priority of Payments;
- (2) in respect of the Class A3 Notes, the aggregate of the payments described under items (i) to (iv) (inclusive) in the Priority of Payments;
- (3) in respect of the Class B1 Notes, the aggregate of the payments described under items (i) to (v) (inclusive) in the Priority of Payments;
- (4) in respect of the Class C Notes, the aggregate of the payments described under items (i) to (vi) (inclusive) in the Priority of Payments;
- (5) in respect of the Class A4 Notes, the aggregate of the payments described under items (i) to (xv) (inclusive) in the Priority of Payments;
- (6) in respect of the Class A5 Notes, the aggregate of the payments described under items (i) to (xvi) (inclusive) in the Priority of Payments; and
- (7) in respect of the Class B2 Notes, the aggregate of the payments described under items (i) to (xvii) (inclusive) in the Priority of Payments;

and which, in each case, are required to be made by the Issuer on the immediately following Payment Date;

"**Business Day**" means any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) system (or any successor thereto) is open;

"**Cancellation Date**" means, in respect of each Class of Notes, the earlier of (i) the date on which the Notes of such Class are redeemed in full; and (ii) the Payment Date falling in October 2040;

"**Class A4 Step-Up Date**" means the Payment Date in April 2006;

"**Class A5 Step-Up Date**" means the Payment Date in October 2008;

"**Class B2 Step-Up Date**" means the Payment Date in January 2009;

"**Clearstream, Luxembourg**" means Clearstream Banking, *société anonyme*;

"**Collection Period**" means, in respect of any Determination Date, the period from (and including) the preceding Determination Date to (but excluding) such Determination Date;

"**Decrees**" means the First MEF Decree, the Second MEF Decree and the Third MEF Decree;

"**Deferred Transfer Price**" means the deferred transfer price for the Real Estate Assets payable by the Issuer to the MEF once the Notes have been redeemed in full, subject to the conditions specified in the Decrees and the Transaction Documents;

"**Determination Date**" means, in relation to any Payment Date, the day falling three Business Days prior to the seventh calendar day prior to such Payment Date;

"**Euroclear**" means Euroclear Bank S.A./N.V., as operator of the Euroclear System;

"**Euro-zone**" means the region comprised of the member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992);

"**Expense Amount**" means an amount not exceeding €848,805 on the New Issue Date and €200,000 on each Payment Date thereafter, which will be credited to the Transaction Payment Account, in order to fund the payment of certain amounts required to be paid by the Issuer during Interest Periods until service of a Trigger Notice;

"**Expenses**" means (a) any fees, costs, expenses and taxes required to be paid in order to preserve the corporate existence of the Issuer or to maintain it in good standing or to comply with applicable legislation or listing rules or in relation to such notarial services in compliance with applicable laws for which the Issuer is liable; (b) any additional fees, costs and expenses in connection with any listing,

clearing, deposit or rating of the Notes, or to fund any notice to be given to the Noteholders or other parties to the Transaction Documents in accordance with any of the Transaction Documents; and (c) any documented fees, costs, amounts, expenses and taxes required to be paid to any third party creditors of the Issuer (other than the Noteholders and the parties to the Intercreditor Agreement) arising in connection with the Securitisation;

**"First MEF Decree"** means a transfer decree issued by the MEF in conjunction with the MoL dated 21 November 2002 and amended from time to time;

**"First Notes Reserve Amount"** means on the New Issue Date, an amount of €5,174,000,000 and, thereafter on each Payment Date, an amount calculated by the Cash Manager at the Determination Date immediately preceding such Payment Date, to be the aggregate of (i) the outstanding principal on the First Notes immediately following such Payment Date and (ii) in respect of each Class of First Notes which has principal outstanding immediately following such Payment Date, an amount of X in respect of each such Class of First Notes calculated as follows:

$$X = \text{PAO} \times \text{IM} \times \text{NDR} / 360$$

Where:

PAO = the Principal Amount Outstanding in respect of such Class of First Notes immediately following such Payment Date;

IM = the Relevant Margin for such Class of First Notes plus 0.35%; and

NDR = the number of calendar days from (and including) such Payment Date to (but excluding) the date on which mandatory redemption is due to commence for such Class of First Notes in accordance with Condition 7.2 (*Mandatory Redemption*);

**"Interest Determination Date"** means, in relation to an Interest Period, the day falling two Business Days prior to the Payment Date being the first day of such Interest Period and, in relation to the Initial Interest Period, the second Business Day before the First Issue Date or the New Issue Date, as the case may be;

**"Interest Period"** means each period from (and including) a Payment Date to (but excluding) the next following Payment Date, provided that the first Interest Period (the **"Initial Interest Period"**) in respect of the First Notes was from (and including) the First Issue Date to (but excluding) the Payment Date in April 2003 and, in respect of the New Notes, shall be from (and including) the New Issue Date to (but excluding) the Payment Date falling in July 2005;

**"Issuer Available Funds"** means, in respect of any Determination Date, the aggregate of:

- (1) all amounts, net of any applicable value added tax (which, for the avoidance of doubt, have not already been applied in accordance with the

Cash Management Agreement), received into the Collection Account by the Issuer during the Collection Period or in any case received into the Collection Account prior to the Determination Date, including, for the avoidance of doubt, the First Notes Reserve Amount and any Accumulation Amount but excluding any monies held as Standby Amount pursuant to the New Liquidity Facility Agreement, (i) as arranged by or from each Asset Manager in accordance with the terms of the relevant Asset Management Agreement or the Commercial Sales Managers in accordance with the Commercial Sales Management Agreement, (ii) from any other party to the Securitisation to such account in accordance with the terms of any other Transaction Document, (iii) from any other party (other than as listed under items 2, 3, 4 or 5 below), and (iv) from the Transaction Security Deposit Account;

- (2) all amounts standing to the credit of the Transaction Payment Account as at such Determination Date, including, for the avoidance of doubt, all monies held as the Expense Amount;
- (3) all monies received during the relevant Collection Period or expected to be received by the Issuer on or before the immediately following Payment Date (and provided that by such Payment Date they are actually received) under the Hedging Agreements, the Swap Guarantee or the New Liquidity Facility Agreement, but excluding any monies to be received as Standby Amount to the extent that such monies are not needed by the Issuer for the payment of items (i) to (xv) (inclusive) of the Priority of Payments;
- (4) all monies expected to be received by the Issuer on or before the immediately following Payment Date (and provided that by such Payment Date they are actually received) as net subscription moneys for any further notes or as net loan proceeds for any further loans issued or taken out by the Issuer in accordance with Condition 4.3 (*Other Transactions involving Same Portfolio, Further Issues*) if and to the extent that the Cash Manager has received written confirmation from the Issuer that such net subscription moneys or net loan proceeds are to be used thereby in the Issuer Available Funds; and
- (5) (to the extent not included in the preceding items) all amounts of interest accrued, due and paid on amounts in the Transaction Accounts and the Collection Account during such Collection Period,

*Provided that*, for the avoidance of doubt:

- (i) in relation to the Payment Date in April 2005, the First Notes Reserve Amount will form part of the Issuer Available Funds; and
- (ii) payments made to or deposits of securities made with the Issuer as collateral pursuant to any credit support annexes for any Hedging

Agreement (if any) and payments made incorrectly to the Issuer by either the Asset Managers or the Commercial Sales Managers in accordance with the Asset Management Agreements and the Commercial Sales Management Agreements shall not form part of the Issuer Available Funds;

"**Law Decree No. 351**" means Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 as converted into law with amendments, and as amended from time to time;

"**Liquidity Facility Providers**" means any liquidity facility provider which has entered into a Liquidity Facility Agreement with *inter alios* the Issuer in accordance with the terms of the Transaction Documents;

"**Liquidity Subordinated Amounts**" means any additional amounts in respect of increased costs, fees, taxes and expenses as set out in the New Liquidity Facility Agreement payable to the New Liquidity Facility Provider (either original or substituted) in the aggregate in excess of 0.05 per cent per annum on the maximum aggregate amount available to be drawn under the New Liquidity Facility;

"**MEF**" means the Ministry of Economy and Finance of the Republic of Italy;

"**MoL**" means the Ministry of Labour and Social Policies of the Republic of Italy;

"**Monte Titoli account holder**" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli and includes any depositary banks appointed by Euroclear and Clearstream, Luxembourg;

"**Portfolio Disposal Process**" means the process for the disposal of the Real Estate Assets in accordance with Law Decree No. 351, the Asset Management Agreements, the Commercial Sales Management Agreement and the Decrees;

"**Post Trigger Event Priority of Payments**" means the order of priority of payments set out in Condition 5.2 (*Post Trigger Event Priority of Payments*);

"**Priorities of Payments**" means the Priority of Payments and the Post Trigger Event Priority of Payments;

"**Priority of Payments**" means the order of priority of payments set out in Condition 5.1 (*Priority of Payments*);

"**Principal Amount Outstanding**" means, in relation to any Note on any date, the principal amount of that Note upon issue less the aggregate amount of all principal payments in respect of that Note that have been paid prior to such date;

"**Rating Agencies**" means Fitch Ratings Ltd ("**Fitch Ratings**"), Moody's Investors Service Ltd. ("**Moody's**") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**");



**"Relevant Date"** means, in relation to a Note, the date on which a payment in respect thereof first becomes due and payable or (if the full amount of the monies payable in respect of all Notes due and payable on or before that date has not been duly received by the Paying Agents or the Representative of the Noteholders on or prior to such date) the date on which notice that the full amount of such monies has been received is duly given to the Noteholders in accordance with Condition 16 (*Notices*);

**"Second MEF Decree"** means the decree of the MEF dated 21 November 2002 issued in conjunction with the MoL and in accordance with Article 3 of Law Decree No. 351 and published in the Official Gazette (*Gazzetta Ufficiale*) of the Republic of Italy on 30 November 2002;

**"Security Interest"** means any mortgage, charge, pledge, lien, right of set-off, special privilege (*privilegio speciale*), assignment by way of security, retention of title or any other security interest whatsoever or any other agreement or arrangement having the effect of conferring security;

**"Standby Amount"** means the amount (if any) paid by the New Liquidity Facility Provider to the Issuer equal to the entire undrawn portion of the Liquidity Facility following certain rating downgrade events of the New Liquidity Facility Provider or the withdrawal of the New Liquidity Facility Provider from the Liquidity Facility without an eligible substitute having been found, in each case in accordance with the New Liquidity Facility Agreement;

**"Subordinated Termination Payment"** means, subject as set out below, any termination payments due and payable to any Hedging Counterparty under a Hedging Agreement where such termination results from (a) an Additional Termination Event (Ratings Event) as specified in the schedule to the relevant Hedging Agreement, (b) bankruptcy of the relevant Hedging Counterparty, or (c) the occurrence of an Event of Default (as defined in the relevant Hedging Agreement) in relation to which the relevant Hedging Counterparty is the Defaulting Party (as defined in the relevant Hedging Agreement), other than, in the event of (a) or (c) above, the amount of any termination payment due and payable to such Hedging Counterparty in relation to the termination of such transaction to the extent of any premium received by the Issuer from a replacement hedging counterparty;

**"Tenants"** means the persons being from time to time tenants of the units comprised in the Assets;

**"Third MEF Decree"** means the decree dated 18 April 2005 issued by the MEF in conjunction with the MoL in accordance with Article 3 of Law Decree No. 351;

**"2001 Notes"** means the €1,000,000,000 Series 1 Asset-Backed Floating Rate Notes due 2005 and the €1,300,000,000 Series 2 Asset-Backed Notes due 2005 issued by the Issuer on 21 December 2001, and now redeemed in full;

"2001 Portfolio" means the portfolio of assets the securitisation of which was funded by the issue of the 2001 Notes.

## 2. FORM, DENOMINATION AND TITLE

### 2.1 Form and Denomination

The Notes are in dematerialised bearer form and will be wholly and exclusively deposited with Monte Titoli's system in accordance with Legislative Decree No. 213 of 24 June 1998, through the authorised institutions listed in Article 30 of such Legislative Decree.

The Notes will be issued in the denomination of €1,000 only.

### 2.2 Title

The Notes are held on behalf of the beneficial owners, from issue thereof until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli account holder. The Notes will at all times be evidenced by book-entries in accordance with the provisions of Legislative Decree No. 213 of 24 June 1998 and with CONSOB Regulation No. 11768 of 23 December 1998, each as amended from time to time.

## 3. STATUS, RANKING AND SEGREGATION

### 3.1 Status

The Notes constitute limited recourse obligations of the Issuer and, accordingly, the extent of the obligation of the Issuer to make payments under the Notes is limited to the amounts received or recovered by the Issuer in respect of the Real Estate Assets and the other Issuer's Rights, which may be used for such purposes in accordance with the orders of priority of payments set out in Condition 5 (*Priorities of Payments*). The Noteholders acknowledge that the limited recourse nature of the Notes produces the effects of a *contratto aleatorio* under Italian law and they accept the consequences thereof.

### 3.2 Ranking

Prior to the delivery of a Trigger Notice, (i) the Class A2 Notes will rank *pari passu* and without any preference or priority among themselves, the Class A3 Notes will rank *pari passu* and without any preference or priority among themselves, the Class B1 Notes will rank *pari passu* and without any preference or priority among themselves, the Class C Notes will rank *pari passu* and without any preference or priority among themselves, the Class A4 Notes will rank *pari passu* and without any preference or priority among themselves, the Class A5 Notes will rank *pari passu* and without any preference or priority among themselves, and the Class B2 Notes will rank *pari passu* and without any preference or priority among themselves, and (ii) payments of interest on the First Class A Notes will rank in priority to payments of interest on the Class B1 Notes, which will rank in priority to payments of interest

on the Class C Notes, which will rank in priority to payments of principal on the First Class A Notes, which will rank in priority to payments of principal on the Class B1 Notes, which will rank in priority to payments of principal on the Class C Notes, which will rank in priority to payments of interest on the Class A4 Notes, which will rank in priority to payments of interest on the Class A5 Notes, which will rank in priority to payments of interest on the Class B2 Notes, which will rank in priority to payments of principal on the Class A4 Notes, which will rank in priority to payments of principal on the Class A5 Notes, and which will rank in priority to payments of principal on the Class B2 Notes.

Following the service of a Trigger Notice, (i) the First Class A Notes rank *pari passu* and rateably without any preference or priority among themselves, the Class B1 Notes rank *pari passu* and rateably without any preference or priority among themselves, the Class C Notes rank *pari passu* and rateably without any preference or priority among themselves, the New Class A Notes rank *pari passu* and rateably without any preference or priority among themselves, and the Class B2 Notes rank *pari passu* and rateably without any preference or priority among themselves; and (ii) payments of interest and principal due on the First Class A Notes will rank in priority to payments of interest and principal due on the Class B1 Notes, which will rank in priority to payments of interest and principal due on the Class C Notes, which will rank in priority to payments of interest and principal due on the New Class A Notes, and which will rank in priority to payments of interest and principal due on the Class B2 Notes.

### 3.3 Segregation and Security

By operation of Italian law and the Transaction Documents, the Issuer's Rights will be segregated from all other assets of the Issuer (including from assets pertaining to any other future separate securitisation), and amounts deriving therefrom will be available, both before and after a winding-up of the Issuer, to satisfy the obligations of the Issuer to the Noteholders and the other Issuer Creditors, in the orders of priority set out in Condition 5 (*Priorities of Payments*), in priority to the Issuer's obligations to any other creditors.

As security for the Noteholders and the other Issuer Creditors the Issuer has, pursuant to the Deeds of Charge, given security under English law to the Representative of the Noteholders as trustee for the Noteholders, the Issuer Creditors and the other third party creditors of the Issuer in connection with the Securitisation over all of the right, title, benefit and interest present and future of the Issuer in, to and under, the Hedging Agreements and any payments or amounts due to the Issuer.

## 4. COVENANTS

### 4.1 Covenants by the Issuer

For so long as any amount remains outstanding in respect of the Notes of any Class, the Issuer shall not, save with the prior written consent of the Representative of the Noteholders or as provided in, envisaged by or referred to in any of the Transaction Documents to which it is a party:

- (a) *Negative pledge:* create or permit to subsist any Security Interest whatsoever over the Real Estate Assets, the other Issuer's Rights or any part thereof or over any of its other assets; or
- (b) *Restrictions on activities:*
  - (1) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents, its *statuto* or *atto costitutivo* and/or the Decrees provide or envisage that the Issuer will engage; or
  - (2) have any *società controllata* (as defined in Article 2359 of the Italian Civil Code) or any employees or own any premises; or
  - (3) at any time approve or agree or consent to any act or thing whatsoever which may be materially prejudicial to the interests of the Noteholders under the Transaction Documents or do, or permit to be done, any act or thing in relation thereto which may be materially prejudicial to the interests of the Noteholders under the Transaction Documents; or
- (c) *Dividends or Distributions:* pay any dividend or make any other distribution or return or repay any equity capital to its quotaholders, or increase its capital save as otherwise required by law; or
- (d) *Borrowings:* subject to Condition 4.2 (*Other Transactions involving Unrelated Portfolios*) and Condition 4.3 (*Other Transactions involving Same Portfolio, Further Issues*), incur any indebtedness in respect of borrowed money whatsoever (save for the indebtedness to be incurred in relation to any further securitisation) or give any guarantee in respect of indebtedness or of any obligation of any person; or
- (e) *Merger:* consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person; or
- (f) *No variation or waiver:* permit any of the Transaction Documents to which it is party to be amended, terminated or discharged, or exercise any powers of consent or waiver pursuant to the terms of any of the Transaction Documents to which it is a party, or permit any party to any of the Transaction Documents to which it is a party to be released from such obligations; or

- (g) *Bank Accounts*: have an interest in any bank account other than the Collection Account, the Transaction Accounts and the Quota Capital Account or any bank accounts opened in relation to any previous or further securitisations; or
- (h) *Statutory Documents*: amend, supplement or otherwise modify its *statuto* or *atto costitutivo* in any manner which is prejudicial to the interests of the Noteholders or any other Issuer Creditor; or
- (i) *De-registration*: request de-registration from the register held by the *Ufficio Italiano dei Cambi* pursuant to Article 106 of Legislative Decree No. 385 of 1 September 1993, during any period in which any applicable law or regulation requires the Issuer to be registered on such register.

For the avoidance of doubt, the activities carried out by the Issuer in connection with the 2001 Notes and the securitisation transaction of which the 2001 Notes form part, including the holding of an interest in the bank accounts connected to such securitisation transaction, do not constitute a breach by the Issuer of its covenants under this Condition 4.1.

#### 4.2 **Other Transactions involving Unrelated Portfolios**

None of the covenants in Condition 4.1 (*Covenants by the Issuer*) shall prohibit the Issuer from acquiring further portfolios of real estate assets not forming part of the same pool as the Initial Real Estate Assets ("**Further Portfolios**"), issuing further debt securities or taking loans in connection with the acquisition of Further Portfolios ("**Further Notes**" or "**Loans**", as the case may be), entering into agreements and transactions relating thereto with the Contributors or any other party connected with the acquisition of Further Portfolios or the issue of Further Notes or taking out of Loans ("**Further Transactions**") and granting security over such Further Portfolios and any right, benefit, agreement, instrument, document or other asset of the Issuer relating thereto or to such Further Transactions to secure such Further Notes and/or the rights of any person in connection with such Further Transactions ("**Further Security**"), provided that:

- (a) the Issuer confirms in writing to the Representative of the Noteholders that such Further Security is constituted separately from the Real Estate Assets and the other Issuer's Rights and does not include or comprise any asset in the Real Estate Assets and the other Issuer's Rights;
- (b) the Issuer confirms in writing to the Representative of the Noteholders that the terms and conditions of such Further Notes contain provisions to the effect that the obligations of the Issuer whether in respect of interest, principal, premium or other amounts in respect of such Further Notes or Loans, are limited recourse obligations of the Issuer, limited to some or all of the assets of the Issuer secured by such Further Security;

- (c) the Issuer confirms in writing to the Representative of the Noteholders that each party to such Further Transaction agrees and acknowledges that the obligations of the Issuer to such person in connection with such Further Transactions are limited recourse obligations of the Issuer, limited to some or all of the assets of the Issuer secured by such Further Security and that each secured creditor in respect of such Further Transaction or the representative of the holders of such Further Notes has agreed to limitations on its or their ability to take action against the Issuer, including in respect of insolvency proceedings relating to the Issuer, on terms, in all significant respects, equivalent to those contained in the Intercreditor Agreement;
- (d) the Issuer provides to the Representative of the Noteholders evidence satisfactory to the Representative of the Noteholders that the issue of such Further Notes or taking out of such Loans would not adversely affect the then current rating of the Notes or the then current rating of any other class or classes of Further Notes issued by the Issuer and outstanding;
- (e) the Issuer confirms in writing to the Representative of the Noteholders that the terms and conditions of such Further Notes or Loans and of the intercreditor agreement or other documents constituting the Further Security therefor shall include:
  - (i) terms and conditions in all significant respects equivalent to the covenants set out in Condition 4.1 (*Covenants by the Issuer*); and
  - (ii) provisions which are the same as or, in the sole discretion of the Representative of the Noteholders, equivalent to this proviso; and
- (f) the Representative of the Noteholders is satisfied that the conditions set out in paragraphs (a) to (e) inclusive of this Condition 4.2 have been satisfied and has received a legal opinion to the effect that the relevant Further Notes or Loans are in compliance with Law Decree No. 351, the Decrees and this Condition.

In giving any consent to the foregoing, the Representative of the Noteholders may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents (and may itself consent thereto on behalf of Noteholders) or may impose such other conditions or requirements as the Representative of the Noteholders may deem expedient (in its absolute discretion) in the interests of the Noteholders and may rely on any written confirmation from the Issuer as to the matters contained therein.

#### 4.3 **Other Transactions involving Same Portfolio, Further Issues**

None of the covenants in Condition 4.1 (*Covenants by the Issuer*) shall prohibit the Issuer from being required by the MEF to create and issue, by virtue of the provisions of the Decrees and without the consent of the Noteholders, further notes

or take out any loans in order (i) to fund the purchase from the Contributors (and, to the extent that the First Notes have been redeemed in full, from any other contributor the assets of which may be transferred to the Issuer pursuant to Law Decree No. 351) of further portfolios of real estate assets to form part of the Real Estate Assets and to be segregated in favour of the Noteholders and the holders of the further notes issued or the lenders under such loan; and/or (ii) to fund the prepayment to the MEF of amounts of Deferred Transfer Price and/or (iii) to the extent that the First Notes have been redeemed in full, to finance the redemption of any securities previously issued or loans previously taken by the Issuer in connection with the securitisation of the Initial Real Estate Assets. It is a condition precedent to any such further issue of notes or any such loans that none of the ratings of the outstanding Notes at the time is adversely affected by such further issue or loan. In the event of the Issuer issuing such further notes or taking out such loans, the rights of the Noteholders in relation to the Real Estate Assets and to the other assets of the Issuer may be affected, since any such further notes or loans may be repayable from collections and recoveries in respect of the Real Estate Assets and the other Issuer's Rights, and some of the Transaction Documents may need to be amended or supplemented.

## 5. PRIORITIES OF PAYMENTS

*The Class A1 Notes were redeemed in full on the Payment Date (as defined in the Conditions) falling in July 2004.*

### 5.1 Priority of Payments

The Cash Manager will procure that on each Payment Date, until the delivery of a Trigger Notice in respect of the Notes, the following payments are made by the Issuer in the order of priority set out below (in each case only to the extent of Issuer Available Funds (calculated as at the Determination Date prior to such Payment Date) and if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay all amounts of interest then due and payable on the First Class A Notes (*pari passu* and *pro rata* according to the amounts then due);
- (ii) *second*, to pay all amounts of interest then due and payable on the Class B1 Notes (*pari passu* and *pro rata* according to the amounts then due);
- (iii) *third*, to pay all amounts of interest then due and payable on the Class C Notes (*pari passu* and *pro rata* according to the amounts then due);
- (iv) *fourth*, to pay (*pro rata* according to the amounts then due) all amounts of principal (if any) due and payable on the Class A2 Notes until redemption in full of the Class A2 Notes;

- (v) *fifth*, to pay (*pro rata* according to the amounts then due) all amounts of principal (if any) due and payable on the Class A3 Notes until redemption in full of the Class A3 Notes;
- (vi) *sixth*, to pay (*pro rata* according to the amounts then due) all amounts of principal (if any) due and payable on the Class B1 Notes until redemption in full of the Class B1 Notes;
- (vii) *seventh*, to pay (*pro rata* according to the amounts then due) all amounts of principal (if any) due and payable on the Class C Notes until redemption in full of the Class C Notes;
- (viii) *eighth*, if on such Payment Date any amount of principal remains outstanding in respect of any of the First Notes, to credit to the Collection Account the First Notes Reserve Amount;
- (ix) *ninth*, *pari passu* and *pro rata* according to the respective amounts thereof:
  - (a) to pay *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses (to the extent that the Expense Amount (as defined below) standing to the credit of the Transaction Payment Account has been insufficient to pay the Expenses during the immediately preceding Interest Period); and
  - (b) to replenish the Expense Amount standing to the credit of the Transaction Payment Account;
- (x) *tenth*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any amounts due and payable under the Transaction Documents to the Representative of the Noteholders, the Issuer Corporate Servicer, the Cash Manager, the Programme Administrator, the Asset Appraiser, the Agent Bank, the Paying Agents, the Commercial Sales Managers, the Transaction Accounts Bank and the Asset Managers;
- (xi) *eleventh*, to pay all amounts of principal, interest and commitment fee due and payable to the Liquidity Facility Providers (*pari passu* and *pro rata* according to the amounts then due) under the terms of any Liquidity Facility Agreements other than any Liquidity Subordinated Amounts;
- (xii) *twelfth*, to pay all amounts due and payable to the Hedging Counterparties (*pari passu* and *pro rata* according to the amounts then due) under the Hedging Agreements (other than any Subordinated Termination Payments due and payable to such Hedging Counterparties in respect of such Hedging Agreements);
- (xiii) *thirteenth*, to pay all amounts of interest then due and payable on the Class A4 Notes (*pari passu* and *pro rata* according to the amounts then due);



- (xiv) *fourteenth*, to pay all amounts of interest then due and payable on the Class A5 Notes (*pari passu* and *pro rata* according to the amounts then due);
- (xv) *fifteenth*, to pay all amounts of interest then due and payable on the Class B2 Notes (*pari passu* and *pro rata* according to the amounts then due);
- (xvi) *sixteenth*, to pay (*pro rata* according to the amounts then due) all amounts of principal (if any) due and payable on the Class A4 Notes until redemption in full of the Class A4 Notes;
- (xvii) *seventeenth*, to pay (*pro rata* according to the amounts then due) all amounts of principal (if any) due and payable on the Class A5 Notes until redemption in full of the Class A5 Notes;
- (xviii) *eighteenth*, to pay (*pro rata* according to the amounts then due) all amounts of principal (if any) due and payable on the Class B2 Notes until redemption in full of the Class B2 Notes;
- (xix) *nineteenth*, if on such Payment Date any amount of principal remains outstanding in respect of any Class of Notes, to credit all surplus amounts, if any, as Accumulation Amount to the Collection Account;
- (xx) *twenty*, to pay all Subordinated Termination Payments due and payable to each Hedging Counterparty (*pari passu* and *pro rata* according to the amounts then due) under the Hedging Agreements;
- (xxi) *twenty first*, to pay the Liquidity Facility Providers (*pari passu* and *pro rata* according to the amounts then due) all Liquidity Subordinated Amounts; and
- (xxii) *twenty second*, if, on such Payment Date, all amounts of principal have been redeemed in respect of each Class of Notes, to pay the surplus amounts, if any, to the MEF for allocation to the Contributors as Deferred Transfer Price.

During an Interest Period the Cash Manager will be entitled:

- (A) until the service of a Trigger Notice in respect of the Notes, to apply the Expense Amount standing to the credit of the Transaction Payment Account in payment of any ongoing fees, costs, expenses and taxes due and payable by the Issuer during such period;
- (B) to instruct the Issuer to apply amounts standing to the credit of the Collection Account in excess of the aggregate of (i) the amount then recorded as First Notes Reserve Amount, and (ii) any Standby Amount then standing to the credit of the Collection Account, and received on account of any value added tax for payment of such value added tax, in accordance with any applicable laws and regulations; and

- (C) to apply amounts standing to the credit of the Collection Account in excess of the aggregate of (i) the amount then recorded as First Notes Reserve Amount, and (ii) any Standby Amount then standing to the credit of the Collection Account in order to prepay, in whole or in part, amounts due as Deferred Transfer Price for the Initial Real Estate Assets subject to the terms set out in the Decrees and provided that the Rating Agencies have confirmed that none of the ratings of the then outstanding Notes will be adversely affected by such payment. For the avoidance of doubt, such partial prepayment may also be made following the redemption in full of the First Notes and the consequent reduction to zero of the First Notes Reserve Amount.

## 5.2 Post Trigger Event Priority of Payments

Following the delivery of a Trigger Notice, the Issuer Available Funds shall be applied on each Business Day in making the following payments in the following order of priority (in each case, only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay *pari passu* and *pro rata* according to the respective amounts thereof: all amounts of interest then due and payable and all Principal Amount Outstanding on the First Class A Notes until payment in full of the First Class A Notes;
- (ii) *second*, to pay *pari passu* and *pro rata* according to the respective amounts thereof: all amounts of interest then due and payable and all Principal Amount Outstanding on the Class B1 Notes until payment in full of the Class B1 Notes;
- (iii) *third*, to pay *pari passu* and *pro rata* according to the respective amounts thereof: all amounts of interest then due and payable and all Principal Amount Outstanding on the Class C Notes until payment in full of the Class C Notes;
- (iv) *fourth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses (to the extent that the Expense Amount standing to the credit of the Transaction Payment Account has been insufficient to pay the Expenses);
- (v) *fifth*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any amounts due and payable under the Transaction Documents to the Representative of the Noteholders, the Issuer Corporate Servicer, the Cash Manager, the Programme Administrator, the Asset Appraiser, the Agent Bank, the Paying Agents, the Commercial Sales Managers, the Transaction Accounts Bank and the Asset Managers;

- (vi) *sixth*, to pay all amounts due and payable as principal, interest, costs, expenses, commitment fee or otherwise to the Liquidity Facility Providers (*pari passu* and *pro rata* according to the amounts then due);
- (vii) *seventh*, to pay all amounts due and payable to the Hedging Counterparties (*pari passu* and *pro rata* according to the amounts then due) under the Hedging Agreements (other than any Subordinated Termination Payments due and payable to such Hedging Counterparties in respect of such Hedging Agreements);
- (viii) *eighth*, to pay *pari passu* and *pro rata* according to the respective amounts thereof: all amounts of interest then due and payable and all Principal Amount Outstanding on the New Class A Notes until payment in full of the New Class A Notes;
- (ix) *ninth*, to pay *pari passu* and *pro rata* according to the respective amounts thereof: all amounts of interest then due and payable and all Principal Amount Outstanding on the Class B2 Notes until payment in full of the Class B2 Notes;
- (x) *tenth*, to pay all Subordinated Termination Payments due and payable to each Hedging Counterparty (*pari passu* and *pro rata* according to the amounts then due) under the Hedging Agreements; and
- (xi) *eleventh*, to pay all surplus to the MEF for allocation to the Contributors as Deferred Transfer Price.

Following service of a Trigger Notice, the Representative of the Noteholders will be entitled to receive (under paragraph (v) above) the additional fee specified in the Second Subscription Agreement as remuneration for the services required to be performed by it in such circumstances.

Following service of a Trigger Notice, the Cash Manager will remain entitled to instruct on the application of amounts in excess of the First Notes Reserve Amount and the Standby Amount standing to the credit of the Collection Account and received on account of any value added tax for payment of such value added tax, in accordance with any applicable laws and regulations.

## 6. INTEREST

*The Class A1 Notes were redeemed in full on the Payment Date (as defined in the Conditions) falling in July 2004.*

### 6.1 Payment Dates and Interest Periods

Each Note bears interest on its Principal Amount Outstanding from (and including) the issue thereof. Subject as provided in Condition 6.8 (*Notice to be Given when Interest Not Fully Payable*), interest in respect of the Notes of each Class is payable in Euro quarterly in arrears on the 26<sup>th</sup> day of January, April, July and October in

each year (or if any such day is not a Business Day, the immediately succeeding Business Day) (each a "**Payment Date**") in respect of the Interest Period ending immediately prior thereto.

Interest in respect of any Interest Period or any other period will be calculated on the basis of the actual number of days elapsed and a 360 day year.

Interest shall cease to accrue on any part of the Principal Amount Outstanding of a Note from (and including) the due date for redemption of such part unless payment of principal due and payable but unpaid is improperly withheld or refused, whereupon interest shall continue to accrue on such principal (as well after as before judgment) at the rate from time to time applicable to the Notes until the monies in respect thereof have been received by the Representative of the Noteholders or the Principal Paying Agent on behalf of the relevant Noteholders and notice to that effect is given in accordance with Condition 16 (*Notices*).

## 6.2 **Rate of Interest of the Notes**

The rate of interest payable from time to time in respect each Class of Notes (each, the "**Rate of Interest**" for that Class) will be determined by the Agent Bank on each Interest Determination Date in respect of the Interest Period commencing immediately after that date. The Rate of Interest applicable to the Notes for each Interest Period shall be the aggregate of:

6.2.1 the Relevant Margin; and

6.2.2 either:

- (A) the rate offered (rounded to three decimal places with the mid-point rounded up) for three month Euro deposits (except in respect of the Initial Interest Period in relation to the New Notes where the interpolation of the rate for three and four month Euro deposits (rounded to four decimal places with the mid-point rounded up) will be used) in the Euro-zone Inter-bank market which appears on Telerate Screen Page No. 248 (or such other page as may replace such page on that service for the purpose of displaying such information or, if that service ceases to display such information, such page as displays such information on such equivalent service (or, if more than one, that one which is approved in writing by the Representative of the Noteholders to replace the Telerate Monitor) (the "**Euro Screen Rate**"), at or about 11.00 a.m. (Brussels time) on the relevant Interest Determination Date; or
- (B) if the Euro Screen Rate is unavailable at such time for three month Euro deposits (or, in respect of the Initial Interest Period in relation to the New Notes, the interpolation of the rate for three and four month Euro deposits), then the rate for the relevant Interest Period shall be the arithmetic mean (rounded to four decimal places with the

mid-point rounded up) of the rates notified to the Agent Bank at its request by each of the Reference Banks as the rate at which such deposits in a representative amount are offered by that Reference Bank to leading banks in the Euro-zone Inter-bank market at or about 11.00 a.m. (Brussels time) on the relevant Determination Date. If on any such Interest Determination Date, two only of the Reference Banks provide such offered quotations to the Agent Bank the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Representative of the Noteholders and the Issuer for the purposes of agreeing one additional bank to provide such a quotation or quotations to the Agent Bank (which bank is in the opinion of the Representative of the Noteholders suitable for such purpose) and the rate for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed. If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the rate for the relevant Interest Period shall be the rate in effect for the last preceding Interest Period to which sub-paragraph (A) of this Condition 6.2.2 shall have applied; or

There shall be no maximum or minimum Rate of Interest.

For the purposes of these Conditions, the "**Relevant Margin**" shall be:

- (i) in respect of the Class A2 Notes: 0.27 per cent per annum;
- (ii) in respect of the Class A3 Notes: 0.32 per cent per annum;
- (iii) in respect of the Class B1 Notes: 0.65 per cent per annum;
- (iv) in respect of the Class C Notes: 1.17 per cent per annum;
- (v) in respect of the Class A4 Notes: 0.07 per cent per annum up to and including the Class A4 Step-Up Date and thereafter 0.21 per cent per annum;
- (vi) in respect of the Class A5 Notes: 0.20 per cent per annum up to and including the Class A5 Step-Up Date and thereafter 0.40 per cent per annum; and
- (vii) in respect of the Class B2 Notes: 0.48 per cent per annum up to and including the Class A4 Step-Up Date and thereafter 0.96 per cent per annum.

### 6.3 **Determination of Rates of Interest and Calculation of Interest Payments**

The Agent Bank shall, on each Interest Determination Date, determine and notify to the Issuer and the Representative of the Noteholders:

- 6.3.1 the Rate of Interest applicable to the Interest Period beginning after such Interest Determination Date (or in the case of the Initial Interest Period, beginning on and including the First Issue Date or the New Issue Date, as the case may be) in respect of each Class of Notes outstanding;
- 6.3.2 the Euro amount, as the case may be (the "**Interest Payment Amount**") payable on each Class of Notes outstanding in respect of such Interest Period. The Interest Payment Amount payable in respect of any Interest Period in respect of each Class of Notes shall be calculated by applying the relevant Rate of Interest to the Principal Amount Outstanding of such Class of Notes on the Payment Date (or, in the case of the Initial Interest Period, the First Issue Date or the New Issue Date, as the case may be) on the commencement of such Interest Period (after deducting therefrom any payment of principal due on that Payment Date), multiplying the product of such calculation by the actual number of days in the Interest Period and dividing by 360, and rounding the resultant figure to the nearest cent (half a cent being rounded up).

### 6.4 **Notification of the Rate of Interest and the Interest Payment Amount**

The Agent Bank will cause the Rate of Interest and the Interest Payment Amount applicable to each Class of Notes for each Interest Period and the Payment Date in respect of such Interest Payment Amount to be notified promptly after determination to the Issuer, the Representative of the Noteholders, the Paying Agents, Monte Titoli and the Luxembourg Stock Exchange and will cause the same to be notified to Noteholders in accordance with Condition 16 (*Notices*) on or as soon as possible after the relevant Interest Determination Date.

### 6.5 **Determination or Calculation by the Representative of the Noteholders**

If the Agent Bank or the Issuer, as the case may be, does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Payment Amount for each Class of Notes in accordance with the foregoing provisions of this Condition 6, the Representative of the Noteholders shall:

- 6.5.1 determine the Rate of Interest for each Class of Notes at such rate as (having regard to the procedure described above) it shall consider fair and reasonable in all the circumstances; and/or (as the case may be)
- 6.5.2 calculate the Interest Payment Amount for each Class of Notes in the manner specified in Condition 6.3 (*Determination of Rates of Interest and Calculation of Interest Payments*),

and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

#### 6.6 **Notification to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 (*Interest*), whether by the Reference Banks (or any of them), the Agent Bank, the Issuer or the Representative of the Noteholders shall (in the absence of wilful default, bad faith or manifest error) be binding on the Reference Banks, the Agent Bank, the Issuer, the Representative of the Noteholders and all Noteholders and (in such absence as aforesaid) no liability to the Noteholders shall attach to the Reference Banks, the Agent Bank, the Issuer or the Representative of the Noteholders in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

#### 6.7 **Reference Banks and Agent Bank**

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall at all times be three reference banks the "**Reference Banks**") and an Agent Bank. The initial Reference Banks shall be ABN AMRO Bank N.V., Citibank, N.A., and JPMorgan Chase Bank, N.A.. In the event of any such bank being unable or unwilling to continue to act as a Reference Bank, the Issuer shall appoint such other bank as may have been previously approved in writing by the Representative of the Noteholders to act as such in its place. The Agent Bank may not resign until a successor approved in writing by the Representative of the Noteholders has been appointed. If a new Agent Bank is appointed a notice will be given to Noteholders in accordance with Condition 16 (*Notices*).

#### 6.8 **Notice to be Given when Interest Not Fully Payable**

The Agent Bank shall give notice to the Representative of the Noteholders and the Paying Agents and will cause notification to be given to Noteholders in accordance with Condition 16 (*Notices*), no later than the third Business Day prior to each Payment Date, of any Payment Date on which, pursuant to this Condition 6 (*Interest*), interest on any Class of Notes will not be paid in full.

### 7. **REDEMPTION, PURCHASE AND CANCELLATION**

*The Class A1 Notes were redeemed in full on the Payment Date (as defined in the Conditions) falling in July 2004.*

#### 7.1 **Final Redemption**

Unless previously redeemed in full as provided in this Condition 7, the Issuer shall redeem each Class of Notes at their Principal Amount Outstanding on the following Payment Dates as indicated for such Class of Notes (in each case, the "**Legal Maturity Date**" for such Class of Notes):

- (i) Class A2 Notes: the Payment Date in April 2007;
- (ii) Class A3 Notes: the Payment Date in October 2008;
- (iii) Class B1 Notes: the Payment Date in October 2008;
- (iv) Class C Notes: the Payment Date in October 2008;
- (v) Class A4 Notes: the Payment Date in April 2013;
- (vi) Class A5 Notes: the Payment Date in April 2025; and
- (vii) Class B2 Notes: the Payment Date in April 2025.

The Issuer may not redeem any Class of Notes in whole or in part prior to the Legal Maturity Date except as provided in Condition 7.2 (*Mandatory Redemption*), Condition 7.3 (*Redemption for Taxation Reasons*) and Condition 7.4 (*Optional Redemption*), but without prejudice to Condition 11 (*Trigger Events*).

If any Class of Notes cannot be redeemed in full on the Legal Maturity Date as a result of the Issuer having insufficient Available Redemption Funds for application in or towards such redemption, any amount unpaid shall remain outstanding and the Conditions shall continue to apply in full in respect of the Notes of such Class until the Cancellation Date, at which date any amounts remaining outstanding in respect of Notes of such Class shall be deemed to be released by the holders of the Notes of such Class and the Notes of such Class shall be cancelled.

If the whole amount of any Class of Notes is not redeemed on their relevant Legal Maturity Date, a notice will be given to Noteholders in accordance with Condition 16 (*Notices*), and the Luxembourg Stock Exchange will be informed in due time of the Cancellation Date for such Class of Notes.

## 7.2 **Mandatory Redemption**

Each Class of Notes will be subject to mandatory redemption in full or in part on the following Payment Dates as indicated for such Class of Notes and on each Payment Date thereafter if, on the Determination Date prior to such Payment Date, there are Available Redemption Funds which may be applied for this purpose in accordance with Condition 5 (*Priorities of Payments*):

- (i) Class A2 Notes: the Payment Date in April 2005;
- (ii) Class A3 Notes: the Payment Date in April 2006;
- (iii) Class B1 Notes: the Payment Date in October 2006;
- (iv) Class C Notes: the Payment Date in October 2006;
- (v) Class A4 Notes: the Payment Date in April 2006;
- (vi) Class A5 Notes: the Payment Date in April 2006; and



(vii) Class B2 Notes: the Payment Date in April 2006.

The Agent Bank will determine the Available Redemption Funds and the *pro rata* amount of principal payable (if any) on each Note on each Payment Date.

### 7.3 Redemption for Taxation Reasons

In the circumstances in which any of the following (each, a "**Tax Event**") occurs:

- (i) following a change of law, interpretation or administration thereof, the Issuer becomes unconditionally subject to taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political sub-division thereof or any authority thereof or therein or any other applicable taxing authority having jurisdiction, with respect to the Real Estate Assets (other than any *imposta indiretta* in relation to the resale of the Real Estate Assets) or to the Hedging Agreements;
- (ii) the Issuer (or any person on its behalf) is required (by reason of a change of law, interpretation or administration thereof) to deduct or withhold from any payment of principal or interest on the Notes, any payment under the Hedging Agreements or any payment due and payable to an Issuer Creditor for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political sub-division thereof or any authority thereof or therein or any other applicable taxing authority having jurisdiction, other than, in the case of payments of principal or interest on the Notes, when such withholding or deduction is imposed for or on account of *imposta sostitutiva* under Legislative Decree No. 239 of 1 April 1996 as the same is in force as at the New Issue Date or on a payment to an individual pursuant to Directive No. 2003/48/EC regarding the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) any amounts received by the Issuer from the Hedging Counterparties or any other Issuer Creditor are subject to withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political sub-division thereof or any authority thereof or therein or any other applicable taxing authority having jurisdiction,

then the Issuer, having given not more than 60 calendar days' notice in writing to the Representative of the Noteholders and to the Noteholders in accordance with Condition 16 (*Notices*) (provided that such notice shall in any case be given prior to the Determination Date immediately preceding the date on which such redemption is to be made), may (or, if so directed by an Extraordinary Resolution of the Meeting

of the Class A Noteholders together, or, if no Class A Notes are then outstanding, of the Class B Noteholders together, or, if no Class B Notes are then outstanding, of the Class C Noteholders, shall) redeem, in whole but not in part, the Notes (including, for the avoidance of doubt, the Class A Notes, the Class B Notes and the Class C Notes) at their Principal Amount Outstanding (plus any accrued (but unpaid) interest on the Notes up to and including the relevant Payment Date) on the next following Payment Date provided that the Issuer has first (i) provided a certificate signed by a legal representative of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of fact showing that the conditions precedent to the right of the Issuer to redeem have occurred; (ii) delivered to the Representative of the Noteholders a legal opinion (in form and substance satisfactory to the Representative of the Noteholders) from a firm of lawyers in the relevant jurisdiction (approved in writing by the Representative of the Noteholders) on the effect of the relevant Tax Event; and (iii) certified to the Representative of the Noteholders and produced evidence acceptable to the Representative of the Noteholders of its ability to discharge all its outstanding liabilities in respect of the Notes and any amount required under the Post Trigger Event Priority of Payments to be paid in priority to or *pari passu* with the Notes.

#### 7.4 **Optional Redemption of the New Notes**

The Issuer may redeem the following Class or Classes of New Notes (in each case, in full for such Class or Classes) at their Principal Amount Outstanding together with interest accrued to the date fixed for redemption, if there are Issuer Available Funds for such purpose:

- (i) the Class A4 Notes, on any Payment Date on or after the Payment Date falling in April 2006;
- (ii) the Class A5 Notes, on any Payment Date on or after the Payment Date falling in October 2008 provided that at such Payment Date any outstanding Class A4 Notes are redeemed in full; and
- (iii) the Class B2 Notes, on any Payment Date on or after the Payment Date falling in January 2009 provided that at such Payment Date any outstanding New Class A Notes are redeemed in full.

Any such redemption shall be effected by the Issuer giving not more than 60 calendar days prior notice to the Representative of the Noteholders and the Cash Manager and to the Noteholders in accordance with Condition 16 (*Notices*) (provided that such notice shall in any case be given prior to the Determination Date immediately preceding the date on which such redemption is to be made) and provided that (a) on such Payment Date on which such notice expires, no Trigger Notice (as defined in Condition 11 (*Trigger Events*)) has been served, and (b) the Issuer has, prior to giving such notice, certified to the Representative of the Noteholders that it will have the necessary funds not subject to the interests of any other person to discharge all amounts due at such Payment Date in respect of the

Notes and any amount required under the Priority of Payments to be paid in priority to or *pari passu* such Class or Classes of New Notes.

#### **7.5 Note Principal Payments, Available Redemption Funds and Principal Amount Outstanding**

On each Determination Date, the Issuer shall determine or cause to be determined:

- 7.5.1 the amount of the Available Redemption Funds (if any);
- 7.5.2 the principal payment (if any) due in respect of each Class of Notes on the next following Payment Date; and
- 7.5.3 the Principal Amount Outstanding of each Class of Notes on the next following Payment Date (after deducting any principal payment due to be made on that Payment Date).

Each determination by or on behalf of the Issuer of Available Redemption Funds, any principal payment and the Principal Amount Outstanding of a Note shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

The Issuer will, no later than the third Business Day prior to each Payment Date, cause each determination of a principal payment (if any) and Principal Amount Outstanding to be notified forthwith by the Agent Bank to the Representative of the Noteholders, Monte Titoli, the Paying Agents and the Luxembourg Stock Exchange and the Agent Bank will cause notice of each determination of a principal payment and Principal Amount Outstanding to be given in accordance with Condition 16 (*Notices*). If no principal payment is due to be made on any Notes on a Payment Date, a notice to this effect will be given to the relevant Noteholders in accordance with Condition 16 (*Notices*).

If no principal payment or Principal Amount Outstanding is determined by or on behalf of the Issuer in accordance with the preceding provisions of this Condition 7.5 (*Note Principal Payments, Available Redemption Funds and Principal Amount Outstanding*), such principal payment and Principal Amount Outstanding may be determined by the Representative of the Noteholders in accordance with this Condition 7.5 (*Note Principal Payments, Available Redemption Funds and Principal Amount Outstanding*) and each such determination or calculation shall be deemed to have been made by the Issuer.

#### **7.6 Notice of Redemption**

Any such notice as is referred to in Condition 7.3 (*Redemption for Taxation Reasons*), Condition 7.4 (*Optional Redemption of the New Notes*) or Condition 7.5 (*Note Principal Payments, Available Redemption Funds and Principal Amount Outstanding*) shall be irrevocable and, upon the expiration of such notice, the Issuer

shall be bound to redeem the Notes in accordance with this Condition 7 (*Redemption, Purchase and Cancellation*).

**7.7 No purchase by Issuer**

The Issuer shall not purchase any of the Notes.

**7.8 Cancellation**

All Notes redeemed in full and surrendered to the Issuer will be cancelled upon redemption or purchase and surrender, and may not be resold or re-issued.

**8. PAYMENTS**

**8.1 Payments of Principal and Interest**

Payments of principal and interest in respect of the Notes deposited with Monte Titoli will be credited, according to the instructions of Monte Titoli, by the Issuer to the accounts of those banks and authorised brokers whose accounts with Monte Titoli are credited with those Notes and thereafter credited by such banks and authorised brokers from such aforementioned accounts to the accounts of the beneficial owners of those Notes in accordance with the regulations of Monte Titoli. Alternatively, the Paying Agents may arrange for payments of principal and interest in respect of the Notes to be made to Noteholders through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Notes, in accordance with the rules and procedures of Euroclear or, as the case may be, Clearstream, Luxembourg.

**8.2 Payments subject to Fiscal Laws**

Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.

**8.3 Payments on Business Days**

If the due date for any payment of principal and/or interest (or any later date on which any Note could otherwise be presented for payment) is not a Business Day, the holder of the relevant Note will not be entitled to payment of the relevant amount until the immediately succeeding Business Day. Noteholders will not be entitled to any interest or other payment in consequence of any delay after the due date in receiving the amount due as a result of the due date not being a Business Day.

**8.4 Changes in Paying Agents**

The Issuer reserves the right, subject to the prior written approval of the Representative of the Noteholders, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents including the Principal Paying Agent provided that (i) so long as the Notes are listed on the

Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will at all times maintain a Paying Agent with a specified office in Luxembourg; and (ii) so long as so required by Monte Titoli, the Issuer will at all times maintain a Paying Agent with a specified office in Italy. The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or their specified offices to be given in accordance with Condition 16 (*Notices*).

9. **TAXATION**

All payments in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, duties or charges of whatsoever nature other than any withholding or deduction required to be made by applicable law. The Issuer shall not be obliged to pay any additional amount to any holder of Notes on account of such withholding or deduction.

10. **PRESCRIPTION**

Claims for payments in respect of principal under the Notes shall be prescribed and become void unless made within ten years of the appropriate Relevant Date. Claims for payments in respect of interest under the Notes shall be prescribed and become void unless made within five years of the appropriate Relevant Date.

11. **TRIGGER EVENTS**

11.1 **Trigger Events**

If any of the following events (each a "**Trigger Event**") occurs:

- (1) *Non-payment*: default is made in the payment on any Payment Date or on the Legal Maturity Date of any Class of Notes, of the amount of principal then due and payable on the Notes, or any of them or, for a period of three Business Days or more, in the payment on the due date therefore of the amount of interest (if any) payable on the Notes or any of them; or
- (2) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes, or any of them, or of any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Notes) and such default is, in the sole and absolute opinion of the Representative of the Noteholders (a) incapable of remedy; or (b) capable of remedy but remains unremedied for 30 days after the Representative of the Noteholders has given written notice thereof to the Issuer; or
- (3) *Insolvency*:
  - (a) an administrator, administrative receiver or liquidator of the Issuer or the whole or any part of the undertaking, assets and/or revenues of the Issuer is appointed or the Issuer becomes subject to any bankruptcy, liquidation, administration, insolvency, composition,

reorganisation or similar proceedings (or application for the commencement of any such proceeding) or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of the Issuer (other than the 2001 Portfolio or assets which is purchased by the Issuer for the purposes of any Further Transactions);

- (b) proceedings are initiated against the Issuer under any applicable bankruptcy, liquidation, administration, insolvency, composition, reorganisation or similar laws and proceedings are not, in the opinion of the Representative of the Noteholders, being disputed by the Issuer in good faith;
  - (c) the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for bankruptcy or suspension of payments; or
- (4) *Winding-up*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer (except a winding up for the purposes of or pursuant to an amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Noteholders or by an Extraordinary Resolution of the Noteholders); or
- (5) *Unlawfulness*: it is or will become unlawful in any respect deemed by the Representative of the Noteholders to be material for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or any other Transaction Document to which it is a party,

then:

- (i) in respect of the Trigger Events at (1), (3), (4) and (5) above, and provided that in the case of any of the events referred to at (3), (4) and (5) above the Representative of the Noteholders shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Noteholders, the Representative of the Noteholders, (in its sole and absolute discretion) may, or
- (ii) if so directed by an Extraordinary Resolution of the Meeting of the Class A Noteholders together (or, if no Class A Notes are then outstanding, of the Class B Noteholders together, or, if no Class B Notes are then outstanding, of the Class C Noteholders) shall,

subject in each case to its being indemnified to its satisfaction, give written notice (a "**Trigger Notice**") to the Issuer declaring the Notes (for the avoidance of doubt,

including the Class A Notes, the Class B Notes and the Class C Notes) to be due and repayable, whereupon they shall become immediately due and repayable at their Principal Amount Outstanding together with accrued interest without further action or formality.

12. **EFFECT OF A TRIGGER NOTICE**

12.1 Following the service of a Trigger Notice, the Notes will become immediately due and repayable at their Principal Amount Outstanding together with interest and other amounts due in respect of the Notes and all payments of principal, interest and any other amounts due in respect of each Class of Notes shall be made in accordance with the Post Trigger Event Priority of Payments.

13. **ENFORCEMENT**

13.1 **Proceedings**

At any time after a Trigger Notice has been served, the Representative of the Noteholders may (at its discretion and without further notice) and shall (if so requested or authorised by an Extraordinary Resolution of the meeting of the holders of the most senior Notes then outstanding and if indemnified to its satisfaction) take such steps and/or institute such proceedings against the Issuer as it may think fit to enforce repayment of the Notes and payment of accrued interest thereon.

13.2 **No Direct Noteholder Action**

Save as permitted by the Rules of the Organisation of Noteholders, no Noteholder shall be entitled to proceed directly against the Issuer unless the Representative of the Noteholders, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing.

13.3 **Binding Nature of Notifications etc**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of Condition 11 (*Trigger Events*) or this Condition 13 (*Enforcement*) by the Representative of the Noteholders shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer and all Noteholders and (in such absence as aforesaid) no liability to the Noteholders or the Issuer shall attach to the Representative of the Noteholders in connection with the exercise or non-exercise by either or any of them of their powers, duties and discretions hereunder.

14. **MEETINGS OF NOTEHOLDERS; MODIFICATION; CONSENT; WAIVER**

14.1 **Meetings of Noteholders**

The Rules of the Organisation of Noteholders contain provisions for convening separate or combined meetings of Noteholders of any Class to consider any matter

affecting their interests, including the sanctioning by extraordinary resolution of the Noteholders of a modification of the Notes (including these Conditions) or the provisions of any of the Transaction Documents.

#### 14.2 **Modifications and Waivers**

The Rules of the Organisation of Noteholders contain provisions for the Representative of the Noteholders to agree, without being required to obtain the consent of the Noteholders, to certain modifications of, or waivers or authorisations of any breach or proposed breach of the Notes (including these Conditions) or any of the Transaction Documents. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Representative of the Noteholders agrees otherwise, any such modification shall be notified to the Noteholders in accordance with Condition 16 (*Notices*) as soon as practicable thereafter.

#### 14.3 **Regard to Noteholders**

Where the Representative of the Noteholders is required, in connection with the exercise of its powers, authorities, duties and discretions under or in relation to the Notes (including these Conditions) or any of the Transaction Documents, to have regard to the interests of the Noteholders, it shall have regard to the interests of the Noteholders as a class and, in particular but without prejudice to the generality of the foregoing, shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Representative of the Noteholders shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

The Intercreditor Agreement contains provisions regarding the protection of the respective interests of all Noteholders in connection with the exercise of the powers, authorities, rights, duties and discretions of the Representative of the Noteholders under or in relation to the Notes or any of the Transaction Documents. If, however, in the opinion of the Representative of the Noteholders, there is a conflict between the interests of the Class A Noteholders and the interests of the holders of any other Class of Notes, the Representative of the Noteholders is required under the Intercreditor Agreement to have regard only to the interests of the Class A Noteholders together, until the Class A Notes have been entirely redeemed; and if, in the opinion of the Representative of the Noteholders, there is a conflict between the interests of the Class B Noteholders and the interests of the Class C Noteholders, the Representative of the Noteholders is required to have regard only to the interests of the Class B Noteholders together until the Class B Notes have been redeemed in full.

### 15. **THE REPRESENTATIVE OF THE NOTEHOLDERS**



### 15.1 **Organisation of the Noteholders**

The Organisation of the Noteholders shall be established upon and by virtue of the issuance of the Notes and shall remain in force and in effect until the Cancellation Date. The Rules of the Organisation of Noteholders, as attached as the Exhibit to these Conditions, shall constitute an integral and essential part of the Conditions.

### 15.2 **Acceptance of Appointment of Representative of the Noteholders**

Each Noteholder accepts the appointment of the initial Representative of the Noteholders upon the terms of its appointment for the time being, subject to these Conditions.

### 15.3 **Responsibility and Indemnification of the Representative of the Noteholders**

The Rules of the Organisation of Noteholders and the provisions governing the appointment of the Representative of the Noteholders (which are contained in the Subscription Agreements) contain provisions governing the responsibility (and relief from responsibility) of the Representative of the Noteholders (including *inter alia* provisions relieving it from taking proceedings unless indemnified to its satisfaction and providing for the Representative of the Noteholders to be indemnified in certain other circumstances) and provisions which govern the termination of the appointment of the Representative of the Noteholders and amendments to the terms of such appointment.

## 16. **NOTICES**

### 16.1 **Valid Notices**

Any notice regarding the Notes shall be deemed to have been duly given if published in *Il Sole 24 Ore*, the *Financial Times* and (so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that stock exchange so require) in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxembourg Wort*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made in the manner required in one of the newspapers referred to above.

In addition to the publication required by the rules of the Luxembourg Stock Exchange (if any), for so long as Notes are held on behalf of the beneficial owners thereof by Monte Titoli, notices to Noteholders may also be given through the systems of Monte Titoli.

### 16.2 **Other Methods**

The Representative of the Noteholders shall be at liberty to sanction some other method of giving notice to the Noteholders (or to a category of the Noteholders) if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the rules of the stock exchange on which the Notes are then

listed and provided that notice of such other method is given to the Noteholders in such manner as the Representative of the Noteholders shall require.

17. **GOVERNING LAW AND JURISDICTION**

The Notes are governed by Italian law. The Courts of Rome are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes.

## EXHIBIT TO THE TERMS AND CONDITIONS OF THE NOTES

### Rules of the Organisation of Noteholders

#### TITLE I: GENERAL PROVISIONS

##### Article 1: General

The Organisation of Noteholders is created by the issue and by the subscription of the Notes, and shall remain in force and in effect until full repayment or cancellation of the Notes. The contents of these Rules shall be considered included in each Note issued by the Issuer and accepted by each Noteholder.

##### Article 2: Definitions

All terms and expressions which have defined meanings in the Conditions shall have the same meanings in these Rules, unless the context requires otherwise or unless otherwise stated. In addition, in these Rules the following expressions have the following meanings:

**"Basic Terms Modification"** means:

- (a) the modification of/to the date of maturity of any Class of Notes;
- (b) a modification which would have the effect of postponing any day for payment of interest or principal on any Class of Notes;
- (c) a modification which would have the effect of reducing or cancelling the amount of principal payable or the rate of interest applicable in respect of the Notes of any Class outstanding;
- (d) a modification which would have the effect of altering the majority required to pass a specific resolution or the quorum required at any meeting;
- (e) a modification which would have the effect of altering the currency of payment of any Class of Notes or any alteration of the priority of redemption of any Class of Notes;
- (f) the appointment and removal of the Representative of the Noteholders;
- (g) an amendment of this definition; or
- (h) the proposals of the Representative of the Noteholders regarding the modification of the Transaction Documents to which the Representative of the Noteholders is a party;

**"Block Voting Instruction"** means, in relation to any Meeting, a document:

- (a) certifying that certain specified Notes (the **"Blocked Note"**) have been blocked in an account with a clearing system and will not be released until the conclusion of the Meeting;
- (b) certifying that the holder of each Blocked Note or a duly authorised person on its behalf has instructed the relevant Principal Paying Agent that the votes attributable

to such Blocked Note are to be cast in a particular way on each resolution to be put to the Meeting and that, during the period of 48 hours before the time fixed for the Meeting, such instructions may not be amended or revoked;

- (c) listing the total number of the Blocked Notes, distinguishing for each resolution between those in respect of which instructions have been given to vote for, or against, the resolution; and
- (d) authorising a named individual or individuals to vote in respect of the Blocked Notes in accordance with such instructions;

"**Chairman**" means, in relation to any Meeting, the individual who takes the chair in accordance with Article 9;

"**Conditions**" means the terms and conditions of the Notes to which these Rules are an exhibit, and any reference to a numbered "**Condition**" is to the correspondingly numbered provision thereof;

"**Extraordinary Resolution**" means a resolution passed at the Meeting of the Noteholders or of the holders of the relevant Class of Notes, duly convened and held in accordance with the provisions contained in these Rules, by a majority of not less than three quarters of the votes cast;

"**Issuer**" means S.C.I.P. - Società Cartolarizzazione Immobili Pubblici S.r.l.;

"**Meeting**" means the meeting of the Noteholders or the holders of the relevant Class, as the context may require (whether originally convened or resumed following an adjournment);

"**Noteholders**" means the holders of the Notes;

"**Notes**" means the €1,500,000,000 Class A1 Asset-Backed Floating Rate Notes due 2006, the €2,000,000,000 Class A2 Asset-Backed Floating Rate Notes due 2007, the €1,743,000,000 Class A3 Asset-Backed Floating Rate Notes due 2008, the €858,000,000 Class B Asset-Backed Floating Rate Notes due 2008, the €536,000,000 Class C Asset-Backed Floating Rate Notes due 2008, the €1,000,000,000 Class A4 Asset-Backed Step-Up Floating Rate Notes due 2013, the €2,895,000,000 Class A5 Asset-Backed Step-Up Floating Rate Notes due 2025 and the €475,000,000 Class B2 Asset-Backed Step-Up Floating Rate Notes due 2025;

"**Principal Paying Agent**" means Deutsche Bank AG London a company incorporated under the laws of the Federal Republic of Germany, acting through its London branch whose address is Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, or any other person for the time being acting as principal paying agent pursuant to the Agency Agreement;

"**Proxy**" means, in relation to any Meeting, a person appointed to vote under a Block Voting Instruction;

"**Relevant Fraction**" means:

- (a) for voting on any resolution provided under Article 19(d) or (e) and for voting on any resolution other than one relating to a Basic Terms Modification, over 50 per cent; and
- (b) for voting on any resolution relating to a Basic Terms Modification, over 75 per cent,

*provided, however, that*, in the case of a Meeting, which has resumed after adjournment for want of a quorum it means:

- (1) for all business other than voting on a Resolution relating to a Basic Terms Modification, the fraction of the aggregate principal amount of the outstanding Notes represented or held by the Voters actually present at the Meeting; or
- (2) for voting on any resolution relating to a Basic Terms Modification, over 25 per cent.

**"Rules"** means these Rules of the Organisation of Noteholders;

**"Specified Office"** means the office of the Principal Paying Agent located at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom;

**"Voter"** means, in relation to any Meeting, the holder of a Blocked Note;

**"Voting Certificate"** means, in relation to any Meeting, a certificate issued and dated by the Principal Paying Agent in which it is stated:

- (1) that the Blocked Notes have been blocked in an account with a clearing system and will not be released until the conclusion of the Meeting; and
- (2) that the bearer of such certificate is entitled to attend and vote at the Meeting in respect of the Blocked Notes;

**"Written Resolution"** means a resolution in writing signed by or on behalf of all holders of Notes who for the time being are entitled to receive notice of a Meeting in accordance with the provisions of these Rules, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes;

**"24 hours"** means a period of 24 hours including all or part of a day upon which banks are open for business in both the place where the Meeting is to be held and the place where the Principal Paying Agent has its Specified Office (disregarding for this purpose the day upon which such Meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid; and

**"48 hours"** means 2 consecutive periods of 24 hours.

Any reference in these Rules to an Article is, unless otherwise stated, to an article hereof.

### **Article 3: Organisation purpose**

Each Noteholder is a member of the Organisation of Noteholders. The purpose of the Organisation of Noteholders is to co-ordinate the exercise of the rights of the Noteholders and, more generally, the taking of any action for the protection of their interests.

## **TITLE II: THE MEETING OF NOTEHOLDERS**

### **Article 4: General**

Any resolution passed at a Meeting duly convened and held in accordance with these Rules shall be binding upon all the Noteholders whether present or not at such Meeting and whether or not voting and each Noteholder shall be bound to give effect to such resolution accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof. Notice of the result of every vote on any resolution duly considered by the Noteholders shall be given by the Issuer to the Noteholders within 14 days of such result being known, provided that the failure to give such notice shall not invalidate such resolution.

The following provisions shall apply where outstanding Notes belong to more than one Class:

- (i) business which in the opinion of the Representative of the Noteholders affects only one Class of Notes shall be transacted at a separate Meeting of the Noteholders of such Notes;
- (ii) business which in the opinion of the Representative of the Noteholders affects more than one Class of Notes but does not give rise to an actual or potential conflict of interest between the Noteholders of one such Class of Notes and the Noteholders of any other Class of Notes shall be transacted either at separate Meetings of the Noteholders of each such Class of Notes or at a single Meeting of the Noteholders of all such Classes of Notes as the Representative of the Noteholders shall determine in its absolute discretion;
- (iii) subject to the proviso below, business which in the opinion of the Representative of the Noteholders affects the Noteholders of more than one Class of Notes and gives rise to an actual or potential conflict of interest between the Noteholders of one such Class of Notes and the Noteholders of any other Class of Notes shall be transacted at separate Meetings of the Noteholders of each such Class, and
- (iv) the preceding paragraphs of these Rules shall be applied as if references to the Notes and the Noteholders were to the Notes of the relevant Class of Notes and to the Noteholders of such Notes,

Provided that any reference to a Class of Notes shall (1) in the context of the Class A Notes be construed as meaning such Notes as one single Class of Notes and not as separate Classes, and (2) in the context of the Class B Notes shall be construed as meaning such Notes as one single Class of Notes and not as separate Classes and, consequently, in relation to Article 4, point (iii), the Representative of the Noteholders has no discretion to consider whether there might be a conflict of interests between the holders of the different

Class A Notes or a conflict of interests between the holders of the different Class B Notes and, therefore, in each such case, a Meeting of such holders must be a joint meeting.

In this paragraph "**business**" includes (without limitation) the passing or rejection of any resolution.

#### **Article 5: Issue of Voting Certificates and Block Voting Instructions**

The holder of a Blocked Note may obtain a Voting Certificate from the Principal Paying Agent or require the Principal Paying Agent to issue a Block Voting Instruction by arranging for such Note to be blocked in an account with a clearing system not later than 48 hours before the time fixed for the Meeting of the holders of the relevant Class of Notes, providing to the Principal Paying Agent, where appropriate, evidence that the Notes are so blocked. Noteholders may obtain such evidence by requesting their Monte Titoli Account Holders to release a certificate in accordance with Article 34 of CONSOB Regulation No. 11768 of 23 December 1998 (as subsequently amended and integrated). A Voting Certificate or Block Voting Instruction shall be valid until the release of the Blocked Notes to which it relates. So long as a Voting Certificate or Block Voting Instruction is valid, the bearer thereof (in the case of a Voting Certificate) or any Proxy named therein (in the case of a Block Voting Instruction) shall be deemed to be the holder of the Blocked Notes to which it relates for all purposes in connection with the Meeting. A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Note.

#### **Article 6: Validity of Block Voting Instructions**

A Block Voting Instruction shall be valid only if it is deposited at the Specified Office of the Principal Paying Agent, or at some other place approved by the Principal Paying Agent, at least 24 hours before the time fixed for the relevant Meeting or the Chairman decides otherwise before the Meeting proceeds to business. If the Principal Paying Agent requires, a notarised copy of each Block Voting Instruction and satisfactory proof of the identity of each Proxy named therein shall be produced at the Meeting, but the Principal Paying Agent shall not be obliged to investigate the validity of any Block Voting Instruction or the authority of any Proxy.

#### **Article 7: Convening of Meeting**

The Issuer and the Representative of the Noteholders may convene separate or combined Meeting or Meetings of the Noteholders of any Class at any time, and the Representative of the Noteholders shall be obliged to do so, subject to it being indemnified and/or secured to its satisfaction, upon the request in writing of Noteholders holding not less than one tenth of the aggregate Principal Amount Outstanding of the outstanding Notes or of the outstanding Notes of the relevant Class.

Whenever the Issuer is about to convene any such Meeting, it shall immediately give notice in writing to the Representative of the Noteholders of the day, time and place thereof and of the nature of the business to be transacted thereat. Every such Meeting shall be held at such place as the Representative of the Noteholders may appoint or approve.

### **Article 8: Notice**

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the Meeting is to be held) specifying the date, time and place of the Meeting shall be given to the Noteholders and the Principal Paying Agent (with a copy to the Issuer and to the Representative of the Noteholders). The notice shall set out the full text of any resolutions to be proposed, unless the Representative of the Noteholders agrees that the notice shall instead specify the nature of the resolutions without including the full text, and shall state that the Notes may be deposited with, or to the order of, the Principal Paying Agent for the purpose of obtaining Voting Certificates or appointing Proxies not later than 48 hours before the time fixed for the Meeting.

### **Article 9: Chairman of the Meeting**

An individual (who may, but need not, be a Noteholder) nominated in writing by the Representative of the Noteholders may take the chair at any Meeting but (i) if no such nomination is made; or (ii) if the individual nominated is not present within 15 minutes after the time fixed for the Meeting; or (iii) if the individual nominated resolves not to approve the appointment made by the Representative of the Noteholders within 15 minutes after the time fixed for the Meeting, those present shall elect one of themselves to take the chair failing which, the Issuer may appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was the Chairman of the original Meeting. The Chairman manages the business of the Meeting and monitors the fairness of the Meeting's proceedings.

### **Article 10: Quorum**

The quorum at any Meeting shall be at least two Voters representing or holding not less than the Relevant Fraction of the aggregate principal amount of the outstanding Notes.

### **Article 11: Adjournment for want of quorum**

If within 15 minutes after the time fixed for any Meeting a quorum is not present, then:

- (1) in the case of a Meeting requested by Noteholders, it shall be dissolved; and
- (2) in the case of any other Meeting, unless the Issuer and the Representative of the Noteholders otherwise agree, it shall be adjourned for such period (which shall be not less than 14 days and not more than 42 days) and to such place as the Chairman determines,

*provided, however, that* the Meeting shall be dissolved if the Issuer and the Representative of the Noteholders together so decide, and no Meeting may be adjourned more than once by resolution of Meeting that represents less than a Relevant Fraction.

### **Article 12: Adjourned Meeting**

The Chairman may, with the consent of (and shall if directed by) any Meeting, adjourn such Meeting from time to time and from place to place, but no business shall be



transacted at any adjourned Meeting except business which might lawfully have been transacted at the Meeting from which the adjournment took place.

### **Article 13: Notice following adjournment**

Article 8 shall apply to any Meeting which is to be resumed after adjournment for want of quorum save that:

- (1) 10 days' notice (exclusive of the day on which the notice is given and of the day on which the Meeting is to be resumed) shall be sufficient; and
- (2) the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

It shall not be necessary to give notice of the resumption of a Meeting which has been adjourned for any other reason.

### **Article 14: Participation**

The following may attend and speak at a Meeting:

- (a) Voters;
- (b) the Issuer or its representative(s) and the Principal Paying Agent;
- (c) the financial advisers to and auditors of the Issuer;
- (d) the legal counsel to the Issuer, the Representative of the Noteholders and the Principal Paying Agent;
- (e) the Representative of the Noteholders; and
- (f) such other person as may be resolved by the Meeting.

### **Article 15: Show of hands**

Every question submitted to a Meeting shall be decided in the first instance by a show of hands. Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed, passed by a particular majority, rejected or rejected by a particular majority shall be conclusive, without proof of the number of votes cast for, or against, the resolution.

### **Article 16: Poll**

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Representative of the Noteholders or one or more Voters representing or holding not less than ten Notes. The poll may be taken immediately or after such adjournment as the Chairman directs, but any poll demanded on the election of the Chairman or on any question of adjournment shall be taken at the Meeting without adjournment. A valid demand for a poll shall not prevent the continuation of the Meeting for any other business as the Chairman directs.

### **Article 17: Votes**

- (i) Every Voter shall have:
- (ii) on a show of hands, one vote; and
- (iii) on a poll, one vote in respect of each €1,000 in aggregate face amount of the outstanding Note(s) represented or held by him.

In the case of a voting tie the Chairman shall have a casting vote.

Unless the terms of any Block Voting Instruction state otherwise, a Voter shall not be obliged to exercise all the votes to which he is entitled or to cast all the votes which he exercises in the same manner.

#### **Article 18: Vote by Proxies**

Any vote by a Proxy in accordance with the relevant Block Voting Instruction shall be valid even if such Block Voting Instruction or any instruction pursuant to which it was given has been amended or revoked, provided that the Principal Paying Agent has not been notified in writing of such amendment or revocation by the time which is 24 hours before the time fixed for the Meeting. Unless revoked, any appointment of a Proxy under a Block Voting Instruction in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment; *provided, however*, that no such appointment of a Proxy in relation to a Meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such Meeting when it is resumed. Any person appointed to vote at such a Meeting must be re-appointed under a Block Voting Instruction Proxy to vote at the Meeting when it is resumed.

#### **Article 19: Exclusive Powers of the Meeting**

The Meeting shall have exclusive powers (in the case of (a), (b), (d) and (e) below, without prejudice to the discretionary powers expressly vested in the Representative of the Noteholders under these Rules, the Conditions, the Transaction Documents or elsewhere):

- (a) to approve any Basic Terms Modification;
- (b) to approve any proposal by the Issuer for any modification, abrogation, variation or compromise of any of the Conditions or any arrangement in respect of the obligations of the Issuer under or in respect of the Notes;
- (c) to approve the substitution of any person for the Issuer (or any previous substitute) as principal obligor under the Notes;
- (d) to instruct the Representative of the Noteholders to serve a Trigger Notice, as a consequence of a Trigger Event, under Condition 11 (*Trigger Events*);
- (e) to waive any breach or authorise any proposed breach by the Issuer of its obligations under or in respect of the Notes or the Transaction Documents or any act or omission which might otherwise constitute a Trigger Event under Condition 11 (*Trigger Events*);

- (f) to decide upon early redemption of the Notes following a Tax Event pursuant to Condition 7.3 (*Redemption for Taxation Reasons*);
- (g) to authorise the Representative of the Noteholders to concur in and execute and do all such documents, acts and things as may be necessary to carry out and give effect to any Written Resolution;
- (h) to exercise, enforce or dispose of any right and power on payment and application of funds deriving from any claims on which a security interest is created in favour of the Noteholders, otherwise than in accordance with the Transaction Documents; and
- (i) to appoint and remove the Representative of the Noteholders.

**Article 20: Powers exercisable by Extraordinary Resolution**

A Meeting shall, in addition to the powers herein given, have the following powers exercisable by Extraordinary Resolution:

- (a) power to sanction any proposal by the Issuer for any alteration, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Issuer or against any of its property or against any other person whether such rights shall arise under these Rules, the Notes or otherwise;
- (b) power to sanction any scheme or proposal for the exchange or substitution or sale of any of the Notes for, or the cancellation of any the Notes, in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or of any other body corporate formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, bonds, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash;
- (c) power to assent to any alteration of the provisions contained in these Rules, the Notes, the Intercreditor Agreement or any other Transaction Document which shall be proposed by the Issuer and/or the Representative of the Noteholders or any other party thereto;
- (d) power to discharge or exonerate the Representative of the Noteholders from any liability in respect of any act or omission for which the Representative of the Noteholders may have become responsible under or in relation to these Rules, the Notes or any other Transaction Document;
- (e) power to give any authority, direction or sanction which under the provisions of these Rules or the Notes, is required to be given by Extraordinary Resolution; and
- (f) power to authorise and sanction the actions, in compliance with these Rules, of the Representative of the Noteholders under the terms of the Intercreditor Agreement and any other Transaction Documents and in particular power to sanction the release of the Issuer by the Representative of the Noteholders.

No Extraordinary Resolution involving a Basic Term Modification that is passed by the holders of one Classes of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes (to the extent that there are Notes outstanding in each such other Class).

No Extraordinary Resolution to approve any matter other than Basic Term Modification of any Class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the Class A Noteholders (to the extent such Extraordinary Resolution was approved by the Class B Noteholders) or by the Class A Noteholders and the Class B Noteholders (to the extent such Extraordinary Resolution was approved by the Class C Noteholders) (in each case, to the extent that there are any), except that, if the Class A Noteholders or the Class B Noteholders, as applicable, having been invited to sanction a proposed Extraordinary Resolution, fail to pass or reject an Extraordinary Resolution sanctioning the proposed Extraordinary Resolution, this paragraph shall not apply.

Any resolution passed at a Meeting of the Noteholders of one or more Class of Notes duly convened and held in accordance with these Rules of the Organisation shall be binding upon all Noteholders of such Classes or Class, whether or not present at such Meeting and whether or not dissenting and whether or not voting and, except in the case of meeting relating to a Basic Term Modification:

- (i) any resolution passed at a meeting of the Class A Noteholders duly convened and held as aforesaid shall also be binding upon all the Class B Noteholders and the Class C Noteholders; and
- (ii) any resolution passed at a meeting of the Class B Noteholders duly convened and held as aforesaid shall also be binding upon all the Class C Noteholders; and
- (iii) in each case, all of the relevant Class of Noteholders shall be bound to give effect to any such resolutions accordingly.

#### **Article 21: Challenge of Resolution**

Each Noteholder, who was absent and (or) dissenting can challenge Resolutions which are not passed in conformity with the provisions of these Rules.

#### **Article 22: Minutes**

Minutes shall be made of all resolutions and proceedings at each Meeting. The Chairman shall sign the minutes, which shall be *prima facie* evidence of the proceedings recorded therein. Unless and until the contrary is proved, every such Meeting in respect of the proceedings of which minutes have been summarised and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

#### **Article 23: Written Resolution**

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

## **Article 24: Individual Actions and Remedies**

The right of each Noteholder to bring individual actions or take other individual remedies to enforce his/her rights under the Notes will be subject to the Meeting not passing a resolution objecting to such individual action or other remedy on the grounds that it is not convenient at the time when the Meeting is held having regard to the interests of the Noteholders. In this respect the following provisions shall apply:

- (a) the Noteholder intending to enforce his/her rights under the Notes will notify the Representative of the Noteholders of his/her intention;
- (b) the Representative of the Noteholders will, without delay, call for the Meeting, as set out in these Rules;
- (c) if the Meeting passes a resolution objecting to the enforcement of the individual action or remedy, the Noteholder will be prevented from the taking of such action or remedy (provided that the same matter can be submitted again to the Meeting in a reasonable time period);
- (d) if the Meeting passes a resolution not objecting to the enforcement of the individual action or remedy, or if no resolution is taken by the Meeting for want of quorum, the Noteholder will not be prevented from the taking of such action or remedy; and
- (e) no individual action or remedy can be taken by a Noteholder to enforce his or her rights under the Notes unless the Meeting has been held to resolve on such action or remedy in accordance with the provisions of this Article 24.

## **TITLE II: THE REPRESENTATIVE OF THE NOTEHOLDERS**

### **Article 25: Appointment and Removal**

The appointment of the Representative of the Noteholders takes place at the Meeting, save as provided in respect of the appointment of the first Representative of the Noteholders that will be Sanpaolo Fiduciaria S.p.A.

Save for Sanpaolo Fiduciaria S.p.A. as first Representative of the Noteholders, the Representative of the Noteholders shall be:

- (1) a bank incorporated in any jurisdiction of the European Union, or a bank incorporated in any other jurisdiction acting through an Italian bank; or
- (2) a company or financial institution registered under Article 107 of Legislative Decree No. 385 of 1993; or
- (3) any other entity which may be permitted to act in such capacity by any specific provisions of Italian law applicable to the securitisation of monetary rights and/or by any regulations, instructions, guidelines and/or specific approvals issued by the competent Italian supervising authorities.

The Representative of the Noteholders shall be appointed for an unlimited term and can be removed by the Meeting at any time. In the event of a termination of the appointment of

the Representative of the Noteholders for any reason whatsoever, the latter shall remain in charge until acceptance of appointment by the substitute Representative of the Noteholders designated among the entities indicated in (1), (2) and (3) above, and the powers and authority of Representative of the Noteholders terminating its appointment shall be limited to those necessary to the performance of the essential duties which are required to be complied with in connection with the Notes.

Directors and auditors of the Issuer and those who fall within the conditions indicated in Article 2399 of the Italian Civil Code cannot be appointed as Representative of the Noteholders, and, if appointed, shall be automatically removed from the appointment.

The Issuer shall pay to the Representative of the Noteholders an annual fee for its services as Representative of the Noteholders as from the date of the issue of the Notes, as agreed either in the initial agreement for the issue and subscription for the Notes or in a separate fee letter. The above fees and remuneration shall accrue from day to day and shall be payable in accordance with the relevant priority of payments set out in Condition 5 (*Priorities of Payment*) up to (and including) the date when the Notes have been repaid in full or cancelled in accordance with the Conditions.

#### **Article 26: Duties and Powers**

The Representative of the Noteholders is the legal representative of the Organisation of Noteholders.

The Representative of the Noteholders shall attend to the implementation of the decisions of the Meeting of the Noteholders and shall protect the common interests of Noteholders in relation to the Issuer. The Representative of the Noteholders has the right to attend Meetings. The Representative of the Noteholders, in order to avoid, if any, liabilities can call the Meeting and propose in the agenda the authorisation of the Meeting.

The Representative of the Noteholders may, in the execution and exercise of all its powers, authorities and discretions vested, act by responsible officers or a responsible officer for the time being of the Representative of the Noteholders. The Representative of the Noteholders may also whenever it thinks it expedient in the interests of the Noteholders whether by power of attorney or otherwise delegate to any person or persons some but not all of the trusts, powers, authorities and discretions vested in it as aforesaid. Any such delegation may be made upon such terms and conditions and subject to such regulations (including power to sub-delegate) as the Representative of the Noteholders may think fit in the interests of the Noteholders. The Representative of the Noteholders shall not, other than in the normal course of its business, be bound to supervise the proceedings and shall not in any way or to any extent be responsible for any loss incurred by any misconduct or default on the part of such delegate or sub-delegate, provided that, for the avoidance of doubt, the Representative of the Noteholders shall always use all reasonable care and skills in the appointment of any such delegate or sub-delegate (*culpa in eligendo*) and shall be responsible for the accuracy of the instructions given by it to any such delegate or sub-delegate. The Representative of the Noteholders shall as soon as reasonably practicable give notice to the Issuer of the appointment, removal, extension and termination of any

delegate as aforesaid and shall procure that any delegate shall also as soon as reasonably practicable give notice to the Issuer of any sub-delegate.

In connection with the protection of common interests, the Representative of the Noteholders shall be authorised to represent the Organisation of Noteholders in judicial proceedings, even in cases of administration under supervision, composition, bankruptcy, and forced administrative liquidation of the Issuer.

#### **Article 27: Resignation of Representative of the Noteholders**

The Representative of the Noteholders may resign at any time upon giving not less than three calendar months' notice in writing to the Issuer without assigning any reason therefore and without being responsible for any costs occasioned by such resignation. The resignation of the Representative of the Noteholders shall not become effective until the Meeting has appointed a new representative of the Noteholders.

#### **Article 28: Exoneration of the Representative of the Noteholders**

The Representative of the Noteholders shall not assume any other obligations in addition to those expressly provided herein, in the Conditions and in the Transaction Documents.

Without limiting the generality of the foregoing, the Representative of the Noteholders:

- (i) shall not be under any obligation to take any steps to ascertain whether a Trigger Event or any other event, condition or act, the happening of which would cause a right or remedy to become exercisable by the Representative of the Noteholders hereunder or under any of the other Transaction Documents has happened and, until it shall have actual knowledge or express notice to the contrary, the Representative of the Noteholders shall be entitled to assume that no Trigger Event or such other event has occurred;
- (ii) shall not be under any obligation to monitor or supervise the observance and performance by the Issuer hereunder or any of the other parties to the Transaction Documents or of these Rules of their obligations thereunder and, until it shall have actual knowledge or express notice to the contrary, it shall be entitled to assume that the Issuer and each party to these Rules or any Transaction Document is observing and performing all the obligations on its part contained in the Notes and hereunder or, as the case may be, any Transaction Document to which it is a party;
- (iii) shall not be under any obligation to give notice to any person of the execution of these Rules or any of the Transaction Documents or any transaction contemplated hereby or thereby;
- (iv) shall not be responsible for or for investigating the legality, validity, effectiveness, adequacy, suitability or genuineness of these Rules or of any Transaction Document, or any other document or any obligation or rights created or purported to be created thereby or pursuant thereto, and (without prejudice to the generality of the foregoing), it shall not have any responsibility for or have any duty to make any

investigation in respect of or in any way be liable whatsoever for (i) the nature, status, creditworthiness or solvency of the Issuer; (ii) the existence, accuracy or sufficiency of any legal or other opinions, searches, reports, certificates, valuations or investigations delivered or obtained or required to be delivered or obtained at any time in connection herewith; (iii) the failure by the Issuer to obtain or comply with any licence, consent or other authority in connection with the purchase or administration of the revenues; or (iv) any accounts, books, records or files maintained by the Issuer and/or by any other person or entity, who is a party of the Transaction Documents, in respect of the Real Estate Assets;

- (v) shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Notes or the distribution of any of such proceeds to the persons entitled thereto;
- (vi) shall have no responsibility for the maintenance of any rating of the Notes by the Rating Agencies or any other credit or rating agency or any other person;
- (vii) shall not be responsible for investigating any matter which is the subject of any recitals, statements, warranties or representations of any party other than the Representative of the Noteholders contained herein or in any other Transaction Document;
- (viii) shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Issuer to the Real Estate Assets or any part thereof whether such defect or failure was known to the Representative of the Noteholders or might have been discovered upon examination or enquiry or whether capable or remedy or not;
- (ix) shall not be liable for any failure, omission or defect in registering or filing or procuring registration or filing of or otherwise protecting or perfecting these Rules or any Transaction Document;
- (x) shall not be under any obligation to insure the Real Estate Assets or any part thereof;
- (xi) shall not be obliged to have regard to the consequences of any modification of these Rules or any of the Transaction Documents for individual Noteholders or any relevant persons resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to, the jurisdiction of any particular territory;
- (xii) shall not (unless and to the extent ordered so to do by a court of competent jurisdiction) be under any obligation to disclose to any Noteholder, any other Issuer Creditor or any other party any confidential, financial, price sensitive or other information made available to the Representative of the Noteholders by the Issuer or any other person in connection with these Rules and no Noteholder, other Issuer Creditors or any other party shall be entitled to take any action to obtain from the Representative of the Noteholders any such information;



- (xiii) shall not be responsible for, nor shall it have any liability with respect to any loss or damage arising from the realisation of all or any part of the Real Estate Assets or from any exercise or non-exercise by it of any power, authority or discretion conferred on it in relation to such security or otherwise unless such loss or damage is caused by fraud, wilful misconduct or gross negligence;
- (xiv) shall not be responsible for reviewing or investigating any report relating to the Real Estate Assets provided by any person;
- (xv) shall not be responsible for (except as otherwise provided in the Conditions) making or verifying any determination or calculation in respect of the Real Estate Assets, the Notes or any Transaction Document; and
- (xvi) shall not be responsible for investigating or verifying the contents of any auditor's report or certificate, and the Representative of the Noteholders is entitled to rely on such report or certificate.

The Representative of the Noteholders:

- (a) may agree with the other parties thereto, without being required to obtain the consent of the Noteholders, such amendments or modifications to these Rules or to any of the Transaction Documents (other than the Subscription Agreement (with the exception of the Conditions of the Notes and these Rules as attached thereto)) which in the opinion of the Representative of the Noteholders it is expedient to make or is to correct a manifest error or is of a formal, minor or technical nature provided that no such amendment or modification shall be made which is or may be, in the sole opinion of the Representative of the Noteholders, materially prejudicial to the interests of the Noteholders and of the other Issuer Creditors, and provided that no such amendment or modification may be made on any matter reserved to the exclusive powers of the Meeting in contravention of any express direction by an Extraordinary Resolution or of a request in writing made by the holders of not less than 25 per cent in aggregate principal amount of any Class of Notes then outstanding;
- (b) may act on the advice or a certificate or opinion of or any information obtained from any lawyer, accountant, banker, broker, credit or rating agency or other expert whether obtained by the Issuer, the Representative of the Noteholders or otherwise and shall not, in the absence of fraud, gross negligence or wilful misconduct on the part of the Representative of the Noteholders, be responsible for any loss occasioned by so acting. Any such advice, opinion or information may be sent or obtained by letter, telex, telegram, facsimile transmission or cable and, in the absence of gross negligence or wilful misconduct or fraud on the part of the Representative of the Noteholders, the Representative of the Noteholders shall not be liable for acting on any advice, opinion or information purporting to be conveyed by any such letter, telex, telegram, facsimile transmission or cable although the same shall contain some error or shall not be authentic;

- (c) may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or things, unless any of its officers in charge of the administration of these Rules shall have actual knowledge or express notice to the contrary, a certificate duly signed by a director of the Issuer, and the Representative of the Noteholders shall not be bound in any such case to call for further evidence or be responsible for any loss that may be occasioned by the Representative of the Noteholders acting on such certificate;
- (d) save as expressly otherwise provided herein, shall have absolute discretion as to the exercise, non-exercise or refraining from exercise of any right, power and discretion vested in the Representative of the Noteholders by these Rules or by operation of law and the Representative of the Noteholders shall not be responsible for any loss, costs, damages, expenses or inconveniences that may result from the exercise, non-exercise or refraining from exercise thereof unless arising as a result of its fraud, gross negligence or wilful default;
- (e) shall be at liberty to hold or to place these Rules, the Transaction Documents and any other documents relating hereto in any part of the world with any banker or banking company or company whose business includes undertaking the safe custody of documents or lawyer or firm of lawyers considered by the Representative of the Noteholders to be of good repute and the Representative of the Noteholders shall not be responsible for or required to insure against any loss incurred in connection with any such deposit and may pay all sums required to be paid on account of or in respect of any such deposit;
- (f) shall be entitled, in connection with matters in respect of which the Representative of the Noteholders is entitled to exercise its discretion hereunder, to convene a Meeting in order to obtain instructions as to how the Representative of the Noteholders should exercise such discretion provided that nothing herein shall be construed so as to oblige the Representative of the Noteholders to convene such a Meeting and the Representative of the Noteholders shall be entitled when calling any such Meeting to be first indemnified and/or provided with security to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing;
- (g) shall not be liable, in connection with matters in respect of which the Noteholders are entitled to direct the Representative of the Noteholders, for acting upon any resolution purporting to have been passed at any Meeting in respect whereof minutes have been made and signed even though subsequent to its acting it may be found that there was some defect in the constitution of the Meeting or the passing of the resolution or that for any reason the resolution was not valid or binding upon such Noteholders;
- (h) may call for and shall be at liberty to accept and place full reliance on and as sufficient evidence of the facts stated therein, a certificate or letter of confirmation certified as true and accurate and signed on behalf of any common depositary as the Representative of the Noteholders considers appropriate, or any form of record

made by any of them to the effect that at any particular time or throughout any particular period any particular person is, was, or will be, shown in its records as entitled to a particular number of Notes;

- (i) may certify whether or not a Trigger Event is in its opinion materially prejudicial to the interests of the Noteholders and any such certificate shall be conclusive and binding upon the Issuer, the Noteholders, the other Issuer Creditors and any other relevant person;
- (j) may determine whether or not a default in the performance by the Issuer of any obligation under the provisions of these Rules or contained in the Notes or any of the other Transaction Documents is capable of remedy and, if the Representative of the Noteholders shall certify that any such default is, in its opinion, not capable of remedy, such certificate shall be conclusive and binding upon the Issuer, the Noteholders and any relevant person;
- (k) may assume without enquiry that no Notes are for the time being held by or for the benefit of the Issuer;
- (l) shall be entitled to call for and to rely upon a certificate or any letter of confirmation or explanation reasonably believed by it to be genuine, of any party to the Intercreditor Agreement or any other Issuer Creditor or any rating agency in respect of every matter and circumstance for which a certificate is expressly provided for hereunder or any other Transaction Document or in respect of the rating of the Notes and it shall not be bound in any such case to call for further evidence or be responsible for any loss, liability, costs, damages, expenses or inconvenience that may be occasioned by its failing so to do; and
- (m) shall be entitled to assume, for the purposes of exercising any power, authority, duty or discretion under or in relation hereto, that such exercise will not be materially prejudicial to the interests of the Noteholders if the Rating Agencies have confirmed that the then current rating of the Notes would not be adversely affected by such exercise, or have otherwise given their consent.

Any consent or approval given by the Representative of the Noteholders under these Rules and any other Transaction Document may be given on such terms and subject to such conditions (if any) as the Representative of the Noteholders thinks fit and notwithstanding anything to the contrary contained herein, or in other Transaction Document, such consent or approval may be given retrospectively.

No provision of these Rules shall require the Representative of the Noteholders to do anything which may be illegal or contrary to applicable law or regulation or expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it.

For the avoidance of doubt, the Representative of the Noteholders may also agree with the other parties thereto, without being required to obtain the consent of the Noteholders, such amendments or modifications to these Rules or to any of the Transaction Documents in the

circumstances set out in Condition 4.3 (*Other Transactions involving Same Portfolio, Further Issues*).

#### **Article 29: Indemnity**

It is hereby acknowledged that the Issuer has covenanted and undertaken under the Subscription Agreement to reimburse, pay or discharge (on a full indemnity basis) on demand, to the extent not already reimbursed, paid or discharged by any Noteholders, all costs, liabilities, losses, charges, expenses, damages, actions, proceedings, claims and demand (including, without limitation, legal fees and any applicable value added tax or similar tax) properly incurred by or made against the Representative of the Noteholders or by any persons appointed by it to whom any power, authority or discretion may be delegated by it, in relation to the preparation and execution of, the exercise or purported exercise of its powers and performance of its duties under, and in any other manner in relation to, these Rules or the Transaction Documents (other than the Second Deed of Charge), including but not limited to reasonable and duly documented legal and travelling expenses and any stamp, issue, registration, documentary and other taxes or duties paid by the Representative of the Noteholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Noteholders pursuant to the Transaction Documents (other than the Second Deed of Charge), or against the Issuer or any other person for enforcing any obligations hereunder, the Notes or the Transaction Documents (other than the Second Deed of Charge), except insofar as the same are incurred because of the fraud, negligence or wilful misconduct of the Representative of the Noteholders. It is further acknowledged that the Representative of the Noteholders has the benefit of an indemnity in relation to its actions carried out in connection with the Second Deed of Charge pursuant to such document.

#### **TITLE IV: THE ORGANISATION OF NOTEHOLDERS UPON A SERVICE OF A TRIGGER NOTICE**

##### **Article 30: Powers**

It is hereby acknowledged that, upon the service of a Trigger Notice, the Representative of the Noteholders shall, pursuant to the Intercreditor Agreement, be entitled, in its capacity as legal representative of the Organisation of Noteholders, also in the interest and for the benefits of the other Issuer Creditors, pursuant to Article 1411 and Article 1723 of the Italian Civil Code, to exercise certain rights in relation to the Real Estate Assets. Therefore the Representative of the Noteholders, in its capacity as legal representative of the Organisation of Noteholders, in accordance with the terms and conditions of the Intercreditor Agreement, will be authorised to exercise, in the name and on behalf of the Issuer and as a *mandatario in rem propriam* of the Issuer, all and any of the Issuer's Rights including the right to give directions and instructions to the other parties to the Intercreditor Agreement.

#### **TITLE V: JURISDICTION**

##### **Article 31: Jurisdiction**

The Courts of Rome are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Rules of Organisation of the Noteholders.

## TAXATION IN THE REPUBLIC OF ITALY

*The following is a general summary of current Italian law and practice relating to certain Italian tax considerations concerning the purchase, ownership and disposition of the Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. The following summary does not discuss the treatment of Notes that are held in connection with a permanent establishment or fixed base through which a non-Italian resident beneficial owner carries on business or performs professional services in Italy.*

*This summary is based upon tax laws and practice of Italy in effect on the date of this Offering Circular, which may be subject to change potentially with retroactive effect. Law No. 80 of 7 April 2003, which provides for the reform of the Italian tax system, delegates the Government to issue legislative decrees within two years from the entry into force of Law No. 80 of 7 April 2003, in order, inter alia, to introduce a general reform of the Italian tax treatment of financial income and of taxation of individuals, that may impact on the current tax regime of the Notes, as summarized below. Legislative Decree No. 344 of 12 December 2003, which entered into force on 1 January 2004, introduced the reform of taxation of corporations and of certain financial income, amending Presidential Decree No. 917 of 22 December 1986 (the Italian Income Taxes Consolidated Text).*

*Prospective purchasers of Notes should consult their tax advisers as to the consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.*

*Prospective Noteholders who may be unsure as to their tax position should seek their own professional advice.*

### **Income Tax**

Pursuant to the provisions of Article 2, paragraph 5, of Law Decree No. 351, the Notes will be subject to the same tax regime provided for Italian State and other public bonds regulated by Article 31 of Presidential Decree No. 601 of 29 September 1973, as established by Legislative Decree No. 239 of 1 April 1996, as subsequently amended and restated ("**Decree No. 239**"), and will be considered as issued abroad if listed in at least one foreign regulated market or placed (*collocare*) also in foreign markets.

### ***Italian resident Noteholders***

Where an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito* regime - see "Capital gains tax" below), (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the

Notes, accrued during the relevant holding period, are subject to a tax withheld at source, referred to as *imposta sostitutiva*, levied at the rate of 12.5 per cent. If the Noteholders described under (i) to (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva* but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "status" of the Noteholder, also to IRAP, the regional tax on productive activities).

Where an Italian resident Noteholder is an Italian real estate investment fund to which the provisions of Law Decree No. 351, as subsequently amended, apply, interest, premium and other income relating to the Notes will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund.

Where an Italian resident Noteholder is an open-ended or a closed-ended investment fund or a SICAV and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 12.5 per cent. substitute tax (or, in some circumstances, the *imposta sostitutiva* is levied at a 5 per cent. rate).

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by articles 14, 14<sup>ter</sup> and 14<sup>quater</sup>, paragraph 1, of Legislative Decree No. 124 of 21 April 1993) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 11 per cent. substitute tax.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance (each, an "**Intermediary**"). An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes.

For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

#### ***Non-Italian resident Noteholders***

If the Notes are not regarded as issued abroad (see below), where the Noteholder is a non-Italian resident, an exemption from the *imposta sostitutiva* also applies provided that the non-Italian resident beneficial owner is either (i) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with the Republic of Italy; or (ii) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (iii) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) an institutional investor which is incorporated in a country which allows for a satisfactory exchange of information with the Republic of Italy, even if it does not possess the status of a taxpayer in its own country of residence.

For the purpose of the application of the exemption, the countries which allow for a satisfactory exchange of information with Italy are those listed in Ministerial Decree dated 4 September 1996, as amended from time to time, which includes, *inter alia*, most members of the European Union, Australia, Brazil, Canada, Japan and the United States of America, but excludes, *inter alia*, Switzerland and Cyprus.

The *imposta sostitutiva* will be applicable at the rate of 12.5 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any) to interest, premium and other income paid to Noteholders who are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or other income and (i) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance and (ii) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

Notes listed in at least one foreign regulated market or placed (*collocare*) in foreign markets shall be considered as issued abroad and interest and other proceeds on such Notes shall be subject to the tax treatment provided for by Article 2, paragraph 1-*bis*, of Decree No. 239 and, as such, shall not be subject to any *imposta sostitutiva* if paid to beneficial owners who are non-Italian residents for tax purposes. In this case, if such Notes are deposited with, or are sold through, an Intermediary or an Intermediary intervenes in the payment of interest and other proceeds on such Notes, to ensure payment of interest and other proceeds on the Notes without application of Italian taxation, such intermediaries



may request, as a precautionary measure, that non-Italian resident beneficial owners file a self-declaration of non-Italian residence for tax purposes.

### **Capital gains tax**

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an individual holding the Notes not in connection with an entrepreneurial activity and certain other persons, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 12.5 per cent. Noteholders may set-off losses with gains.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio*

*amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.5 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder who is an Italian open-ended or a closed-ended investment fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 12.5 per cent. substitute tax (or, in some circumstances, the *imposta sostitutiva* is levied at a 5 per cent. rate).

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by articles 14, 14<sup>ter</sup> and 14<sup>quater</sup>, paragraph 1, of Legislative Decree No. 124 of 21 April 1993) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Note is connected, from the sale or redemption of Notes traded on regulated markets are not subject to the *imposta sostitutiva*.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Note is connected, from the sale or redemption of the Notes not traded on regulated markets are not subject to the *imposta sostitutiva* provided that the effective beneficiary: (i) is resident in a country which allows for a satisfactory exchange of information with Italy; or (ii) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (iii) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence.

If none of the conditions described above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of the Notes not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 12.5 per cent.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected that may benefit from a double tax treaty with Italy providing that capital gains realised upon the sale or redemption of the Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of the Notes.

### **Italian gift tax**

Italian inheritance tax was abolished by Law No. 383 of 18 October 2001 in respect of gifts made or succession proceedings started after 25 October 2001. Transfers of the Notes by reason of gift to persons other than the spouse, siblings, ascendants and descendants or relatives within the fourth degree will be subject to the transfer taxes ordinarily applicable to the relevant transfer for consideration, if due, in respect of the value of the gift received by each person exceeding €180,759.91.

### **Transfer tax**

Pursuant to Italian Legislative Decree No. 435 of 21 November 1997, which partly amended the regime set forth by Royal Decree No. 3278 of 30 December 1923, the transfer of the Notes may be subject to the Italian transfer tax, which is currently payable at a rate between a maximum of €0.0083 and a minimum of €0.00465 per €51.65 (or fraction thereof) of the price at which the Notes are transferred. Where the transfer tax is applied at a rate of €0.00465 per €51.65 (or fraction thereof) of the price at which Notes are transferred, the transfer tax cannot exceed €929.62.

However, the transfer tax does not apply, *inter alia*, to: (i) contracts entered into on regulated markets relating to the transfer of securities, including contracts between the intermediary and its principal or between qualified intermediaries; (ii) off-market transactions regarding securities listed on regulated markets, provided that the contracts are entered into (a) between banks, SIMs or other financial intermediaries regulated by Decree No. 415 of 23 July 1996 as superseded by Decree No. 58 of 24 February 1998, or stockbrokers; (b) between the subjects mentioned in (a) above, on the one hand, and non-Italian residents, on the other hand; (c) between the subjects mentioned in (a) above, even if non-resident in Italy, on the one hand, and undertakings for collective investment in transferable securities, on the other hand; (iii) contracts related to sales of securities occurring in the context of a public offering (*offerta pubblica di vendita*) aimed at the listing on regulated markets, or involving financial instruments already listed on regulated markets, (iv) contracts regarding securities not listed on a regulated market entered into between the authorised intermediaries referred to in (ii)(a) above, on the one hand, and non-Italian residents on the other hand.

### **European Savings Directive**

On 3 June 2003, the EU Council of Economic and Finance Ministers adopted Directive No. 2003/48/EC regarding the taxation of savings income. The directive is scheduled to be applied by Member States from 1 July 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the directive each Member State of the

European Union (each, a "**Member State**" and together, the "**Member States**") will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first tax year following agreement by certain non-EU countries to the exchange of information relating to such payments.

## SUBSCRIPTION AND SALE

### First Subscription Agreement

ABN AMRO Bank N.V., Banca Nazionale del Lavoro S.p.A., J.P. Morgan Securities Ltd. and Salomon Brothers International Limited as First Managers agreed, in the First Subscription Agreement between the First Managers, the Issuer and the Representative of the Noteholders in respect of the First Notes, to subscribe and pay the Issuer for the First Notes, at the issue price of 100 per cent of their principal amount. The Issuer has paid to the First Managers the following combined management, selling and underwriting commission on the principal amount of the First Notes:

	<b>First Class A Notes</b>	<b>Class B1 Notes</b>	<b>Class C Notes</b>
Combined management, selling and underwriting commission	0.04%	0.10%	0.25%

The First Subscription Agreement is subject to a number of conditions and may be terminated by the First Managers in certain circumstances prior to payment for the First Notes to the Issuer. The Issuer has agreed to indemnify the First Managers against certain liabilities in connection with the issue of the First Notes.

### Second Subscription Agreement

Barclays Bank PLC, Mediobanca - Banca di Credito Finanziario S.p.A. and UBS Limited as New Managers have, in the Second Subscription Agreement dated on or around the New Issue Date between the New Managers, the Issuer and the Representative of the Noteholders in respect of the New Notes, jointly and severally agreed to subscribe and pay the Issuer for a proportion of the New Notes, at the issue price of 100 per cent of their principal amount. The Issuer will pay to the New Managers the following combined management, selling and underwriting commission on the principal amount of the New Notes:

	<b>Class A4 Notes</b>	<b>Class A5 Notes</b>	<b>Class B2 Notes</b>
Combined management, selling and underwriting commission	0.05%	0.05%	0.05%

The Second Subscription Agreement is subject to a number of conditions and may be terminated by the New Managers in certain circumstances prior to payment for the New

Notes to the Issuer. The Issuer has agreed to indemnify the New Managers against certain liabilities in connection with the issue of the New Notes.

### **Selling Restrictions of First Notes**

#### ***United States***

The First Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

The First Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transaction permitted by U.S. tax regulations. Terms used in this paragraph have the meaning given to them by the United States Internal Revenue Code and regulations thereunder.

Each First Manager under the First Subscription Agreement has agreed that, except as permitted by the First Subscription Agreement, to not offer, sell or deliver First Notes (i) as part of its distribution at any time; or (ii) otherwise until 40 days after the later of the date of commencement of the offering of the First Notes and the issue date thereof (the "**distribution compliance period**"), within the United States or to, or for the account or benefit of, a U.S. person, and that it would have sent to each dealer to which it sells First Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the First Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of the First Notes within the United States by any dealer (whether or not participating in this offering) may violate the requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

#### ***Republic of Italy***

Each First Manager under the First Subscription Agreement has acknowledged that, no action has been taken which allow an offering (or a *sollecitazione all'investimento*) of the First Notes to the public in the Republic of Italy, nor any action has been taken which allow an offering (or a *sollecitazione all'investimento*) of the First Notes to the public in the Republic of Italy, unless in compliance with the relevant Italian securities, tax and other applicable laws and regulations. Accordingly, each First Manager under the First Subscription Agreement has agreed that the First Notes may not be offered, sold or delivered by it and neither this document nor any other offering material relating to the First Notes will be distributed or made available by it to the public in the Republic of Italy. Individual sales of the First Notes to any persons in the Republic of Italy may only be made in accordance with Italian securities, tax and other applicable laws and regulations.

Each First Manager under the First Subscription Agreement has acknowledged that no application has been made by it to obtain an authorisation from CONSOB for the public offering of the First Notes in the Republic of Italy.

Accordingly, each First Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, and has not distributed and will not distribute and has not made and will not make available in the Republic of Italy any First Notes, the First Offering Circular nor any other offering material relating to First Notes other than to professional investors (*operatori qualificati*) as defined in Article 31, paragraph 2, of CONSOB Regulation No. 11522 of 1 July 1998, pursuant to Article 100, paragraph 1, letter a) and Article 30, paragraph 2, of Legislative Decree No. 58 of 24 February 1998 (the Financial Laws Consolidation Act) and in accordance with applicable Italian laws and regulations. Any offer of the First Notes to professional investors in the Republic of Italy shall be made only by banks, investment firms or financial companies (which are enrolled in the special register provided for in Article 107 of the Banking Act), to the extent duly authorised to engage in the placement and/or underwriting of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Financial Laws Consolidation Act and in compliance with Article 129 of the Banking Act.

#### ***United Kingdom***

Each First Manager under the First Subscription Agreement has represented and agreed with the Issuer that:

- (1) ***No offer to public:*** in relation to the First Notes, it has not offered or sold and, prior to the expiry of a period of six months from the First Issue Date, would have not offered or sold any First Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (2) ***Financial promotion:*** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any First Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (3) ***General compliance:*** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the First Notes in, from or otherwise involving the United Kingdom.

#### ***Netherlands***

Each of First Managers under the First Subscription Agreement has represented and agreed that the First Notes have not been and will not be directly or indirectly, offered, sold,

transferred or delivered and the First Managers will not, directly or indirectly, offer, sell, transfer or deliver, as part of their initial distribution or at any time thereafter, any First Notes to individuals or legal entities who are established, domiciled or have their residence in the Netherlands.

### ***France***

Each of the First Managers under the First Subscription Agreement has represented that (a) it has not offered or sold and will not offer or sell, directly or indirectly, any First Notes to the public in the Republic of France, (b) it has not distributed and that it will not distribute or cause to be distributed in the Republic of France the First Offering Circular nor any other offering material relating to the First Notes, except to (i) qualified investors (*investisseurs qualifiés*) or (ii) a restricted group of investors (*cercle restreint d'investisseurs*), all as defined in article L. 411-2 of the *Code monétaire et financier* and in *Décret* no.98-880 dated 1 October 1998, and (c) offers and sales of First Notes will be made in the Republic of France only to such qualified investors or restricted group of investors.

### ***General***

In addition, each First Manager under the First Subscription Agreement has represented and agreed with the Issuer that no action has been or will be taken in any jurisdiction by it that would permit a public offering of the First Notes, or possession or distribution of the First Offering Circular or any other offering or publicity material relating to the First Notes, in any country or jurisdiction where action for that purpose is required. Each First Manager under the First Subscription Agreement has represented and agreed that it will comply with, and obtain any consent, approval or permission required under, all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers First Notes or has in its possession or distributes the First Offering Circular or any such other material, in all cases at its own expense. It has also agreed that it will ensure that no obligations are imposed on the Issuer or, as the case may be, any other First Manager in any such jurisdiction as a result of any of the foregoing actions. Each First Manager under the First Subscription Agreement will have any permission required by it for, the acquisition, offer, sale or delivery by it of First Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. Persons into whose hands the First Offering Circular comes were required by the Issuer and the First Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver First Notes or have in their possession, distribute or publish the First Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

### **Selling Restrictions of the New Notes**

#### ***United States***

The New Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S.



persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

The New Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transaction permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each New Manager under the Second Subscription Agreement has agreed that, except as permitted by the Second Subscription Agreement, it will not offer or sell New Notes (i) as part of its distribution at any time; or (ii) otherwise until 40 days after the later of the date of commencement of the offering of the New Notes and the New Issue Date (the "**distribution compliance period**"), within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells New Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the New Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of the New Notes within the United States by any dealer (whether or not participating in this offering) may violate the requirements of the Securities Act.

### ***Republic of Italy***

Each New Manager under the Second Subscription Agreement has acknowledged that no action has been taken which allow an offering (or a *sollecitazione all'investimento*) of the New Notes to the public in the Republic of Italy, nor will any action be taken which allow an offering (or a *sollecitazione all'investimento*) of the New Notes to the public in the Republic of Italy, unless in compliance with the relevant Italian securities, tax and other applicable laws and regulations.

Accordingly, each New Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, and has not distributed and will not distribute and has not made and will not make available in the Republic of Italy any New Notes, this Offering Circular nor any other offering material relating to New Notes other than to:

- (i) to "Professional Investors", as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of 1 July 1998 ("**Regulation No. 11522**"), pursuant to Article 30.2 and 100 of Legislative Decree No. 58 of 24 February 1998 ("**Decree No. 58**");
- (ii) through investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 ("**Decree No. 385**"), Decree No. 58, Regulation No. 11522 and any other applicable laws and regulations;

- (iii) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy, pursuant to which the issue or placement of securities in Italy is subject to prior notification to the Bank of Italy, unless an exemption, depending, inter alia, on the amount of the issue and the characteristics of the securities, applies; and
- (iv) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

### ***United Kingdom***

Each New Manager under the Second Subscription Agreement has represented and agreed with the Issuer that:

- (1) ***No offer to public:*** in relation to the New Notes, it has not offered or sold and, prior to the expiry of a period of six months from the New Issue Date, will not offer or sell any New Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the FSMA;
- (2) ***Financial promotion:*** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any New Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (3) ***General compliance:*** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the New Notes in, from or otherwise involving the United Kingdom.

### ***General***

In addition, each New Manager under the Second Subscription Agreement has represented and agreed with the Issuer that no action has been or will be taken in any jurisdiction by the Issuer that would permit a public offering of the New Notes, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the New Notes, in any country or jurisdiction where action for that purpose is required. Each New Manager under the Second Subscription Agreement has represented and agreed that it will comply with, and obtain any consent, approval or permission required under, all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers New Notes or has in its possession or distributes this Offering Circular or any such other material, in all cases at its own expense. It has also agreed that it will ensure that no obligations are imposed on the Issuer or, as the case may be, any other New Manager in any such jurisdiction as a result of any of the foregoing actions.

**Persons into whose hands this Offering Circular comes are required by the Issuer and the New Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver New Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the New Notes, in all cases at their own expense.**

## GENERAL INFORMATION

### ISIN and Common Codes and German security codes

The Notes have been accepted for clearance through Monte Titoli, Euroclear and Clearstream, Luxembourg and have been accorded the following ISINs, common codes and (where indicated) German security codes (WK):

<i>Class</i>	<i>ISIN</i>	<i>Common Code</i>	<i>German security code</i>
Class A2 Notes	IT0003402911	015973188	391006
Class A3 Notes	IT0003402929	015973331	391007
Class B Notes	IT0003402937	015973358	391008
Class C Notes	IT0003402945	0015973439	391009
Class A4 Notes	IT0003837058	021791024	-
Class A5 Notes	IT0003837074	021791237	-
Class B2 Notes	IT0003837082	021791369	-

### Authorisations

The creation and issue of the First Notes was authorised by the director of the Issuer. Pursuant to Italian law, since the director of the Issuer was, at such time, a sole director, no formal meeting or resolution thereby was required in connection with the creation of the First Notes.

The creation and issue of the New Notes has been authorised by the Board of Directors of the Issuer, pursuant to its resolution of 14 April 2005.

All authorisations, consents and approvals required to be obtained by the Issuer for, or in connection with, the creation and issue of the Notes, the execution, delivery and performance by the Issuer of the obligations expressed to be undertaken by it under the Transaction Documents to which it is a party and the distribution of this Offering Circular have been (or will, prior to the New Issue Date, be) obtained and are (or will, on the New Issue Date, be) in full force and effect.

### Legal Proceedings

The Issuer is involved in certain legal proceedings in relation to *inter alia*, the Initial Real Estate Assets, as set out in "Certain Investment Considerations - Outstanding Litigation against the Issuer" and "Description of the Initial Real Estate Assets - Litigation affecting the Initial Real Estate Assets".

Notwithstanding the above, the Issuer is not involved in any legal, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the New Notes and, so far as the Issuer is aware, no such legal, arbitration or administrative proceedings are pending or threatened.

### **No Material Adverse Change and No Significant Change**

Save as disclosed in this Offering Circular, there has been no material adverse change, or any development reasonably likely to involve any material adverse change, in the financial position or prospects of the Issuer and no significant change in the trading or financial position of the Issuer since 31 December 2003 (being the date of the last approved financial statements of the Issuer) that is material in the context of the Notes.

### **Miscellaneous**

Since the date of its incorporation, the Issuer has not commenced business (except for matters relating to the Notes, the Transaction Documents, the 2001 Securitisation, the entering into the Limited Recourse Loan Agreements, and as provided for by in the Decrees) and no bank accounts have been opened in its name (other than the Accounts and the accounts opened in connection with the 2001 Securitisation). The Issuer does not have as of the date of this Offering Circular, any loan (including term loans) outstanding or created or any outstanding mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances or acceptance credits, obligations under financial leases, hire purchase commitments, guarantees or other contingent liabilities, other than pursuant to the Transaction Documents or the Limited Recourse Loan Agreements or in connection with the 2001 Securitisation. No quota capital or loan capital of the Issuer is under option or is agreed conditionally to be put under option.

### **Fees and Expenses**

The estimated annual fees and expenses payable by the Issuer in connection with the Securitisation (other than the fees and, where applicable, VAT obligations in relation thereto, of the Asset Managers, the Commercial Sales Managers, the Asset Appraiser and the Liquidity Facility Providers, which are detailed in the section entitled "Description of the Transaction Documents") amount to approximately €512,600.

### **Luxembourg Stock Exchange Listing**

In connection with the application to list the New Notes on the Luxembourg Stock Exchange, copies of the *statuto* and *atto costitutivo* (by-laws) of the Issuer and the legal notice relating to the issue of the New Notes will be deposited prior to listing with the Registre de Commerce et des Sociétés à Luxembourg, where such documents may be examined and copies obtained upon request.

The Issuer has undertaken to maintain a paying agent in Luxembourg so long as any of the Notes are listed on the Luxembourg Stock Exchange.

## Documents Available for Inspection

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require:

- (a) executed copies of the following documents will, following their execution and delivery, be available for inspection during usual business hours at the specified offices of each of the Paying Agents:
  - (i) the Asset Management Agreements;
  - (ii) the Commercial Sales Management Agreement;
  - (iii) the Programme Administration Agreement;
  - (iv) the Asset Appraisal Agreement;
  - (v) the Agency Agreement;
  - (vi) the Cash Management Agreement;
  - (vii) the Subscription Agreements;
  - (viii) the Intercreditor Agreement;
  - (ix) the Liquidity Facility Agreements;
  - (x) the Hedging Agreements;
  - (xi) the Swap Guarantee;
  - (xii) the Deeds of Charge;
  - (xiii) the Warranty and Indemnity Agreements;
  - (xiv) the Letter of Undertaking;
  - (xv) the Issuer Corporate Services Agreement; and
  - (xvi) the Quotaholder Corporate Services Agreement;
  
- (b) copies of the following documents (together with English translations of any documents the original of which is in the Italian language) will be available free of charge, during usual business hours, at the specified offices of each of the Principal Paying Agent and the Luxembourg Paying Agent:
  - (i) the *statuto* and *atto costitutivo* of the Issuer;
  - (ii) the latest annual financial statements of the Issuer; and
  - (iii) the Quarterly Accounts Report prepared by the Cash Manager and the Investors Report prepared by the Programme Administrator.

The Issuer has not published and does not intend to publish any interim financial statements (nor is it obliged to do so by Italian law). The additional financial information set out in the section entitled "The Issuer" has been prepared solely for the purposes of this Offering Circular and has not been submitted to or approved by the quotaholders of the Issuer.

The Issuer will produce proper accounts (*ordinata contabilità interna*) and audited (to the extent required by applicable law or listing rules) financial statements in respect of each financial year (commencing on 1 January and ending on 31 December in each year, the next such accounts to be prepared to 31 December 2004) to be submitted to the quotaholders of the Issuer for their approval. Under Italian law as at the date of this Offering Circular, there is no obligation for the Issuer to have its annual accounts independently audited. The annual financial statements of the Issuer will be available free of charge in accordance with paragraph (b) above.

### **No Cancellation**

According to Chapter VI, Article 3, point A/II/2 of the rules and regulations of the Luxembourg Stock Exchange, the Notes shall be freely transferable and therefore no transaction made on the Luxembourg Stock Exchange shall be cancelled.

## GLOSSARY OF TERMS

The following terms are used throughout this document. The page number opposite a term indicates the page on which such term is first defined.

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