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CMBS Presale Report**S.C.I.P. Società Cartolarizzazione Immobili Pubblici S.r.l.****€6.637 billion asset-backed floating-rate notes**

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This presale report is based on information as of Nov. 18, 2002. The credit ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Please call Standard & Poor's at (44) 20-7847-7400 for the final ratings when assigned.

Profile

Expected closing date:
November 2002.

Collateral: Sale proceeds from a portfolio of real estate comprising approximately 53,250 residential and 9,600 commercial properties throughout Italy.

Arrangers: ABN AMRO Bank N.V., Banca Nazionale del Lavoro SpA, JP Morgan Securities Ltd., and Salomon Brothers International Ltd.

Sellers: INPDAP, INPDAI, INAIL, INPS, IPSEMA, IPOST, ENPALS, all of which are social security entities of the Italian Government, and the Republic of Italy.

Servicers: INPDAP, INPDAI, INAIL, INPS, IPSEMA, IPOST, ENPALS, and Agenzia del Demanio, an agency in charge of the management of the real estate assets belonging to the Republic of Italy.

Commercial sales manager: To be determined.

Representative of noteholders:
San Paolo Fiduciaria SpA.

Preliminary credit ratings as of Nov. 14, 2002

| Class | Preliminary credit rating* | Preliminary amount |
|-------|----------------------------|--------------------|
| A1 | AAA | €1,327,000,000 |
| A2 | AAA | €1,925,000,000 |
| A3 | AAA | €1,991,000,000 |
| A4** | AAA | \$TBD |
| B1 | AA | €858,000,000 |
| B2** | AA | \$TBD |
| C1 | A | €536,000,000 |
| C2** | A | \$TBD |

*The credit rating on each class of securities is preliminary and subject to change at any time.
 **The amount of debt in these classes will be carved out of the debt in the class listed immediately above in this table.
 TBD--To be determined.
 N.A.--Not available.

Rationale

The preliminary credit ratings assigned to the euro- and U.S. dollar-denominated asset-backed floating-rate notes to be issued by S.C.I.P. Società Cartolarizzazione Immobili Pubblici S.r.l. ("SCIP") reflect the availability of (i) expected net proceeds from the liquidation of a portfolio of residential and commercial real estate and (ii) the majority of the rental income from the portfolio to meet the interest and principal payments due under the terms of the rated notes.

The ratings also reflect the protection for noteholders provided by a combination of overcollateralization levels, the availability of a liquidity line of €300 million available to cover any interest shortfall potentially caused by the volatility of the collateral liquidation process, and interest rate and currency hedging agreements.

Final ratings are expected to be assigned on the closing date subject to a satisfactory review of the transaction documents and legal opinion, which has yet to be provided.

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Strengths, Concerns, and Mitigating Factors**Strengths**

The key strengths of the transaction observed in the rating analysis are as follows:

- The property disposal process requires that the residential assets are offered to the current tenants first and then for sale at public auctions,

where reserve prices are set at increasing statutory discounts to market value.

- Residential tenants who exercise their right to purchase the property they occupy are given discounts of up to 40.5% of the market value.
- The disposal process for the commercial assets requires them to be offered in a series of public auctions where reserve prices are set at increasing statutory discounts to market value.
- The disposal process for the commercial assets will be managed by the commercial sales manager (yet to be appointed), which should increase the efficiency of the process by expanding the purchaser base to include institutional investors.
- The disposal process has been streamlined both from an administrative and legal perspective, building on the experience of SCIP's previous transaction, which closed in December 2001 ("SCIP 1"). New measures include an outsourcing mechanism to support the asset managers during the preparatory stages of the disposal process.
- Of the pool, 84.7% comprises residential properties with a significant concentration (56.9%) situated in the major economic centers of Rome and Milan.
- Approximately 49% of the portfolio in the SCIP 1 transaction has been realized to date and the average discount to market value was 38%.
- The selling social security entities and real estate adviser will be remunerated on a performance basis depending on the timing and volume of real estate sold.
- The majority of the rental income from the real estate will be retained within the transaction. It will be available to pay interest on the notes - a key change from the SCIP 1 transaction.
- All of the assets will have been valued prior to the closing of the transaction.

Concerns

The following major concerns have been identified with respect to the transaction:

- The level of demand for tenant purchase will be strongly influenced by the availability of mortgage finance.
- Assets offered in public auctions are subject to market demand for the assets at the time of each auction.
- The SCIP 1 transaction showed some cash collection deferrals due to delays encountered in the disposal process, (such as "*regolarizzazioni catastrali*", executions of the "*mandati collettivi*", and unscheduled delays in auction dates) (see "*Performance of SCIP's First Issuance*").
- Interest and principal on the notes will be primarily funded from asset sales and consequently proceeds and timing of payments are unlikely to be uniformly distributed over the life of the transaction.
- The transaction is dependent on the ability of the social security entities, the Agenzia del Demanio, and the commercial sales manager to manage the disposal process and meet the timetables set out in the ministerial decree (see "*Summary of the Transaction*").

Mitigating Factors

Factors that mitigate these concerns are as follows:

- Between four and six major banks will provide mortgages on the basis of standardized mortgage agreement and approval procedures to tenants willing to buy the properties. This should widen mortgage availability to potential buyers.
- Certain classes of residential tenants will qualify for subsidized mortgages.
- Setting auction reserves at statutory discounts to market value should ensure continuing interest from purchasers with respect to both the commercial and residential assets.

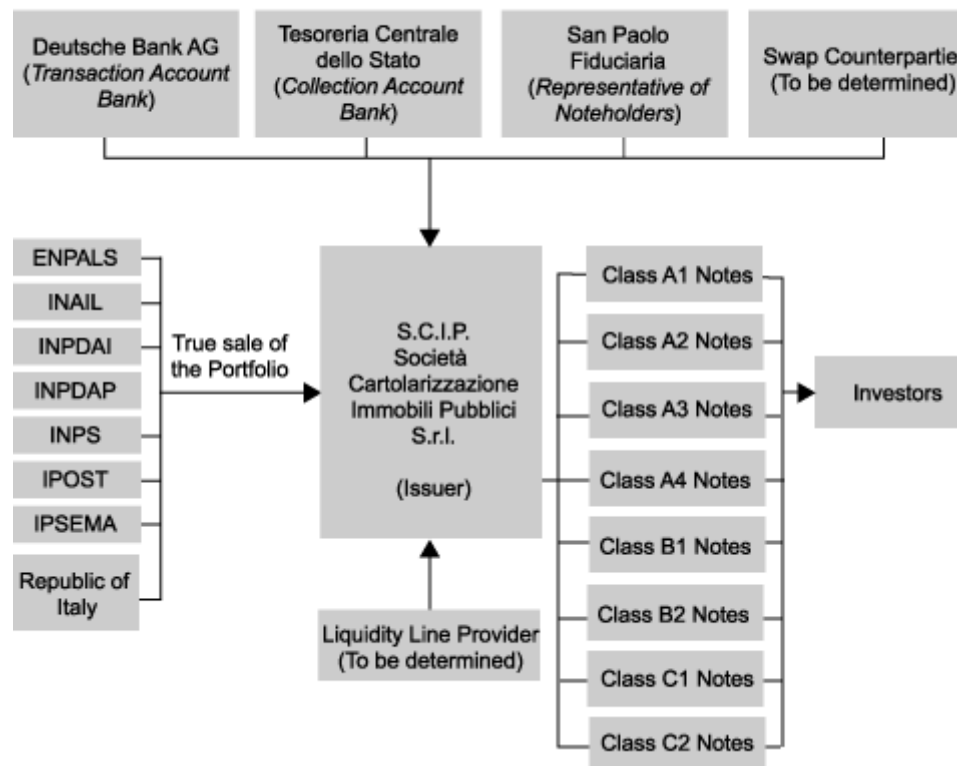
- The *regolarizzazioni cadastrali* and related timings have been factored into the disposal process and relevant collection timing. The execution of *mandati collettivi* and setting of auction dates are now streamlined through a detailed process, which includes a letter (the "*Vademecum*") sent to the residential tenants in advance of the offer letter.
- A liquidity facility of €300 million is available to cover short-term fluctuations in cash flow and ensure timely payment of interest.
- Standard & Poor's met with representatives of the three key servicers and the Italian Treasury and took comfort that the experience of the first SCIP issuance will ensure that the disposal process for this transaction shows material improvement.

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Summary of the Transaction

The structure of the transaction is shown in the following chart.

S.C.I.P. – Società Cartolarizzazione Immobili Pubblici S.r.l. Structure



The sole purpose of the issuer, SCIP, is to purchase real estate assets owned by the Republic of Italy and other public service entities (the sellers). It will finance the purchase through the issuance of the notes or by bank loans, as set out in Article 2 of Law Decree 351/01 and the issuer's by-laws ("*statuto*").

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 disposal of the assets acquired from the sellers. In addition, 85% of the rental income from the real estate assets will also be available to pay interest and principal on the notes.

The disposal process will be carried out by the sellers in their capacity as servicers (or by the commercial sales manager in the case of commercial real estate), since the issuer is not entitled to dispose of any of the assets other than

in accordance with the procedures set out in Law Decree 351/01 (now Law 420/01).

As of November 2002, SCIP issued two classes of notes (class A1 and A2) for a total amount of €2.3 billion. These notes are backed by a portfolio of real estate transferred to it by Italian public entities in 2001. The class A1 notes are expected to be repaid in full on their mandatory redemption date in December 2002 while the class A2 notes are expected to be repaid by December 2003. As of Nov. 14, 2002, cash collected in the collection account amounted to more than €1.7 billion.

SCIP now proposes to purchase an additional portfolio of real estate assets. It will fund the purchase of the portfolio from the proceeds of the proposed note issuance. By virtue of Article 2 of Law Decree No. 351/01, assets acquired by the issuer in connection with this transaction will be segregated from the assets in the SCIP 1 transaction. Thus noteholders in the SCIP 1 transaction will have no claim against the assets acquired for the purpose of the proposed transaction.

Pursuant to Law Decree 351/01, prior to the transfer of assets to SCIP, an official decree issued by Agenzia del Demanio containing a list of real estate assets that are recognized as belonging to the Italian public sector will be published in the official gazette of the Republic of Italy (the "*Gazzetta Ufficiale della Repubblica Italiana*"). A second decree jointly issued by the Ministry of Economy and Finance and by the Ministry of Labor and published in the *Gazzetta Ufficiale* will transfer those assets to SCIP. The transaction is structured as a true sale and the Republic of Italy will waive all rights of immunity and provide the necessary legislative framework for it, but will not provide any guarantee in respect of the performance of the transaction or in respect of the repayment of the notes to be issued.

The majority of the assets to be transferred in this transaction are residential apartments. These will first be offered for sale to the current tenants at a discount of 30% to the market value. Should 80% of the tenants in a block of apartments exercise their option to buy, they will receive a further discount of up to 15% on the offer price. If the tenants do not exercise their option to buy, then the apartment will be entered into a series of auctions, each with a decreasing statutory reserve price.

Prestige apartments ("*immobili di pregio*") will also be first offered for sale to the tenants. This offer will be at market value with no discount. Should the tenant not exercise the option to buy, the apartment will be entered into a series of auctions, each with a decreasing statutory reserve price.

The commercial assets will be offered as individual units at auction. Tenants will have a right of pre-emption which will enable them to purchase the property for the price achieved at auction. If the property does not sell and the tenant does not exercise the pre-emption right, the commercial properties will be grouped together as a number of lots or "blocks" and offered in a series of auctions, each with a decreasing statutory reserve price.

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The Sellers and Servicers

The assets will be transferred to the issuer from the Republic of Italy and seven social security entities, namely, ENPALS, INAIL, INPDAl, INPDAP, INPS, IPOST, and IPSEMA. These public entities provide a variety of services from mandatory insurance for industrial accidents and occupational diseases to pensions for certain classes of workers.

Following the sale of the assets to SCIP, the sellers (and Agenzia del Demanio in the case of the assets previously owned by the Republic of Italy) will remain responsible (as servicers) for the management and maintenance of the assets until the properties are sold. They will also manage the disposal process for the

residential assets. Property management responsibilities include the collection of rents and the undertaking of all the maintenance and repairs that may be required during the remaining period of ownership, as well as all other responsibilities conferred upon them as landlords under the terms of the relevant leases, law, or the asset management agreements they will enter into with the issuer.

Standard & Poor's conducted a review of some of the servicers to ascertain the internal processes established for the management and disposal process in the proposed transaction, the progress made in the disposal process for SCIP 1 to date, and the potential risks to both the timing of disposals and the level of proceeds.

The servicers reviewed by Standard & Poor's were INAIL (11% of the portfolio in terms of number of units), INPDAP (49.5%), and INPDAI (32.6%). Together, these servicers will contribute about 93.1% of the total number of units to be transferred to the issuer.

In respect of the disposal process, the entities have established specialist teams run by senior personnel with performance targets that have been and will be closely monitored. Performance targets apply to timing and proceeds from disposal. Two of the servicers (INPDAP and INPDAI), representing 82.1% of the portfolio, have introduced performance related incentive schemes for employees involved in the selling process.

Standard & Poor's conclusions from the servicer reviews are reflected in its credit analysis.

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Performance of SCIP's First Issuance

The performance reports on the first issuance by SCIP (SCIP 1) demonstrates that, as of September 2002, cumulative collections are about 20% behind the arrangers' base case, although well ahead of Standard & Poor's stressed scenario.

Table 1 illustrates the sales performance for the residential assets in the SCIP 1 transaction up to the end of September. This varies widely from the poor performance of IPOST (11.7% of business plan targets) to the good performance of INPDAI (84.7% of business plan targets). It is worth noting that 94.8% of the portfolio in the SCIP 1 transaction (in terms of number of units) was contributed by INAIL (29.1%), INPDAI (13.6%), INPDAP (43.9%), and INPS (8.2%).

| | Business plan | Actual collections | Business plan vs. actual (%) |
|--------|---------------|--------------------|------------------------------|
| ENPALS | 33,541,204 | 21,389,901 | 63.7 |
| INAIL | 455,227,645 | 385,446,770 | 84.7 |
| INPDAI | 228,954,137 | 193,738,338 | 84.6 |
| INPDAP | 550,060,691 | 441,306,318 | 80.2 |
| INPS | 143,186,062 | 109,179,144 | 76.2 |
| IPOST | 28,312,633 | 3,315,999 | 11.7 |
| IPSEMA | 5,045,009 | 3,768,172 | 74.9 |
| Total | 1,444,327,381 | 1,158,144,642 | 80.0 |

As for the commercial portion of the portfolio, sales as of September 2002 amounted to €412,214,148, compared with a business plan figure of €826,200,000. In addition, deposits have been received in respect of approximately €135 million of sales at auctions held at the end of October. These sales have not yet been completed, however. A further auction of three blocks of

properties with a total reserve price of €760 million is scheduled to take place on Nov. 29, 2002, with the sales proceeds expected to be collected within 30 days of the auction.

In the course of its servicer review, Standard & Poor's investigated the major causes for the shortfalls experienced so far with respect to both the residential and commercial properties, and how these will be dealt with in the future to avoid a recurrence of the problems.

A major cause identified in relation to the residential properties was the delay in holding auction sales due to the late definition of a common auction procedure, which was released in September 2002. The first auctions following this procedure for vacant residential assets are currently being held.

Another cause for the delay was the late issue of the decree identifying the *immobili di pregio* (high value assets on which no price discounts are granted to the tenants). The uncertainty made it impossible for the servicers to send offer letters to tenants of property that could have been considered as *immobili di pregio*. The decree, which was finally published in August 2002, also dictates the rules for identification of the *immobili di pregio* in the portfolio for this transaction

The use of only two banks to provide mortgages to tenants willing to purchase their flats also caused delays in the sale process because the increased workload for these banks lengthened the time required to complete their underwriting. For the proposed transaction, the Ministry of Economy and Finance is working with up to six mortgage lenders who will each provide loans on the basis of standardized contracts. This should allow a wider geographical coverage and reduce the number of applications for each bank - a major concern in the context of a much larger transaction. It should also reduce the time taken for mortgage approvals.

The "*regolarizzazioni catastrali*" (cadastral regularizations) by the Agenzia del Territorio have also caused some delays. No offer letter to the tenants could be sent before these regularizations were made. A property can only be sold once it is specifically identified and its characteristics are correctly listed in the cadastral register. For the proposed transaction this process has been factored into the estimated time period between the identification of the property to be sold and the day the option letter is sent to the relevant tenant.

Finally, some delays occurred in the execution of the "*mandati collettivi*", i.e., the sale of residential units to their respective tenants on a collective basis (entitling purchasers to an increased discount to market value of up to 40.5%), where tenants of 80% of all the units in the relevant building have collectively agreed to purchase. In the proposed transaction, a standardized letter will be sent to the tenants identifying a fixed date by which they have to communicate their willingness to purchase their flat and whether they wish to do so collectively.

With respect to the commercial portion of the portfolio, the shortfall in collections was principally due to the rescheduling of the first auction for blocks of properties. This followed amendments to the tenants' pre-emption rights. The auction has been scheduled to take place on Nov. 29, 2002 and is referred to above.

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Pool Characteristics

The initial portfolio will comprise approximately 62,880 properties, of which 85% are residential and 15% are commercial. About 8.5% of the portfolio is vacant.

Rome has the highest concentration of assets, with 48.6% of the portfolio, of which about 85.7% are residential. Milan has the second highest concentration of assets at 8.1% of the portfolio, of which about 83% are residential. Together, the

top five cities, which also include Naples, Genoa, and Bologna, account for 63.4% of the portfolio.

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Credit Evaluation

Standard & Poor's has undertaken an evaluation of the proposed cash flow and associated bond model, to ensure that the projected net sales proceeds and rental income will be sufficient to meet the timely payment of interest and ultimate payment of principal due under the terms of the notes.

The two principal stresses applied to the cash flow were timing and sales proceeds. These are summarized in table 2 below. In addition, the level of rental income was stressed. Standard & Poor's also stressed the number of residential tenants exercising their right to buy the flat they occupy. The base case assume the majority of tenants exercise their option to purchase.

In contrast to the SCIP 1 transaction, the disposal process for the assets to be included in this transaction has not started. Notwithstanding the clearly defined procedure and timetable for the sale of assets, time stresses were applied to both the commencement of the disposal process and the timing of the auctions.

Sales proceeds were stressed using market value declines on those assets going through the auction process and the level of discount achieved by the residential tenants exercising their right to buy. In addition, the number of residential tenants exercising their right to buy was stressed.

| | Market value declines (%) | Timing stresses | Final sales date |
|---|---------------------------|-----------------|------------------|
| Servicer base case | 0 to 25 | Zero | Month 35 |
| Standard & Poor's base case | 0 to 25 | Zero | Month 37 |
| Standard & Poor's 'A' stress scenario | 25 to 55 | 3.75 months | Month 43 |
| Standard & Poor's 'AAA' stress scenario | 35 to 60 | 9.5 months | Month 49 |

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Surveillance Details

Continual surveillance will be maintained on the transaction until the notes mature or are otherwise retired. To do this, regular servicer reports detailing the performance of the underlying collateral will be analyzed, supporting ratings will be monitored, and regular contact will be made with the servicer to ensure that minimum servicing standards are being sustained and that any material changes in the servicer's operations are communicated and assessed.

In an effort to improve reporting standards and avoid the delays experienced in reporting for SCIP 1, the reporting requirements for the proposed transaction have been redesigned to make the delivery of reports to the investors more timely and the preparation of the reports less cumbersome for the servicers. A new reporting template has been designed for completion when a sale is completed in accordance with the disposal process on a rolling basis. The program administrator, KPMG, will provide resources and support services to assist the servicers in implementing the information system.

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