OFFERING CIRCULAR

CARTESIO S.R.L.

(incorporated with limited liability in the Republic of Italy under law no. 130 of 30 April 1999)

Series 2003-1

Euro 2,000,000,000 Asset Backed Euro Medium Term Note Programme

Cartesio S.r.l. (the "***Issuer***") has established a euro 2,000,000,000 asset backed euro medium term note programme (the "***Programme***"), under which it may from time to time issue asset backed notes (the "***Notes***") denominated in USD, euro or GBP or such other currency as may be agreed (each an "***Agreed Currency***") to finance the purchase of receivables in accordance with Italian Law No. 130 of 30 April 1999 (the "***Securitisation Law***"). The Issuer has been established as a multi-purpose vehicle and may also issue securities to finance the purchase of receivables pursuant to other programmes and securitisations other than pursuant to this Programme. The Issuer has issued securities as aforesaid in connection with two other securitisations to date (further described in "***The Issuer***"), the notes issued under which are neither fungible with, exchangeable for nor related in any way to, the Notes. This document constitutes a *Prospetto Informativo* for the purposes of Article 2 paragraph 3 of the Securitisation Law in respect of the Notes. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed euro 2,000,000,000. Application has been made for the Notes issued under the Programme to be listed on the Luxembourg Stock Exchange during the period from the date of this Offering Circular until 31 December 2003. The Programme is valid for the period from the date of this Offering Circular to 31 December 2003, subject to updating and renewal on or before the expiry of such period.

The Notes may be issued on a continuing basis to one or more of the Bookrunners appointed under the Programme from time to time by the Issuer (each a "***Bookrunner***", and together the "***Bookrunners***"), whose appointment may be for a specific issue or on an ongoing basis and which will be specified in the applicable Pricing Supplement (as defined below). References in this Offering Circular to the "***relevant Bookrunner***" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Bookrunner, be to all Bookrunners agreeing to subscribe for such Notes. Notice of any terms and conditions not contained herein which are applicable to each Tranche of Notes will be set out in a pricing supplement (each, an "***applicable Pricing Supplement***") in respect of such Tranche which will be delivered to the Luxembourg Stock Exchange on or before the date of issue of the Notes of such Tranche.

All Notes to be issued under the Programme will be constituted by a master trust deed for the Programme (the "***Master Trust Deed***") and a supplemental trust deed for each Tranche (the "***Supplemental Trust Deed***"). The proceeds from the offering of each tranche of Notes (each a "***Tranche***") will be used by the Issuer to finance the purchase of the Receivables from the Originator (each defined below). The Notes of each Tranche will be identical in all respects among themselves and will rank *pari passu* among themselves and in respect of the Notes of each other Tranche.

Subject to the Securitisation Law, to the Security and Intercreditor Deed (as defined herein), and to the terms and conditions of the Notes (the "***Conditions***"), the principal source of payment of interest and repayment of principal on the Notes will be collections made in respect of the receivables and related rights (the "***Receivables***") arising under a portfolio (the "***Portfolio***") comprised of lease contracts (each a "***Lease Contract***" and, collectively, the "***Lease Contracts***") entered into between SAN.IM. S.p.A., a joint stock company incorporated in Italy and wholly owned by the Region of Lazio, (the "***Originator***" or "***SAN.IM.***") and certain *aziende unità sanitarie locali* ("***ASL***") and *aziende ospedaliere* ("***AO***") operating in the Region of Lazio (together, the "***Healthcare Entities***", or the "***Lessees***") to be assigned from time to time without recourse pursuant to one or more receivables purchase agreements (each a "***Receivables Purchase Agreement***"). Pursuant to the Payment Delegation (as defined below) provided under the Lease Contracts, the Healthcare Entities have delegated payment of the Initial Lease Payments and the Lease Instalments (as defined below) under the Lease Contracts to the Region of Lazio which following the execution of the relevant Receivables Purchase Agreements, will make payments of the Lease Instalments on behalf of the Healthcare Entities directly to the Collection Account (as defined below).

The obligations of the Issuer under the Notes will be secured in favour of the Security Trustee for itself and on behalf of the creditors of the Issuer including the Noteholders, *inter alia*, by Italian law and English law security as more fully described herein (the "***Issuer Security***").

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "***Securities Act***"). In addition, the Issuer has not been and will not be registered under the Investment Company Act of 1940, as amended (the "***Investment Company Act***") by reason of the exemption contained in Section 3(c)(7) thereof. Accordingly, the Notes are being offered solely (a) outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act and (b) within the United States to persons that are both "qualified institutional buyers" as defined in Rule 144A under the Securities Act and "qualified purchasers" for purposes of the Investment Company Act in transactions in accordance with Rule 144A. The Notes may not be offered in a transaction that causes the Issuer to be required to register under the Investment Company Act. See "*Notice to Investors*" for certain restrictions on resales.

Notes of each Tranche will initially be represented by either a fully registered Regulation S Global Note, Registered 144A Notes and/or Definitive Registered Regulation S Notes as indicated in the applicable Pricing Supplement. See "*Terms and Conditions of the Notes*" and "*Clearance and Settlement*" below.

All payments of principal, interest and other amounts on the Notes will be made free and clear of any withholding or deduction for Italian taxes, subject, in any case to which legislative decree No. 239 of 1 April 1996 as amended and supplemented from time to time ("***Law No. 239***") applies, to the requirements and compliance with the procedures of Law No. 239, unless the Issuer is required by applicable law to make such withholding or deduction. If any withholding or deduction for or on account of tax is applicable to the Notes, the Issuer will not be required to pay any additional amount to the holders of the Notes nor will it redeem the Notes for such reason.

The Tranches of Notes to be issued under the Programme are expected, upon issue, to be rated Aa3 by Moody's Investor Services Inc. ("***Moody's***") and A+ by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("***S&P***"). However the rating of the Notes issued under the Programme is linked to the rating of the Region of Lazio, and may change from time to time, and, in particular, investors' attention is drawn to the section entitled "*Investment Considerations – Credit Rating of Notes*" on page 31. The rating of any Tranche of Notes addresses the likelihood that holders of the Notes will receive all payments to which they are entitled, as described herein, but is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision or withdrawal by the assigning rating organisation at any time.

Investors' attention is drawn to the section entitled "*Investment Considerations*". All written and oral forward-looking statements attributable to the Issuer or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements set forth in that section.

Arrangers and Global Coordinators

Merrill Lynch International **MCC S.p.A. – Gruppo Bancario Capitalia**

Bookrunners

Merrill Lynch International **MCC S.p.A. – Gruppo Bancario Capitalia**

Barclays Capital	**Deutsche Bank**	**Lehman Brothers**
(Tranche 4 only)	**(Tranches 1 and 2)**	**(Tranche 3 only)**

Joint-Lead Managers

Dexia Capital Markets	**UBS AG, acting through its business group UBS Warburg**	**DePfa Bank**
(Tranche 1 only)	**(Tranche 2 only)**	**(Tranche 4 only)**

The date of this Offering Circular is 4 March 2003.

Responsibility for Information

The Issuer accepts responsibility for the information contained in this document other than the information for which the Originator accepts responsibility, and the information for which the Region of Lazio accepts 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) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Originator accepts responsibility for the information included in this document in the sections headed "Description of the Portfolio" and "The Originator", and any other information contained in this document relating to the Originator, the Receivables, the Portfolio, the Real Estate Purchase Agreement and the Lease Contracts (each as defined in the "Glossary of Terms"). To the best of the knowledge and belief of the Originator (which has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

*The Region of Lazio (the "**Region of Lazio**" or the "**Region**") accepts responsibility for the information included in this document in the sections headed "The Region of Lazio", "The Economy of the Region of Lazio", "Debt of the Region of Lazio", "Financial Information of the Region of Lazio" and "The Healthcare System of the Region of Lazio" and any other information contained in this document relating to the Region of Lazio (whether in its capacity as Obligor or otherwise) its obligations under the Payment Delegation and the operation of the Payment Mandate and the Healthcare Entities (each as defined in the "Glossary of Terms"). To the best of the knowledge and belief of the Region of Lazio (which has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information*

No person has been authorised to give any information or to make any representation not contained in this document and any applicable Pricing Supplement incorporated herein and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, the quotaholders of the Issuer, the Note Trustee, the Agents, the Security Trustee, the Calculation Agent, any Swap Counterparty, the Operating Banks, the Cash Manager, the Servicer, the Corporate Servicer, the Management Services Provider, SAN.IM., the Region of Lazio, the Arrangers and Global Coordinators and the Bookrunners (each as defined herein). Neither the delivery of this document nor any sale or allotment made in connection with the offering of any of the Notes shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer or the Originator or the Region of Lazio or in any of the other information contained herein since the date hereof or that the information contained herein is correct as at any time subsequent to the date hereof. None of the Note Trustee, the Agents, the Security Trustee, the Calculation Agent, any Swap Counterparty, the Operating Banks, the Cash Manager, the Servicer, the Corporate Servicer, the Management Services Provider, the Arrangers and Global Coordinators, or the Bookrunners or any other person (other than the Issuer, Originator or the Region of Lazio and solely to the extent described above) makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular, other than as indicated above.

Selling Restrictions

The distribution of this document and the offering of the Notes in certain jurisdictions may be restricted by law and by the Transaction Documents (as defined in the "Glossary of Terms"), in particular the Programme Agreement. Persons into whose possession this document (or any part of it) comes are required by the Issuer and the Bookrunners to inform themselves about, and to observe, any such restrictions. Neither this document 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.

The Notes may not be offered or sold directly or indirectly, and neither this document 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. For a further description of certain restrictions on offers and sales of the Notes and the distribution of this document see the section entitled "Subscription and Sale".*

*The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "**SEC**") or any state securities commission in the United States nor has the SEC or any state securities commission passed any judgment or comment or opinion upon the accuracy or the adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.*

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States. In addition, the Issuer has not been and will not be registered under the Investment Company Act. The Notes may not be offered, sold or otherwise transferred 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, and under circumstances that will not require the Issuer to register under the Investment Company Act. Accordingly, the Notes are subject to certain restrictions on transfers and each initial and subsequent purchaser of a Note will be deemed, by its acceptance of such Note, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer thereof as set forth therein and as described in this Offering Circular and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases. Prospective purchasers should be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period of time. See the section entitled "Notice to Investors".

*This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of Notes in reliance upon Regulation S outside the United States to non-U.S. persons and within the United States in reliance upon Rule 144A under the Securities Act ("**Rule 144A**") to persons who are both (i) "qualified institutional buyers" ("**QIBs**") (as defined in, and in reliance on, Rule 144A) and (ii) "qualified purchasers" for the purposes of the Investment Company Act, in transactions made in accordance with Rule 144A involving not less than USD 100,000, euro 100,000, or GBP 100,000, as the case may be, in principal amount of Notes. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See further the section entitled "Notice to Investors".*

*To permit compliance with Rule 144A under the Securities Act in connection with sales of Notes, upon the request of a holder of Notes or of a beneficial owner of an interest therein, the Issuer will furnish to such holder or beneficial owner or to a prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act and will otherwise comply with the requirements of Rule 144A(d)(4) under the Securities Act, if at the time of such request, the Issuer is not a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). The aforementioned information also can be obtained from the specified office of the Luxembourg Agent. See the section entitled "General Information".*

No action has been or will be taken by the Issuer which would allow a "sollecitazione all'investimento" (offer to the public) of the Notes 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 and neither this document nor any other offering material relating to the Notes may be distributed or made available to the public in the Republic of Italy. However, this document may be issued or passed on in Italy to a person who is an "investitore professionale" as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of 1 July 1998 (as amended) and in the circumstances set forth by Article 33 of CONSOB Regulation No. 11971 of 14 May 1999 (as amended). 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 Issuer has not authorised any offer of the Notes to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) (the "**Regulations**"). The 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. Prior to the expiry of six months from the Issue Date, the Notes may not lawfully be offered or sold 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 within the meaning of the Regulations. This document and any other document in connection with the issue of the Notes may only be communicated or be caused to be communicated (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) in circumstances in which section 21(1) of the FSMA does not apply to the Issuer. No action may be taken in connection with the Notes or this document in, from or otherwise involving the United Kingdom otherwise than in compliance with all applicable provisions of the FSMA.*

For a further description of certain restrictions on offers and sales of the Notes and the distribution of this document, see the section entitled "Subscription and Sale".

Prospective purchasers are not to construe the contents of this Offering Circular as investment, legal or tax advice. Each prospective purchaser should consult its own counsel, accountant and other advisers as to legal, tax, business, financial and related aspects of a purchase of the Notes. None of the Issuer, the Arrangers and Global Coordinators or the Bookrunners are making any representations to any offeree or purchaser of the Notes regarding the legality of an investment therein by such offeree or purchaser under appropriate legal, investment or similar laws.

United States ERISA Considerations

*Beneficial interests in the Rule 144A Global Notes and Definitive Registered 144A Notes (each, an "**ERISA Eligible Note**") generally may be purchased by employee benefit plans subject to the United States Employee Retirement Income Security Act of 1974, as amended, and by plans subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended, subject to certain requirements and restrictions. See the section entitled "Certain United States ERISA Considerations".*

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Enforcement of civil liabilities

In the Programme Agreement, each of the Issuer, the Originator and the Region has agreed for the exclusive benefit of the Arrangers, Global Coordinators and Bookrunners that the State of New York and the U.S. Federal courts sitting in the County of New York have non-exclusive jurisdiction to hear and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with the issue and purchase of the Notes and, for such purposes, irrevocably submit to the jurisdiction of such courts. The Issuer, the Originator and the Region have waived any objection which they might now or hereafter have to such courts being nominated as the forum to hear and determine any proceedings and to settle any disputes, and have agreed not to claim that any such court is not a convenient or appropriate forum. Furthermore, the Issuer, the Originator and the Region have agreed that any legal proceedings in New York may be commenced by service of process through their agent for service of process in New York. The submission to the jurisdiction of the State of New York and U.S. Federal courts shall not limit any right to take legal proceedings in any other court of competent jurisdiction, including those of England and the Republic of Italy, nor shall the taking of legal proceedings in any one or more jurisdictions preclude the taking of legal proceedings in any other *jurisdiction (whether concurrently or not) if and to the extent permitted by law. The Issuer, the Originator and the Region consent generally in respect of any legal proceedings to the giving of any relief or the issue of any process in connection with such legal proceedings including (without limitation) the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such legal proceedings to the extent permitted by law (including English and Italian law).*

The Region of Lazio is a governmental subdivision within a sovereign state. However, to the extent that in any jurisdiction the Region of Lazio may claim for itself or its assets or revenues immunity from suit, execution, attachment or other legal process and to the extent that such immunity may be attributed in any such jurisdiction to the Region of Lazio or its assets or revenues, the Region of Lazio agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction and Italian law and, in particular, to the extent that in any proceedings taken in the County of New York the foregoing waiver of immunity shall have effect under and be construed in accordance with the U.S. Foreign Sovereign Immunities Act of 1976.

However, enforceability in Italy of final judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the federal securities laws of the United States currently is subject to, among other things, (a) the Italian courts' determination that the U.S. court had jurisdiction in accordance with the principles of Italian law on jurisdiction, (b) notice of process being appropriately served on the defendant in accordance with U.S. law and the defendant having a reasonable opportunity to appear before the court and its basic rights of defence having not been infringed, (c) appearance before the court by parties to the trial or, in the event of default of appearance by the defendant, the U.S. court's declaration of such default in accordance with the law of the state in which the trial took place, (d) the judgment not being subject to appeal in accordance with the law of the state where it was rendered, (e) the judgment not conflicting with any other final judgment rendered by an Italian court, (f) the absence of any action pending before an Italian court among the same parties and arising from the same facts and circumstances, which was initiated prior to the date of the U.S. proceedings and (g) the enforcement of such judgment not producing effects conflicting with Italian public policy. Any final judgments not meeting such criteria may not be enforced in Italy. There is doubt as to the enforceability of liabilities based on the U.S. federal securities laws in original actions brought before Italian courts. Italian courts must apply Italian procedural law and certain provisions of substantive law that are regarded as mandatory.

Forward-looking statements

Certain statements contained in this Offering Circular, including any targets, forecasts, projections, descriptions or statements regarding the possible future results of operations, any statement preceded by, followed by or that includes the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates" or similar expressions, and other statements that are not historical facts, are or may constitute "forward-looking statements" (as such term is defined in the U.S. Private Securities Litigation Reform Act of 1995). Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include but are not limited to (i) risks and uncertainties relating to the Italian economy and the lending practices of Italian banks, (ii) the ability of the Servicer to realise the projected values of the Portfolios in the time periods contemplated, or at all and (iii) such other risks and uncertainties detailed herein. See in particular the section entitled "Investment Considerations". All written and oral forward-looking statements attributable to the Issuer or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements set forth in this paragraph.

Prospective purchasers of the Notes are cautioned not to put undue reliance on such forward-looking statements. The Issuer will not undertake any obligation to publish any revisions to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof.

Stabilisation

In connection with the issue and distribution of each Tranche, the Bookrunner named as the stabilising manager (if any) in the applicable Pricing Supplement may over-allot or effect transactions with a view to supporting the market price of the Notes of a Tranche at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on such stabilisation

manager to do so. Such stabilising, if commenced, may be discontinued and must be brought to an end after a limited period. Such stabilising shall be in compliance with all relevant laws and regulations.

Definitions

Words and expressions used in this Offering Circular that will be defined in the Master Definitions and Framework Deed or any Transaction Document are reproduced in summary form in the ''Glossary of Terms'' contained herein and where used in this document shall, unless the context requires otherwise, have the meanings set out therein. In the event of any inconsistency between the Master Definitions and Framework Deed and this Offering Circular, terms defined and expressions referred to in the Master Definitions and Framework Deed or any Transaction Document, as the case may be, shall prevail.

Copies of the Transaction Documents in their form as at the Closing Date will be available for inspection by holders of Notes at the offices of the Luxembourg Agent.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) the publicly available annual financial reports of the Region of Lazio for its most recently completed financial year. As a governmental entity, the Region does not prepare its financial reports in accordance with generally accepted accounting principles, but prepares its financial reports in accordance with the accounting standard set forth in Regional Law No. 25 of 20 November 2001, as amended ("***Regional Law No. 25***"),

(b) all supplements (including Pricing Supplements relating to Notes listed on the Luxembourg Stock Exchange) or amendments to this Offering Circular circulated by the Issuer from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Issuer will, at the specified offices of the Agents, provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the specified office of any Agent. In addition, such documents will be available free of charge from the principal office in Luxembourg of Deutsche Bank Luxembourg S.A. (the "***Luxembourg Agent***") for Notes listed on the Luxembourg Stock Exchange.

The Issuer will, in connection with the listing of the Notes on the Luxembourg Stock Exchange, so long as any Note remains outstanding and listed on such exchange, in the event of any material change in the condition of the Issuer which is not reflected in this Offering Circular, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of the Notes to be listed on the Luxembourg Stock Exchange.

This Offering Circular should be read and construed in conjunction with each applicable Pricing Supplement.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

SUMMARY OF THE PROGRAMME

The following information is a summary of the transactions and assets underlying the Notes and is qualified in its entirety by reference to the detailed information presented elsewhere in this document.

THE PRINCIPAL PARTIES

Issuer	Cartesio S.r.l., a special purpose vehicle registered as a limited liability company (*società a responsabilità limitata*) with the Register of Enterprises of Milan under No. 06000391000, registered in the general list of financial intermediaries held by *Ufficio Italiano dei Cambi* ("***UIC***") under number 31422, pursuant to Article 106 of legislative decree No. 385 of 1 September 1993 as amended (the "***Italian Banking Act***") and under number 323980 with the register held by the Bank of Italy pursuant to Article 107 of the Italian Banking Act. The Issuer has been established as a multi-purpose vehicle which may engage in separate securitisation transactions in accordance with the Securitisation Law. The Issuer has so far engaged in two securitisation transactions other than the Programme, as further described in the section entitled "*The Issuer*". Pursuant to Article 3 of the Securitisation Law, the assets relating to each such securitisation transaction will, by operation of law, constitute assets segregated for all purposes from the other assets of the Issuer relating to other securitisation transactions. The assets relating to a particular securitisation transaction will not be available to the holders of securities issued to finance any other securitisation transaction or to the general creditors of the Issuer. However, all amounts derived by the Issuer from the Portfolio and in connection with the Programme will be available to finance payments on all Notes of any Tranche under the Programme.
Originator	SAN.IM. S.p.A., a company wholly owned and controlled by the Region of Lazio, was established pursuant to Article 8 of Regional Law No. 16 of 3 August 2001 ("***Regional Law 16/2001***") for the sole purposes of engaging in the purchase of certain real estate assets for healthcare use classified as *indisponibili* (non-transferable) and owned by certain Healthcare Entities (the "***Real Estate Assets***"), the simultaneous leasing of the Real Estate Assets back to the Healthcare Entities and the assignment of the Receivables payable under the Lease Contracts to a special purpose vehicle incorporated under the Securitisation Law.
Arrangers and Global Coordinators	Merrill Lynch International MCC S.p.A. – Gruppo Bancario Capitalia ("***MCC***")
Bookrunners	Merrill Lynch International MCC Barclays Capital (in respect of a Tranche denominated in GBP only) Deutsche Bank AG (in respect of a Tranche denominated in euro only) Lehman Brothers (in respect of a Tranche denominated in USD only)
Corporate Servicer	Deloitte Touche Tohmatsu Tax Services S.r.l.

Management Services Provider	SPV Management Limited
Italian Operating Bank	Deutsche Bank S.p.A. Milan
English Operating Bank	Deutsche Bank AG London
Calculation Agent	Deutsche Bank AG London
Cash Manager	Deutsche Bank AG London
Servicer	Banca di Roma S.p.A. – Gruppo Bancario Capitalia
Principal Paying Agent	Deutsche Bank AG London
Italian Agent	Deutsche Bank S.p.A. Milan
Luxembourg Agent, Transfer Agent and Registrar	Deutsche Bank Luxembourg S.A.
Swap Counterparty	In relation to each Tranche, the party or parties specified in the applicable Pricing Supplement in relation to any such Tranche.
Note Trustee	Deutsche Trustee Company Limited
Security Trustee	Deutsche Trustee Company Limited

TRANSACTION OVERVIEW

The Programme	Asset Backed Euro Medium Term Note Programme. Under the Programme the Issuer may from time to time issue Notes to finance the purchase of the Receivables, the aggregate nominal amount of which Notes issued at any one time cannot exceed the Programme Limit (as defined below).
Programme Limit	Up to euro 2,000,000,000 (the "***Programme Limit***") on any relevant Issue Date (as defined below). The euro equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time shall be determined using the spot rate of exchange shown on Reuters ECB 37.
The Notes	Notes will be issued in Tranches, will be constituted by the Master Trust Deed and a Supplemental Trust Deed issued pursuant thereto in respect of each Tranche and will rank *pari passu* among themselves both before and after enforcement of the Issuer Security. Notes of one Tranche cannot be exchanged for Notes of another Tranche unless so specified in the applicable Pricing Supplement. Specific details of each Tranche can be found in the applicable Pricing Supplement relating to such Tranche, distributed with or attached to this Offering Circular and dated on or around the issue date for such Tranche (the "***relevant Issue Date***").
Distribution	Notes may be distributed by way of private placement and on a syndicated or non-syndicated basis.
Currencies	Subject to any applicable legal or regulatory restrictions, any Agreed Currency. However, if by reason of *force majeure* or an act of state (including, without limitation, the imposition of exchange controls) it becomes impossible or unlawful for the Issuer to make, or the Issuer is prevented from making, payments under any Notes in the Agreed Currency, payment under such Note shall be made in euro in same day funds.

Redenomination	The applicable Pricing Supplement may provide that GBP denominated Notes may be redenominated in euro in the circumstances set out in Condition 5.
Maturities	Such maturities as may be agreed between the Issuer and the relevant Bookrunners and as indicated in the applicable Pricing Supplement, subject to such minimum or maximum maturities (which in any event can be no longer than 30 years) as may be allowed or required from time to time by any laws or regulations applicable to the Issuer or the relevant Agreed Currency for the particular Tranche of Notes.
Issue Price	Notes will be issued on a fully-paid basis and at par.
Segregation of Portfolio under Securitisation Law	By operation of the Securitisation Law, the Issuer's right, title and interest in and to the Portfolio and the amounts derived therefrom will be segregated under Italian law from all other assets of the Issuer and will only be available, both prior to and following a winding up of the Issuer, to satisfy the obligations of the Issuer to the holders of all of the Notes from time to time in issue, each of the other creditors of the Issuer having the benefit of the Issuer Security (the "***Issuer Secured Creditors***") and certain third party creditors whose claim relates to the Programme (each a "***Related Third Party Creditor***"). However, there will be no segregation as between the Receivables transferred to the Issuer from time to time in connection with the issue of each Tranche and those transferred in respect of the Programme as a whole and therefore, all Receivables from time to time comprised in the Portfolio and all amounts derived therefrom will be available to satisfy the obligations of the Issuer under all Notes outstanding under the Programme from time to time. See Condition 2(c) as set out in "*Terms and Conditions of the Notes*".
The Portfolio	The Portfolio, to be purchased by the Issuer with the net proceeds from the issue of each Tranche of Notes, comprises the Receivables payable under the Lease Contracts, entered into between the Healthcare Entities and SAN.IM.. Following the issuance of each Tranche and the entering into of the Receivables Purchase Agreement corresponding thereto, the Portfolio will increase to include all Receivables purchased by the Issuer in respect of that Tranche, in addition to those purchased in respect of all Notes issued under the Programme. In this Offering Circular the term "***Portfolio***" refers to all of the Receivables transferred to the Issuer pursuant to the Programme while the term "***relevant Portfolio***" shall refer to all Receivables purchased in respect of any given Tranche. However, as noted above, there will be no segregation between the Receivables assigned to the Issuer in connection with the Programme. The sale of the Real Estate Assets from the Healthcare Entities to SAN.IM. was effected pursuant to a purchase and sale agreement (the "***Real Estate Purchase Agreement***") dated 28 June 2002. On the same date, the Lease Contracts were entered into between the Healthcare Entities, as lessees, SAN.IM., as lessor, and the Region, as primary and joint-obligor and payor, as a result of the Region's acceptance of the Payment Delegation (as defined below). Under the Lease Contracts, the Healthcare Entities are granted an option to re-purchase the Real Estate Assets upon expiry of the term of the Lease Contracts for a nominal consideration of euro 1.

Acquisition of the Portfolio	Pursuant to the relevant Receivables Purchase Agreements, SAN.IM. will sell the Receivables to the Issuer. The net proceeds deriving from the issue of each Tranche of the Notes will be used by the Issuer to pay to SAN.IM. the purchase price for the relevant Receivables pursuant to the terms of the relevant Receivables Purchase Agreement. The Pricing Supplement relating to each Tranche of Notes shall contain specific information on the Receivables which are added to the acquired Portfolio in connection with the issue of such Tranche, the Lease Contracts pursuant to which such Receivables arise and the Healthcare Entities parties to such Lease Contracts.
Purchase Price of the Portfolio	The purchase price of each relevant Receivable comprised in the Portfolio will be determined based on the face value of those Receivables and will be contained in the applicable Pricing Supplement. The face value of all the Receivables transferred to the Issuer pursuant to a Receivables Purchase Agreement, as at the date of economic effect of such transfer (the "***Effective Date***"), will be as specified in the applicable Pricing Supplement relating to the Tranche of Notes financing the purchase of those Receivables.
Payment Delegation	Amounts due by the Healthcare Entities to SAN.IM. as the Initial Lease Payment and Lease Instalments, under the terms of the Lease Contracts, will be directly paid by the Region of Lazio as primary and joint-obligor, pursuant to an irrevocable delegation of payment granted by each individual Healthcare Entity, and accepted by the Region under the relevant Lease Contract, in accordance with the provisions of Regional Law 16/2001 and Article 1269 of the Italian Civil Code (the "***Payment Delegation***"). The benefit of the Payment Delegation in relation to each Lease Contract has been and, as the case may be, will be transferred to the Issuer as a consequence of the Receivables being transferred to the Issuer pursuant to the relevant Receivables Purchase Agreement. However, only the payment obligation of the Region in relation to the Lease Instalments will be transferred pursuant to the Receivables Purchase Agreements to the Issuer and the Issuer will not receive the benefit of the Payment Delegation in so far as it relates to the Initial Lease Payment.
Payment Terms of Lease Contracts	The amounts due by the Healthcare Entities to SAN.IM. under the Lease Contracts are the following: (a) the Initial Lease Payment to be paid on the relevant Issue Date and (b) the Lease Instalments (as each such term is defined below) to be paid on a semi-annual basis and to be determined on the relevant Issue Date. See "*Description of the Portfolio – Description of the Lease Contracts*". However only the payment obligation in relation to the Lease Instalments will be transferred to the Issuer pursuant to the Receivables Purchase Agreements.
Representations and Warranties on the Portfolio	Pursuant to a warranty and indemnity deed to be entered into on or around 5 March 2003 (the "***Closing Date***") between the Issuer, SAN.IM., the Security Trustee and the Region (the "***Warranty and Indemnity Deed***"), SAN.IM. will give, or will be deemed to give as of the relevant Effective Date in respect of the transfer of Receivables, certain representations and warranties in favour of the Issuer and the Security Trustee (acting for itself and on behalf of the Issuer Secured Creditors, including the Noteholders) in relation to those Receivables and other matters and the Region will give certain representations and warranties in favour of the Issuer in relation to the Payment

	Delegation and other matters, each as at the relevant Effective Date for such transfer (see "*Purchase of the Portfolio*"). These representations and warranties are deemed, pursuant to the Warranty and Indemnity Deed, to be repeated as at the relevant Issue Date of each Tranche issued to finance the purchase of the corresponding Receivables, by reference to the relevant Receivables and the circumstances then subsisting.
Destruction or damage to the Real Estate Assets may not be fully covered by insurance	The Originator has no policy of insurance in respect of the Real Estate Assets that are leased to the Healthcare Entities pursuant to the Lease Contracts. Therefore, potentially there could be a risk to the Issuer in relation to destruction of or damage to the Real Estate Assets. However, the Region and the Healthcare Entities are obliged under the Lease Contracts to continue making payment of the Lease Instalments notwithstanding any such damage or destruction. Although under the Lease Contracts the Healthcare Entities have committed to obtaining insurance protection against the destruction of, or damage to, the Real Estate Assets, there is no guarantee that the terms and conditions of such insurance policies will be adequate to cover any losses arising from such destruction or damage. Therefore, there remains the economic risk that any large scale destruction or damage to the Real Estate Assets (and/or other property located in or owned by the Region) could adversely affect the economy of the Region and its ability to pay the Lease Instalments. See "*Investment Considerations – Destruction or damage to the Real Estate Assets may not be fully covered by insurance*".
Designation of Real Estate Assets	The Real Estate Assets are currently designated for healthcare use only and such designation cannot be changed. As such, and as long as this regime is not changed, neither the Lessor nor the Issuer as its assignee has any recourse against the Real Estate Assets in the event that the Region of Lazio or any of the Healthcare Entities defaults on the payment of the Lease Instalments. See "*Investment Considerations*".
Currency Swap Transaction	All amounts payable under the Lease Contracts are payable in euro. Where payments of interest and repayment of principal under any Tranche are payable in an Agreed Currency other than euro, the Issuer will enter into one or more currency swap transactions (each, a "***Currency Swap Transaction***") pursuant to swap agreements (each a "***Swap Agreement***") with the relevant Swap Counterparties on or before the relevant Issue Date, in order to hedge against exchange rate movements adverse to the Issuer and/or any mismatches in the scheduled payments under the Lease Contracts and amounts due under the Notes. The purpose of each Currency Swap Transaction will be to enable the Issuer to issue Notes denominated in an Agreed Currency other than euro. The relevant Swap Counterparties will make periodic and/or final bullet payments on the relevant swap payment date ("***Swap Payment Date***") in respect of the Currency Swap Transaction in that other Agreed Currency and the Issuer will make corresponding payments in euro on the same day. The obligations of the Issuer under each Currency Swap Transaction will rank *pari passu* with each other Swap Transaction (as defined below) in the applicable Priority of Payments.

Interest Rate Swap Transaction	All amounts paid under the Lease Contracts will be paid according to a predetermined payment schedule. To hedge against the possible variance in the rate of interest payable by the Issuer under any Tranche of Notes which bears a floating rate of interest the Issuer will enter into one or more interest rate swaps (each, an "***Interest Rate Swap Transaction***" and together with the Currency Swap Transactions, the "***Swap Transactions***") pursuant to a Swap Agreement with the relevant Swap Counterparties on or before the relevant Issue Date in relation to that Tranche. The obligations of the Issuer under each Interest Rate Swap Transaction will rank *pari passu* with each other Swap Transaction in the applicable Priority of Payments.

ADMINISTRATION AND CASH MANAGEMENT

Cash Management Agreement

Pursuant to a cash management agreement entered into on or around the Closing Date (the "***Cash Management Agreement***"), the Italian Operating Bank, the English Operating Bank, the Calculation Agent and the Cash Manager will agree to provide the Issuer with, in the case of the Italian Operating Bank and the English Operating Bank, certain account holding services, in the case of the Calculation Agent, with certain calculation, notification and reporting services and, in the case of the Cash Manager, with certain cash management services in relation to moneys and the purchase of investments from the moneys from time to time standing to the credit of the Issuer's accounts.

Under the Cash Management Agreement the following accounts will be opened in the name of the Issuer:

(a) a euro-denominated account held with the English Operating Bank into which all payments to be made by the Region in respect of the Portfolio (the "***Collections***") will be directly credited by or on behalf of the Region (the "***Collection Account***");

(b) a euro-denominated account held with the English Operating Bank for the purposes of making payments (other than to Noteholders) in accordance with the applicable Priority of Payments (the "***Issuer Payments Account***") and a further payment account in relation to each Tranche, denominated in the Agreed Currency of that Tranche, for the purposes of making payments to the Noteholders of that Tranche (each a "***Tranche Payment Account***"), as further specified in the applicable Pricing Supplement;

(c) a euro-denominated account held with the Italian Operating Bank for the payment of the Issuer's expenses (the "***Expenses Account***"); and

(d) a securities account held at the English Operating Bank in which all investments made pursuant to the Cash Management Agreement (the "***Collection Account Investments***") are to be deposited (the "***Securities Account***"),

(together, the "***Issuer Accounts***").

For a description of the operation of the accounts see "*Description of the Main Transaction Documents – Operating Banks and Issuer Accounts*".

Agency Agreement	Pursuant to an agreement entered into on or around the Closing Date between the Agents, the Note Trustee, the Security Trustee and the Issuer (the "***Agency Agreement***"), the Agents will provide certain agency and payment services (see further "*Description of the Main Transaction Documents – Agency Agreement*").
Collection Account Investments	Under the Cash Management Agreement, amounts standing to the credit of the Collection Account may be invested by the Cash Manager, as it sees fit, on behalf of the Issuer in "***Eligible Investments***". Eligible Investments are (i) any senior (unsubordinated) debt security, bank account, deposit (including, for the avoidance of doubt, time deposits) or other debt instrument issued by, or fully and unconditionally guaranteed on an unsecured and unsubordinated basis by, or if a bank account or deposit, held at or made with, an Eligible Institution and which, prior to the redemption in full of the Notes, has at any time a fixed principal amount at maturity and a maturity not exceeding the next succeeding Calculation Date and (ii) commercial paper or money market funds which are rated in the highest category by the Rating Agencies and permit daily liquidation of investments, in each case having a BIS risk weighting for capital adequacy purposes of no higher than twenty per cent.. All such investments, except for cash deposits, shall be deposited in the Securities Account and shall be described as Collection Account Investments.
Payments Report	On the date falling 2 Business Days before a Payment Date (the "***Calculation Date***"), the Calculation Agent, in accordance with the Cash Management Agreement, will prepare and shall submit on or before the following Business Day to the Issuer, the Cash Manager, the Servicer, the Originator, the Region of Lazio, the Arrangers and Global Coordinators, the Corporate Servicer, the Operating Banks, each Swap Counterparty, the Agents, the Security Trustee and the Note Trustee a payments report setting out the calculation of the Issuer Available Funds (as defined below), together with the schedule of the payments and provisions to be made by the Issuer on the following Payment Date (the "***Payments Report***").
Investor Report	The Calculation Agent has also agreed under the Cash Management Agreement to prepare an investor report and deliver it to the Security Trustee, the Note Trustee, the Issuer, the Corporate Servicer, the Originator, the Region of Lazio, the Operating Banks, each Swap Counterparty, the Agents, the Rating Agencies, the Arrangers and Global Coordinators and the Bookrunners within 10 Business Days following each Payment Date which will detail the payments made by the Issuer on such Payment Date (the "***Investor Report***").

SUMMARY OF TERMS AND CONDITIONS OF THE NOTES

Form and Title	Notes of each Tranche will initially be represented by a Regulation S Global Note, a Rule 144A Global Note, Definitive Registered Regulation S Notes and/or Definitive Registered Rule 144A Notes (each as defined below) as indicated in the applicable Pricing Supplement. See "*Terms and Conditions of the Notes*" below. Definitive Registered Notes will be serially numbered in the Agreed Currency. Notes of one Agreed Currency may not be exchanged for Notes of another Agreed Currency. The Notes will be held through Euroclear and/or Clearstream, Luxembourg.

Status	The Notes will constitute direct, limited recourse obligations of the Issuer secured over certain assets of the Issuer as described in the section entitled "*Description of the Main Transaction Documents – Security and Intercreditor Deed*". The Notes of each Tranche will rank *pari passu* among themselves, and the Notes of each Tranche will rank *pari passu* with the Notes of each other Tranche. Notes of one Tranche cannot be exchanged for those of another, unless otherwise provided in an applicable Pricing Supplement. Payments of interest, principal and any other amounts under each Tranche of Notes will be funded solely from the proceeds of the Portfolio, together with such other amounts as the Issuer may derive from and in accordance with the Transaction Documents (together, the "***Programme Assets***"). Each Noteholder and each other Issuer Secured Creditor will have a claim against the Issuer only to the extent of the Issuer Available Funds. The Notes will be obligations solely of the Issuer. In particular, the Notes will not be obligations or responsibilities of, or guaranteed by, any of the Republic of Italy, the Note Trustee, the Security Trustee, the Agents, the Cash Manager, the Corporate Servicer, the Operating Banks, any Swap Counterparty, the Management Services Provider, the Originator, the Servicer, the Arrangers and Global Coordinators or the Bookrunners or any other person. Furthermore, none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.
Denomination of Notes	Notes may be issued in a minimum denomination of 100,000 of the Agreed Currency (the "***Minimum Denomination***") and in such specified multiples of 1,000 in excess thereof (an "***Authorised Denomination***") as may be agreed between the Issuer and the relevant Bookrunners and as indicated in the applicable Pricing Supplement (each a "***Specified Denomination***") as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Agreed Currency.
Interest Payments	Each Note will bear interest on its outstanding principal amount for the time being (the "***Principal Amount Outstanding***") from and including the relevant Issue Date until final redemption, as provided in Condition 7 of the Conditions of the Notes. Interest on the Notes will be calculated by reference to a six-month period (the "***Interest Period***") and will be payable semi-annually in arrear in the relevant Agreed Currency on each Payment Date (each as specified in the applicable Pricing Supplement) in each year, subject as provided in the Conditions, including the limited recourse provisions thereof. The rate of interest payable from time to time in respect of any Notes (the "***Rate of Interest***") will either be a floating rate, comprised of the aggregate of a margin and the applicable Reference Rate, or will be a fixed rate. Specific details for each Tranche in relation to interest payments are set out in the applicable Pricing Supplement.
Withholding Tax	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes (other than a Law No. 239 Withholding, as to which, see further, "*Taxation*") unless such deduction is required by law. In such event, the Issuer shall have no obligation to pay any additional amount nor will it redeem the Notes for such reason. To qualify for exemption from the Law No. 239 Withholding, Noteholders may be required to provide a certificate to

	the authorised depositary holding the Notes, as described in the section entitled "*Taxation*". The form of certification to be submitted by Noteholders, together with explanatory notes, is attached hereto as Annex C. The Notes will be held through an authorised depositary as described in the section entitled "*Taxation*".
Covenants	The Issuer has entered into certain covenants in favour of the Noteholders, in the Conditions, and in favour of the Security Trustee, in the Issuer Security Documents, the benefit of which are held on trust for the Noteholders and the other Issuer Secured Creditors, respectively.
Listing	An application for listing has been made to the Luxembourg Stock Exchange in respect of the Notes to be issued under the Programme during the period from the date hereof until 31 December 2003 to be listed thereon.
Governing Law	The Notes will be governed by, and construed in accordance with, English law.
Selling and Transfer Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom and Italy and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "***Securities Act***"). In addition, the Issuer has not been and will not be registered under the Investment Company Act of 1940, as amended (the "***Investment Company Act***") by reason of the exemption contained in Section 3(c)(7) thereof. Accordingly, the Notes are being offered solely (a) outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act and (b) within the United States to persons that are both "qualified institutional buyers" as defined in Rule 144A under the Securities Act and "qualified purchasers" for purposes of the Investment Company Act in transactions made in accordance with Rule 144A in principal amount of Notes not less than the Minimum Denomination. The Notes may not be offered in a transaction that causes the Issuer to be required to register under the Investment Company Act. See further, "*Subscription and Sale*" and "*Notice to Investors*".
Issuer Events of Default	The Issuer Security shall become enforceable upon the service of an Issuer Enforcement Notice following the occurrence of an Issuer Event of Default (as set out in Condition 11) and the Issuer shall notify the Noteholders of the occurrence of such an Issuer Event of Default in accordance with Condition 15.
Redemption upon an Issuer Event of Default	If an Issuer Event of Default occurs, and the Note Trustee is notified of such event, the Note Trustee at its discretion may, and if so requested in writing by any of the Noteholders shall, give written notice (an "***Issuer Enforcement Notice***") to the Issuer that each Note shall forthwith become due and repayable at its Early Redemption Amount. Following the service of an Issuer Enforcement Notice the Security Trustee must, (on the instructions of the Note Trustee, if the latter is so instructed by any one Noteholder), subject to it being indemnified to its satisfaction, proceed directly against the Region in respect of any obligations owed by it to the Issuer, Security Trustee or Issuer Secured Creditors.
Purchase of Portfolio upon an Issuer Event of Default	Following the occurrence of an Issuer Event of Default specified in Condition 11(a)(vi) and the service of an Issuer Enforcement Notice

	the Issuer (or the Security Trustee, as the case may be) may require the Region to purchase the Portfolio for such purchase price as will permit the Issuer to discharge all of its obligations. Following any other Issuer Event of Default the Region has the option to purchase the Portfolio (see further, Condition 11, set out in "*Terms and Conditions of the Notes*").
Subordination	The rights of the holders of the Notes to receive payments of interest and principal are subordinated to the rights of the Note Trustee and the Security Trustee (the "***Senior Creditors***"), to receive payments under the Transaction Documents to which they are, respectively, a party, to the claims of Related Third Party Creditors and to the payment of any costs and expenses related to the day-to-day running of the Issuer (the "***Issuer On-Balance Sheet Expenses***"). No payments of interest or principal will be made on the Notes on any Payment Date unless all amounts payable to the Senior Creditors on such Payment Date together with the other amounts described above have been paid or are provided for simultaneously with such payments.
Risk Weighting	Confirmation of the twenty per cent. BIS weighting of the Notes for capital adequacy purposes in compliance with matters set out in the applicable capital adequacy regulations was given on 31 January 2003 by the Bank of Italy.
Credit Rating	The Notes to be issued under the Programme are expected, on issue, to be rated Aa3 by Moody's and A+ by Standard & Poors. This may not, however, necessarily be the rating, on issue, of all of the Tranches under the Programme. The rating of the Notes issued under the Programme is linked to the rating of the Region of Lazio, and may change from time to time. See the section entitled "*Investment Considerations – Credit Rating of Notes*". ***A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision or withdrawal by the assigning rating organisation at any time.***
Mandatory Redemption	Save as described below, unless previously redeemed in full, the Issuer will redeem each Note on the applicable maturity date (the "***Maturity Date***"), subject to the limited recourse provisions of Condition 3, at its relevant final redemption amount (the "***Final Redemption Amount***"), each as specified in the applicable Pricing Supplement. The Notes may be subject to mandatory *pro rata* redemption in part on each Payment Date falling after the expiry of the period of 18 months from the relevant Issue Date in relation to such Tranche to be issued (the "***Initial Period***"), if specified as such in the applicable Pricing Supplement. If mandatory *pro rata* redemption is specified in relation to a Tranche, on each Payment Date after the expiry of the Initial Period the Issuer shall, subject to having sufficient funds in accordance with the relevant Priority of Payments (set out below), redeem the relevant Notes *pro rata* (each such payment of principal due being an "***Amortisation Amount***") in the amounts or in the manner specified in the "amortisation profile" of each Tranche which shall be set out in the applicable Pricing Supplement.
Initial Period	On any Payment Date during the Initial Period, the amounts (if any) allocated to the payment of the Amortisation Amount in respect of any Tranche in respect of which mandatory *pro rata* redemption has been specified will be retained by the English Operating Bank in the

	Collection Account and shall be invested in Eligible Investments in accordance with the Cash Management Agreement, as described above. Such moneys will form part of the Issuer Available Funds (as defined below) on each successive Payment Date until the first Payment Date following the expiry of the Initial Period when the Notes of any such Tranche may first be redeemed in whole or in part, as the case may be.
Optional Redemption for Tax	The Issuer will have the option to redeem the Notes for certain taxation related reasons following the expiry of the Initial Period. The Issuer will have the option to redeem the Notes in whole but not in part at their relevant early redemption amount, as calculated in accordance with the Conditions and the applicable Pricing Supplement (the "***Early Redemption Amount***") on any Payment Date falling after the Initial Period, if, as a result of any amendment to, or change in, the laws or regulations of the Republic of Italy (or any political sub-division thereof), or of any authority therein or thereof having power to tax, or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations, the Issuer is likely to be found liable to pay ordinary Italian corporation tax or other tax applicable to proceeds of the Receivables (including IRPEG and IRAP, each as defined in the "*Glossary of Terms*"). The Issuer can exercise this redemption on giving not less than 60 days' prior notice, expiring on a Payment Date, in writing to the Note Trustee, the Region and the Noteholders as required by Condition 8. However, the Issuer may not exercise this redemption option unless it certifies to the Note Trustee that it will be in a position on the relevant Payment Date to redeem all of the Notes at their Early Redemption Amount, and to pay any amounts required under the applicable Priority of Payments to be paid in priority to or *pari passu* with the Notes. In order to satisfy this condition the Issuer may require the Region pursuant to the Warranty and Indemnity Deed, to purchase, or arrange the purchase of, the Portfolio in any such situation. The purchase price paid for the Portfolio must equal or exceed, when taken together with Issuer Available Funds on the relevant Payment Date, such amount as is sufficient to redeem the Notes in full at their Early Redemption Amounts and to pay all amounts ranking in priority thereto or *pari passu* therewith pursuant to the applicable Priority of Payments.
Issuer Available Funds	Issuer Available Funds means on any Payment Date: (a) the Receipts available to the Issuer as calculated at the preceding Calculation Date; plus (b) indemnity or Portfolio purchase payments, if any, under or pursuant to the Warranty and Indemnity Deed, and any other indemnity or compensatory payments received by the Issuer pursuant to the Transaction Documents and any enforcement thereof; plus (c) all amounts standing to the credit of the Issuer Accounts, as of the preceding Calculation Date, including all amounts otherwise payable towards the Amortisation Amount of the Notes (if any), retained during the Initial Period.
Pre-Enforcement Priority of Payments	Prior to the service of an Issuer Enforcement Notice and subject to the provisions of Condition 6.2, the Calculation Agent shall calculate on each Calculation Date and the Issuer shall apply, on each Payment Date (or on each Swap Payment Date (if not a Payment

Date), in relation to items (c)(ii) and (d)), the Issuer Available Funds in making the following payments if due on such date or, otherwise, in providing for such payments to be made when due (if not due on such Payment Date), in the following order of priority, in each case, only if and to the extent that payments or provision for payments of a higher priority have been made in full:

(a) *first,* in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of:

  (i) such amount as is required to be credited to the Expenses Account to ensure that the balance thereof is at least equal to the Target Amount; and

  (ii) the Applicable Proportion of any documented costs, expenses, fees, taxes or other amounts reasonably and properly incurred by the Issuer required to preserve the Issuer's corporate existence and maintain it in good standing or to comply with applicable law, to the extent not met by utilising the amounts standing to the credit of the Expenses Account; and

  (iii) *pari passu* and *pro rata* according to the respective amounts thereof, any documented costs, expenses, fees, taxes or other amounts reasonably and properly incurred by, or required by applicable law to be paid to any Related Third Party Creditor, in each case to the extent not met by utilising the amounts standing to the credit of the Expenses Account;

(b) *second*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the documented fees, costs and expenses of, and all other amounts (including, for the avoidance of doubt, indemnity payments) due and unpaid to, the Note Trustee and the Security Trustee;

(c) *third*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof:

  (i) *pari passu* and *pro rata* according to the respective amounts thereof the documented fees, costs and expenses of, and all other amounts (including, for the avoidance of doubt, indemnity payments) due and unpaid to:

    (A) the Agents;

    (B) the Operating Banks, the Calculation Agent, the Cash Manager and the Servicer; and

    (C) the Corporate Servicer and the Management Services Provider in each case, accrued in respect of the Calculation Period immediately preceding such Payment Date;

  (ii) *pari passu* and *pro rata* according to the respective amounts thereof, of all amounts (other than any Swap Counterparty Default Termination Amounts) due and unpaid to each Swap Counterparty under any Swap Agreement;

  (iii) *pari passu* and *pro rata* according to the respective amounts thereof, the Interest Amount due but unpaid on the Notes as at such Payment Date;

  (iv) *pari passu* and *pro rata* according to the respective amount thereof:

(A) on any Payment Date falling before the expiry of the Initial Period, in respect of any Tranche to retain in the Collection Account any Available Capital Funds in respect of that Tranche in accordance with Condition (8)(c);

(B) on any Payment Date falling in or after the expiry of the Initial Period in respect of any Tranche to pay, *pari passu* and *pro rata* according to the respective amounts thereof, the Amortisation Amount due on that Payment Date in respect of the Notes of that Tranche; and

(C) on the Maturity Date in respect of any Tranche, paying, *pari passu* and *pro rata* according to the respective amounts thereof, the Final Redemption Amount on the Notes of such Tranche;

(d) *fourth*, in or towards satisfaction, *pari passu* and *pro rata* according to their respective amounts, of any Swap Counterparty Default Termination Amounts due but unpaid to a Swap Counterparty under any Swap Agreement;

(e) *fifth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, all amounts in the nature of indemnity payments or payments of damages resulting from any warranty claim due but unpaid to each Bookrunner, the Arrangers and the Global Coordinators in connection with the Programme Agreement and any Subscription Agreement; and

(f) *sixth,* the balance, if any, to the Originator.

Enforcement Priority of Payments

The Security and Intercreditor Deed provides that, following service of an Issuer Enforcement Notice, all amounts received or recovered by the Issuer and/or the Security Trustee in respect of the Portfolio and/or the Issuer Security, respectively, will, subject to Condition 6.4, be applied as follows, in each case, only if and to the extent that payments of a higher priority have been made in full:

(a) *first*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of

(i) such amount as is required to be credited to the Expenses Account to ensure that the balance thereof is at least equal to the Target Amount; and

(ii) the Applicable Proportion of any documented costs, expenses, fees, taxes or other amounts reasonably and properly incurred by the Issuer required to preserve the Issuer's corporate existence and maintain it in good standing (or any winding-up costs, as the case may be) or to comply with applicable law, to the extent not met by utilising the amounts standing to the credit of the Expenses Account; and

(iii) *pari passu* and *pro rata* according to the respective amounts thereof, any documented costs, expenses, fees, taxes or other amounts reasonably and properly incurred by, or required by applicable law to be paid to any Related Third Party Creditor, to the extent not met by utilising the amounts standing to the credit of the Expenses Account; and

(iv) any documented fees, costs and expenses of, and all other amounts due but unpaid to, the Note Trustee, the Security Trustee and any receiver appointed by the Security Trustee (including, for the avoidance of doubt, indemnity payments) under the Security and Intercreditor Deed;

(b) *second*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof:

(i) *pari passu* and *pro rata* according to the respective amounts thereof, the documented fees, costs and expenses of, and all other amounts (including, for the avoidance of doubt, indemnity payments) due and unpaid to

(A) the Agents;

(B) the Operating Banks, the Calculation Agent, the Cash Manager and the Servicer; and

(C) the Corporate Servicer and the Management Services Provider in each case, at such date;

(ii) in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of all amounts due but unpaid to each Swap Counterparty under any Swap Agreement at such date (other than any Swap Counterparty Default Termination Amounts);

(iii) *pari passu* and *pro rata* according to the respective amounts thereof, the Interest Amount due but unpaid on the Notes as at the following Payment Date;

(iv) *pari passu* and *pro rata* according to the respective amounts thereof, the Early Redemption Amount of each Note;

(c) *third*, in or towards satisfaction, *pari passu* and *pro rata* according to their respective amounts, of any Swap Counterparty Default Termination Amount due but unpaid to a Swap Counterparty under any Swap Agreement;

(d) *fourth, pari passu* and *pro rata* according to the respective amounts thereof, all amounts in the nature of indemnity payments or payments of damages resulting from any warranty claim due but unpaid to each Bookrunner, the Arrangers and the Global Coordinators in connection with the Programme Agreement and any Subscription Agreement; and

(e) *fifth*, the balance, if any, to the Originator.

Italian Issuer Security – Pledge Agreement

As security for the covenant by the Issuer to perform its obligations under the Notes and other Transaction Documents, under the terms of each Pledge Agreement, the Issuer will grant to the Security Trustee on behalf of the Issuer Secured Creditors an Italian law pledge over all the Issuer's rights under:

(a) in the case of the First Pledge Agreement, the Receivables Purchase Agreement (excluding the relevant Receivables and the relevant Collections) entered into on the Closing Date and the Servicing Agreement and,

(b) in the case of any further Pledge Agreement, the relevant Receivables Purchase Agreement (excluding the relevant Receivables and the relevant Collections) entered into in respect of the relevant further Tranche;

all as more particularly described in each Pledge Agreement (collectively, such Security Interests are referred to as the "***Italian Issuer Security***").

English Issuer Security – Security and Intercreditor Deed	As a further security for its obligations under the Notes and other Transaction Documents, under the terms of the Security and Intercreditor Deed the Issuer will, *inter alia*, create in favour of the Security Trustee (for itself and on behalf of the Issuer Secured Creditors): (a) a first fixed charge over all its rights, title, interest and benefit, present and future, in, to and under the Issuer Accounts held with the English Operating Bank; (b) a first fixed charge over the Collection Account Investments purchased by or on behalf of the Issuer; (c) an assignment by way of security of all of its right, title, interest and benefit, present and future, in and to the Cash Management Agreement, each Swap Agreement and each Swap Transaction, the Agency Agreement, the Warranty and Indemnity Deed, the Programme Agreement and each Subscription Agreement entered into pursuant thereto and all sums deriving therefrom (the "***Issuer English Assigned Agreements***"); and (d) a floating charge over such of its assets relating to the Programme, excluding the Portfolio and any assets otherwise secured in favour of the Security Trustee, and not located in a jurisdiction where such security would be unlawful, all as more fully described in the section "*Description of the Main Transaction Documents – Security and Intercreditor Deed*". The Security and Intercreditor Deed will be governed by English law and provides that additional security may be taken by the Security Trustee in relation to each further Tranche issued by the Issuer, including security (by way of assignment to the Security Trustee) over any Swap Security.
Enforcement	Following the service of an Issuer Enforcement Notice, the Notes will become immediately due and repayable at their respective Early Redemption Amounts and the English Issuer Security and the Italian Issuer Security will become enforceable. The Issuer undertakes under the terms of the Security and Intercreditor Deed and the Conditions that it will comply in a timely manner with all directions of the Security Trustee in relation to the sale, management or administration of the Portfolio. The Security Trustee must, subject to being indemnified to its satisfaction, comply with the instructions of the Note Trustee, if the latter is so instructed by any one Noteholder, to enforce the obligations owed by the Region to the Issuer, Security Trustee and Issuer Secured Creditors.
Non-petition	Each Issuer Secured Creditor, including the Note Trustee on the Noteholders' behalf, agrees that only the Security Trustee is entitled to enforce the Issuer Security. No Issuer Secured Creditor or Noteholder, other than the Security Trustee acting in accordance with the Conditions, may take any steps for the purposes of obtaining payment of any amount expressed to be payable to it or enforcing any other of its rights against the Issuer under the Conditions and/or the Transaction Documents except following the service of an Issuer Enforcement Notice and the failure by the Note Trustee or the Security Trustee to act within a reasonable period after becoming bound to do so. No Insolvency Proceedings may be commenced against the Issuer until at least one year following the date on which all notes issued by it, including in relation to any Further

	Securitisation or Prior Securitisation (as defined below), have been redeemed in full or cancelled.
	Without prejudice to netting under any Swap Agreement (if any, as to which see the specific terms of any Swap Agreement, as described in the applicable Pricing Supplement), no Issuer Secured Creditor or Noteholder may exercise any right of set-off against the Issuer under the Notes or the Transaction Documents, as applicable although the Security Trustee may do so in limited circumstances following service of an Issuer Enforcement Notice.
Extinguishment of Claims	The Security and Intercreditor Deed and Condition 3 of the Conditions provide that if, following enforcement of the Issuer Security under the Issuer Security Documents or on the Maturity Date of any Note, the aggregate funds available to the Issuer to repay the accrued interest and/or outstanding principal under the Notes or to pay any other amount due under the relevant Priority of Payments are insufficient in accordance with the Enforcement Priority of Payments to pay such amounts in full, then upon final distribution of the available funds, the unpaid balance of each such amount shall cease to be due and payable and shall be cancelled.

INVESTMENT CONSIDERATIONS

The following is a summary of certain aspects of the Programme and the Notes issued under it of which prospective holders of Notes should be aware. It is not intended to be exhaustive and prospective holders of the Notes should make their own independent valuations of all investment considerations and should also read the detailed information set out elsewhere in this document.

The inability of the Issuer to pay interest or repay principal on the Notes may occur for reasons not related to the issues identified below and the Issuer does not represent that the risks and other considerations relating to the holding of Notes described below are exhaustive. While the various structural elements described in this Offering Circular are intended to lessen some of the risks inherent in the transaction for holders of Notes, there can be no assurance that these measures will be sufficient or effective to ensure payment of interest and/or principal to holders of the Notes on a timely basis or at all.

STRUCTURAL RISKS

Liability under the Notes and limited recourse nature of the Notes

The Notes constitute direct, secured and limited recourse obligations solely of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any quotaholders of the Issuer or any of the Note Trustee, the Security Trustee, the Agents, the Calculation Agent, the Cash Manager, the Corporate Servicer, the Management Services Provider, any Swap Counterparty, the Republic of Italy, the Originator, the Region of Lazio, the Servicer, the Arrangers and Global Coordinators, the Bookrunners or any other person except the Issuer. Furthermore, none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make any payment of any amount due on the Notes.

Upon the service of an Issuer Enforcement Notice (or, if no Issuer Enforcement Notice has been served, on the Maturity Date), if the funds available to the Issuer and/or the Security Trustee to pay amounts due to Noteholders on the Notes, in accordance with the Security and Intercreditor Deed, are not sufficient to pay such obligations in full, then Noteholders will be entitled to receive payment of such amounts only to the extent of the available funds (if any) and any shortfall will not be due and payable, and any remaining liability will be deemed to be extinguished.

Limited funds to repay the Notes

The Issuer's principal asset available for the benefit of the Noteholders is the Portfolio, including the Payment Delegation. The Issuer will not as of the Issue Date have any significant assets available for the benefit of the Noteholders other than the Portfolio and its rights under the Transaction Documents to which it is a party.

The ability of the Issuer to meet its obligations in respect of the Notes will be dependent on the receipt by the Issuer of Collections collected by the Servicer from the Portfolio (including payments made pursuant to the Payment Delegation), payments made by any Swap Counterparty under any Swap Transaction and any other amounts received by the Issuer pursuant to the terms of the Transaction Documents to which it is a party.

There can be no assurance that the above amounts will be adequate to ensure the timely and full payment by the Issuer of all amounts due on the Notes.

Lease payments: credit risk

The Portfolio is exclusively comprised of Receivables (including the Payment Delegation) arising from the Lease Contracts (see "*Description of the Portfolio*"). Under the Lease Contracts all Lease Instalments are, according to the Payment Delegation, also obligations of the Region of Lazio, which undertakes to pay the Lease Instalments as primary and joint-obligor under the Lease Contracts (the "***Obligor***"). The Receivables comprised in the Portfolio include exclusively the receivables relating to the Lease Instalments, while the receivables relating to the Initial Lease Payments are not comprised in the Portfolio.

The ability of the Region of Lazio to pay the Lease Instalments will depend on the level of its expenditures and its liabilities that may arise in relation to any applicable laws and regulations, as well as on its level of revenues which may vary due to various factors.

In particular, its ability to fulfil payment obligations may be affected, *inter alia*, by any adverse changes in macro-economic conditions affecting the Region of Lazio and/or the Republic of Italy. See further, "*Effect of Macro-economic conditions on the Region of Lazio, its Budget Estimates and Healthcare Spending*". In the event of any such adverse changes, there can be no assurance that the Region of Lazio will be in a position to make timely and full payment of the Lease Instalments under the Lease Contracts.

Reallocation of resources and obligations as between the Italian State and the Regions

The ability of the Region of Lazio to make payments under the Lease Contracts may be affected by certain changes to the criteria for the allocation of public sector expenses between the Italian State and the Regions. In particular, as a result of Law No. 56 of 18 February 2000, starting in 2001 each Region is responsible for covering its healthcare deficit and the State will no longer transfer funds to the Regions to cover such deficits. Moreover, pursuant to the Constitutional Law No. 3 of 18 October 2001 (the "***Federalism Law***"), the Regions may not incur new indebtedness in order to cover the healthcare deficit. In particular, Article 119 of the Italian Constitution (the "***Constitution***"), as amended by the Federalism Law, provides that the Regions may not incur new borrowing for any purpose other than financing expenses qualifying as investments (see further, "*Selected Aspects of Italian Law – Article 119 of the Constitution*" and "*The Healthcare System of the Region of Lazio*"). Consequently, all payments under the Payment Delegation will have to be funded by the Region through means other than incurring new borrowing. In the event that the Region were to experience a shortfall in funds or otherwise be unable to finance its payment obligations under the Payment Delegation, under current law there would be no possibility of funding such obligations by incurring new borrowing and, consequently, the risk of default under such obligations may not be excluded.

The Central Government has agreed at a Central Government-Regions conference to pay a portion of healthcare deficits for 2000 and 2001. Legislation was enacted authorising the payment of such amounts by the Central Government. See further "*The Healthcare System of the Region of Lazio*".

Subordination of the Notes

The rights of the holders of the Notes to receive payments of interest and principal are subordinated to the rights of the Note Trustee and the Security Trustee (the "***Senior Creditors***") to receive payments under the Transaction Documents to which they are, respectively, a party and to the payment of the amounts necessary to ensure the credit balance of the Expenses Account equals the Target Amount, the Issuer On-Balance Sheet Expenses and to the claims of Related Third Party Creditors, (which term includes, *inter alia*, any tax authority). No payments of principal or interest will be made on the Notes on any Payment Date unless all such amounts payable to the Senior Creditors on such Payment Date, together with the other amounts specified above, have been paid or are provided for simultaneously with such payments.

However, if any amount due under the Notes is not paid when due, an Issuer Event of Default will occur under the Notes, entitling the Note Trustee to serve an Issuer Enforcement Notice (which it must do, if so requested by any one Noteholder), whereupon all amounts will become due and payable under the Notes. (See "*Description of the Main Transaction Documents – Security and Intercreditor Deed*"). On an enforcement of the security for the Notes, the rights of the holders of the Notes to payment under the Notes are also subordinated to (i) rights of the Senior Creditors, (ii) the payment of the amounts necessary to ensure the credit balance of the Expenses Account equals the Target Amount, (iii) any Issuer On-Balance Sheet Expenses and (iv) any Related Third Party Creditors, in accordance with the Enforcement Priority of Payments.

Currency risk and interest rate risk

To the extent that the Issuer is exposed, as a result of issuing a Tranche or Tranches of Notes in an Agreed Currency other than euro, to the risk of adverse movements in foreign exchange rates and/or any mismatches in the scheduled payments under the Lease Contracts and amounts due under the Notes, the Issuer will enter into a Currency Swap Transaction in order to hedge itself against such risk. Specific details of any such Currency Swap Transaction in relation to a Tranche are not included herein and may be found in the applicable Pricing Supplement.

To the extent that the Issuer is exposed as a result of issuing a Tranche or Tranches of Notes which bear interest at a floating rate to the risk of adverse interest rate movements, the Issuer will enter into one or more Interest Rate Swap Transactions in order to hedge itself against such risk. Specific details of any such Interest Rate Swap Transaction in relation to a Tranche are not included herein and may be found in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, each Currency Swap Transaction and Interest Rate Swap Transaction will be entered into with a swap counterparty or its credit support provider having the Minimum Swap Counterparty Rating, pursuant to a 1992 ISDA Master Agreement dated on or around the Issue Date for a Tranche (the "***Swap Agreement***").

Potential investors are informed that swap agreements generally expose participants to certain risks depending on the nature and terms of such agreements and any other related agreements and each investor is urged to review the Pricing Supplements carefully to evaluate carefully how the terms of any such swaps might affect it.

Credit Risk in respect of the Swap Counterparties

In the event of the loss of the Minimum Swap Counterparty Rating on the part of a Swap Counterparty or its credit support provider, the Swap Agreements will provide that the Swap Counterparty shall have 30 days in which to provide a replacement swap counterparty having the Minimum Swap Counterparty Rating, credit support for its obligations or additional collateral in the manner and as further described in "*Credit Structure – Swap Agreement*", failing which the Issuer will be entitled, subject to the prior consent of the Security Trustee, to terminate the affected Swap Transaction.

In the event of termination of the affected swap, there can be no assurance that the Issuer would succeed in replacing the relevant Swap Counterparty in a timely manner with a new swap counterparty having the Minimum Swap Counterparty Rating and, consequently, any currency and interest rate risks previously covered by such Swap Agreement would no longer be covered during any such period. Any lack of adequate hedging arrangements, failure on the part of the Swap Counterparty to provide the Issuer with all amounts owing to the Issuer (if any) under the Swap Agreement or any termination costs of such Swap Agreement, could potentially give rise to a shortfall in Issuer Available Funds on the part of the Issuer which, in turn, could compromise the Issuer's ability to make full and timely payment of all amounts due on the Notes.

The Issuer has been indemnified in the Warranty and Indemnity Deed by the Region of Lazio for any documented loss suffered by it as a result of a termination of any Swap Agreement or Swap Transaction caused by, or attributable to a breach by the Region of its obligations under the Transaction Documents to which the Region is a party.

Investment risk

None of the Notes will be redeemed in whole or in part until the first Payment Date after the expiry of the Initial Period. During the Initial Period, amounts of Issuer Available Funds which would otherwise be paid out in respect of Amortisation Amounts (on the Notes in respect of which "mandatory *pro rata* redemption" has been specified in the applicable Pricing Supplement), if any, will be retained by the English Operating Bank on behalf of the Issuer in the Collection Account, and/or invested in Collection Account Investments until the first Payment Date following the expiry of the Initial Period, when they will be applied in accordance with the Priority of Payments. In addition, pursuant to Condition 6.4, following the service of an Issuer Enforcement Notice, the Security Trustee is obliged to retain any funds in the Collection Account until the expiry of the Initial Period.

The Issuer is subject to the risk that the rate of interest paid on the Collection Account and the rate of interest earned or other return generated in relation to the Collection Account Investments will be less than the interest payable by the Issuer in respect of the Notes. This could potentially give rise to a shortfall in Issuer Available Funds. In such case, there can be no assurance that the Issuer would be in a position to make timely and full payment under the Notes.

Absence of a secondary market

Although the Issuer has applied for a listing with the Luxembourg Stock Exchange, there can be no assurance that a secondary market in the Notes will develop or, if it does develop, that such a market will provide holders of the Notes with liquidity of investment, or that it will continue for the life of the Notes. Furthermore, the Notes will not be registered under the securities laws of the United States, the Republic of Italy, the United Kingdom or any other jurisdiction, and the transfer of the Notes will be subject to restrictions (see "*Notice to Investors*" and "*Subscription and Sale*"). The Noteholders therefore may not be able to find a buyer to buy the Notes readily or at prices that will enable the Noteholder to realise a desired yield. Such restrictions can have a severe adverse effect on the market value of the Notes. In addition, the market value of the Notes may be affected by general debt capital markets conditions, including the then prevailing interest rates.

Change of law/Tax in respect of the Notes and payments under Swap Transactions

The issue of the Notes and the structure of the Programme, including *inter alia* the ratings assigned to the Notes, depend significantly on Italian law, tax and administrative practice in effect at the date thereof, and the expected tax treatment of all relevant entities under such law and practice. No assurance can be given that Italian law, tax or administrative practice will not change after the Issue Date or that such change will adversely impact the structure of the transaction, the participants therein, and the treatment of the Notes.

In particular, in the event that withholding taxes are applicable to or are subsequently imposed in respect of payments to the holders of the Notes, the Issuer will not be obliged to gross up or otherwise compensate Noteholders for the lesser amounts the holders of the Notes will receive as a result of the application or imposition of such withholding taxes.

Under applicable provisions of Italian law, certain non-Italian Noteholders who fail to meet certain exemption criteria will receive amounts of interest payable on the Notes, net of Italian withholding tax (a "***Law No. 239 Withholding***") see further, "*Taxation*". At the date of this Offering Circular such withholding tax is levied at the rate of 12.5 per cent. or such lower rate as may be applicable under the relevant double taxation treaty.

On 13 December 2001, the Council of the European Union published a revised draft directive regarding the taxation of savings income. Pursuant to such proposal, subject to a number of significant conditions being met, any Member State could 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, Belgium, Luxembourg and Austria will operate a withholding system for a transitional period in relation to such payments. The proposed directive is not yet final and may be subject to further amendment.

Under the Swap Agreements neither the Issuer nor any Swap Counterparty will be under any obligation to gross up for tax (as therein defined) which includes withholding tax. The Swap Agreements will, unless specified otherwise in the applicable Pricing Supplement, contain provisions entitling the relevant Swap Counterparties to terminate any Swap Transaction in the event of any tax (as therein defined) being applied to payments to be made thereunder as a result, *inter alia*, of a change of law. While the relevant Swap Counterparty will, in accordance with the ISDA Master Agreement, be obliged to make reasonable efforts to transfer the Swap Agreement to another office or affiliate in respect of which such tax (as therein defined) would no longer apply, there is a risk that the imposition of such a tax (as therein defined) and consequential termination of the relevant Swap Agreement may result in any currency and/or interest rate risks otherwise covered by such Swap Agreements no longer being covered during such period and/or possibly substantial termination costs in respect of such Swap Transactions being payable by the Issuer.

Early redemption for certain Tax changes

The Issuer will have the option to redeem all but not some only of the Notes of any Tranche (after the expiry of the Initial Period) if it is likely, as a result of a change in law or of the interpretation of the law, to be found liable to pay ordinary Italian Corporation Tax (IRPEG) or any other income tax (including IRAP) on the proceeds of the Receivables, and satisfies the Note Trustee as to certain matters, subject to and in accordance with the Conditions. (See further Condition 8(d) as set out in "*Terms and Conditions of the Notes*"). The Region of Lazio may be required by the Issuer, pursuant to the Warranty and Indemnity Deed, following such an event, to purchase the Portfolio (or arrange for another entity to purchase the Portfolio) for a purchase price which, when taken together with the Issuer Available Funds on the relevant Payment Date, is sufficient to redeem the Notes in full at their Early Redemption Amounts and to pay all amounts ranking in priority thereto or *pari passu* therewith pursuant to the applicable Priority of Payments.

Early Redemption on Issuer Event of Default

The Note Trustee may, and, if so directed by any Noteholder, will, subject in each case to it being indemnified to its satisfaction, issue an Issuer Enforcement Notice declaring the Notes to be due and payable following the occurrence of an Issuer Event of Default (which are set out in full in Condition 11 – see section entitled "*Terms and Conditions of the Notes*"). While the Region of Lazio has indemnified the Issuer under the Warranty and Indemnity Deed against any loss arising and/or has agreed to purchase the Portfolio following certain Issuer Events of Default, this indemnity is limited to those Issuer Events of Default caused by or attributable to a breach by the Region of its obligations under the Transaction Documents to which the Region is a party and the purchase obligation is limited to the Issuer Event of Default specified in Condition 11(a)(vi). Investors should note that no guarantee, indemnity or other surety exists in respect of loss caused by the occurrence of any other Issuer Event of Default and as a result, following occurrence thereof, a shortfall in funds available to pay principal and interest on the Notes may arise.

Prior and Further Securitisations and Ring Fencing

The Issuer may by way of a separate transaction purchase and securitise further monetary claims, including those from other originators, in addition to the Portfolio (a "***Further Securitisation***" with reference to future securitisations or "***Prior Securitisation***" with reference to prior securitisations), and has entered into two Prior Securitisations to date, of which additional information is given in the section entitled "*The Issuer*". Under the terms of Article 3 of the Securitisation Law, the assets relating to each individual securitisation transaction (the "***Securitised Assets***") will, by operation of Italian law, be segregated for all purposes from all other assets of a company issuing notes pursuant to the Securitisation Law. On a winding up of the Issuer such Securitised Assets will only be available to holders of the notes issued to finance the acquisition of the relevant Securitised Assets and to certain creditors claiming payments of debts incurred by the company in connection with the securitisation of the relevant Securitised Assets. Therefore, the Securitised Assets relating to a particular securitisation transaction will not be available to the holders of notes issued to finance any other securitisation transaction or to general creditors of the Issuer. In addition, it is a condition precedent to any Further Securitisation that, *inter alia*: (a) the Issuer notifies the Note Trustee of any such Further Securitisation; and (b) the Rating Agencies confirm that the then current ratings of the Notes will not be adversely affected by such Further Securitisation.

However, under the Securitisation Law it is unclear whether all claims relating to a securitisation transaction are caught by the asset segregation principle outlined above. For this reason the Issuer will grant additional security pursuant to the Security and Intercreditor Deed and the Pledge Agreement in relation to such claims.

In the case of Related Third Party Creditors, including any tax authority, the Issuer is entitled to pay such amounts ahead of all other items in the relevant Priority of Payments (although on enforcement the Security Trustee and Note Trustee are expressed to rank *pari passu* with such claims). The Issuer covenants in the Conditions of the Notes and the Security and Intercreditor Deed not to enter into any agreements or to take any action except as permitted under the Transaction Documents or otherwise authorised by the Note Trustee or, *inter alia*, as may be necessary to maintain its corporate existence and comply with applicable laws. Nonetheless, there remains the risk that, in the event of any such amounts being due to third party creditors, the funds available to the Issuer for purposes of fulfilling its obligations under the Notes could be reduced, which, in turn, could adversely affect the Issuer's ability to make payments due under the Notes.

Any amount due by the Issuer to any third party creditor in relation to a specific securitisation (in the case of the Programme referred to as "***Related Third Party Creditors***"), and not related to the corporate existence of the Issuer, will be paid by the Issuer out of the securitised assets of such securitisation.

Administration and reliance on third parties

The ability of the Issuer to make payments in respect of the Notes will depend upon the due performance by the parties to the Transaction Documents of their obligations under the Transaction Documents to which they are a party (including, in particular, the obligations of the Region of Lazio under the Payment Delegation). In particular, without limitation to the foregoing, the timely payment of amounts due on the Notes will depend on the ability of the Servicer to service the Portfolio and, in particular, to recover the amounts relating to the Receivables and the continued availability of any Currency Swap Transaction and any Interest Rate Swap Transaction. In each case, the performance by the Issuer of its obligations under the Transaction Documents is also dependent on the solvency of, *inter alios*, the Servicer, the Italian Operating Bank, the English Operating Bank and each Swap Counterparty and the ability and willingness of such parties to perform their respective contractual obligations under the Transaction Documents.

In the event of the termination of the appointment of the Servicer under the Servicing Agreement, it would be necessary for the Issuer to appoint a substitute servicer. Such substitute servicer would be required to assume responsibility for the provision of the services required to be performed under the Servicing Agreement for the Receivables and the Collections.

The net cash flows from the Portfolio may be affected by decisions made, actions taken and the collection procedures adopted by the Servicer. The terms of the Servicing Agreement provide that the Servicer will ensure that the personnel carrying out the Servicer's activities under the Servicing Agreement will have appropriate experience in the field of debt collection. However, such personnel will also continue to perform debt collection services for Banca di Roma that are unrelated to the Programme and therefore will not be exclusively dedicated to the performance of the Servicer's activities under the Servicing Agreement. See further, "*Description of the Main Transaction Documents – Servicing Agreement*".

If the Servicer becomes insolvent, it may be replaced by the Issuer under the Servicing Agreement.

Offering Circular not exhaustive

This Offering Circular contains information relevant to the Programme as a whole but not specific details in relation to each Tranche. In particular, investors should note that information as to, for example (but not limited to), pricing of Tranches, relevant Swap Counterparties (and the specific terms and characteristics of Swap Agreements and Swap Transactions entered into between them and the Issuer) and amortisation profiles of Tranches will be contained in the applicable Pricing Supplement in respect of such Tranches. In addition, the Issuer may provide in each applicable Pricing Supplement for specific amendments and supplements to any of the information in this Offering Circular including the terms and conditions of the Notes. Consequently, potential investors in the Notes should not base any investment decision solely on the information contained in this Offering Circular and should read this document in conjunction with the Pricing Supplement relating to the Tranche of Notes in which they are considering investing.

PORTFOLIO RELATED RISKS

Limitations on use and on transfer of the Real Estate Assets/No effective recourse against the Real Estate Assets

Under applicable provisions of Italian law, the Real Estate Assets (i) are currently designated for healthcare use only and cannot be used for other purposes and (ii) as a general principle, are non-transferable unless the healthcare use is preserved (although they have been considered transferable for the purposes of the Programme pursuant to Regional Law No. 16/2001). Therefore, neither the Originator as Lessor nor the Issuer as its assignee under the Receivables Purchase Agreements would have any meaningful recourse against the Real Estate Assets in the event that the Region of Lazio or the Healthcare Entities were to default on the payment of the Lease Instalments and, consequently, no reliance can be made by the Noteholders on the value of the Real Estate Assets.

Destruction or damage to the Real Estate Assets may not be fully covered by insurance

The Originator is not currently a beneficiary under any insurance policy in respect of the Real Estate Assets. In the event of partial damage to the Real Estate Assets, the Healthcare Entities, which under the Lease Contracts have committed to obtaining some level of insurance protection against the destruction of, or damage to, the Real Estate Assets, would be obliged pursuant to the terms of the Lease Contracts to carry out the repair of the premises and would be entitled to any insurance proceeds (if recoverable) covering such damages. In the event of total destruction of, or damage to, the Real Estate Assets, including in the event that they may no longer be used by the Healthcare Entities, the Region and the Healthcare Entities are nonetheless obliged under the Lease Contracts to continue making payment of the Lease Instalments. This obligation is based on Articles 1465 and 1523 of the Italian Civil Code, which have been deemed as applicable to *leasing traslativo* (as referred to below) by prevailing jurisprudence. Despite these provisions, there remains the economic risk that any large-scale destruction of, or damage to, the Real Estate Assets could adversely affect the general economy of the Region and, consequently, its ability to pay the Lease Instalments pursuant to the Payment Delegation.

Credit Rating of Notes

Through the Portfolio, the credit ratings of Notes are linked to, *inter alia*, the prevailing credit rating of the debt obligations of the Region, which may change from time to time. As a result, the credit ratings of the Notes may change from time to time in accordance with any such changes in the credit ratings of the debt obligations of the Region. There can be no guarantee that the credit ratings assigned to Notes of a particular Tranche will also be assigned to Notes of any other Tranche issued at a later date. As of the Closing Date, the debt obligations of the Region are Aa3 (which rating has a negative outlook) by Moody's and A+ (which rating has a negative outlook) by S&P.

RISKS RELATED TO THE REGION

Presentation of Financial Information

The financial information relating to the Region of Lazio included in this Offering Circular has been derived from its annual financial reports and has not been audited or reviewed by independent auditors. There is no independent review or audit of the Region of Lazio's finances. Also, very limited information is available in respect of the Region of Lazio's financial condition for the year 2002. In addition, the financial information of the Region contained herein has been prepared in accordance with accounting principles generally applicable to local government entities in Italy, which differ in certain material respects from, for example, generally accepted accounting principles in the United States (as to the supervision of the operations of the Region of Lazio, see further, "*The Region of Lazio – Relationship between the Central and Local Governments*").

Effect of macro-economic conditions on the Region of Lazio, its budget estimates and healthcare spending

The Region of Lazio is subject to macro-economic events, including changes in national, regional or local economic and employment conditions and demographic trends which could adversely affect the Region of Lazio's level of tax receipts and other revenues as well as its expenditures. A decrease in economic activity in the Region of Lazio and/or the Republic of Italy could have a material adverse impact on the Region of Lazio's financial condition and its ability to make payment under the Payment Delegation.

The Region of Lazio's budget is based on a series of projections and estimates regarding the general economic activity in the Region of Lazio and the Region of Lazio's revenues. Reliance on such projections or estimates involves certain risks and uncertainties, for example, with regard to growth in the Region of Lazio's economy, the level of tax collection and other revenue generation and the ability of the Region of Lazio to control expenditures in line with the budget. There can be no assurances that the Region of Lazio's actual revenues will not be less than budgeted revenues or that the Region of Lazio's actual expenditure will not be greater than budgeted expenditure.

Healthcare expenditure constitutes the most significant category of expenditure of the Region of Lazio, representing in 2001 approximately 70 per cent. of the Region of Lazio's total expenditures. Such expenditure is linked to demographic and macro-economic factors that are not within the control of the Region of Lazio and that may vary significantly from year to year. Therefore, there can be no assurance that the Region of Lazio's actual healthcare expenditure will not be greater than budgeted healthcare expenditure, which could give rise to potential cash shortages for the Region that may affect its ability to fulfil its obligations under the Payment Delegation.

Limited review of the Portfolio and Limited representations and warranties

None of the Issuer, the Note Trustee, the Security Trustee, the Arrangers and Global Coordinators or the Bookrunners has undertaken, or will undertake, any review, investigation, search or other action to verify the details of the Receivables comprised in the Portfolio or to establish the creditworthiness of the Obligor, the Issuer or the Originator. Each of the Issuer and the Note Trustee will rely solely on certain warranties given by the Originator in respect of, *inter alia*, the Receivables and the Lease Contracts. These representations and warranties will be given in respect of each Portfolio purchased by the Issuer as of the relevant Effective Date in relation to that Portfolio. See further, "*Purchase of the Portfolio – Warranty and Indemnity Deed*".

The Payment Mandate (Mandato di pagamento)

The Region may from time to time issue irrevocable payment mandates to the Regional Treasurer Bank instructing it to make payments on its behalf (a "***Payment Mandate***"). By virtue of the Payment Mandate, the Regional Treasurer Bank is required to segregate from certain revenues of the Region funds in an amount sufficient to meet the Region's obligations the subject of the relevant Payment Mandate, when due. To the extent that the general provisions of the Italian Civil Code governing mandates are deemed to be applicable to the Payment Mandate, it would qualify as an irrevocable mandate for purposes of Article 1723 of the Italian Civil Code (*mandato irrevocabile*), since it is stated to be given for the benefit of a third party (in this instance, the Issuer). Under Italian law irrevocable mandates of this type may only subsequently be revoked for "just cause" (*giusta causa*). However, should the Payment Mandate be revoked pursuant to this doctrine by the Region and not replaced by the Region with another irrevocable payment mandate on terms substantially similar to those of the original Payment Mandate within thirty days from the date of revocation, this will constitute an Issuer Event of Default in accordance with Condition 11. This payment arrangement does not constitute a security interest in respect of the relevant payment obligation nor does it confer any preference upon enforcement of the related payment obligation. Payment Mandates are currently in place with respect to all bank debt of the Region and bonds issued by the Region and also with respect to the obligations of the Region to the Issuer with respect to the notes issued under its second Prior Securitisation.

Pursuant to Article 11 of Decree No. 8 of 18 January 1993, as converted into Law No. 68 of 19 March 1993, the funds segregated by the Regional Treasurer Bank for payment of amounts due under loans and certain other categories of payment obligation (the "***Protected Obligations***") may not be attached or seized by third party creditors of the Region provided that, for each quarterly period, the Region determines in advance the amounts due and payable in relation to the Protected Obligations and from the date of such determination does not issue any other payment mandate otherwise than in strict compliance with the chronological order of the relevant invoices. However, (i) it is unclear whether the Region's obligations to pay the Lease Instalments would, by their nature, qualify as Protected Obligations and (ii) prior to the date of this Offering Circular, the Region has not, as a matter of practice, been following the procedure outlined above in such a way as to ensure that its payment obligations are so protected.

In connection with the issuance of Notes under the Programme, the Region has made and will continue to make the appropriate entries under the expenditure items in its financial budget in order to allocate the funds necessary to meet its payment obligations under the Lease Instalments. The Region has also covenanted to issue a Payment Mandate in respect of the Lease Instalments to its Regional Treasurer Bank in order to fund all the Lease Instalments when due. As is provided in the other Payment Mandates given by the Region with respect to all bonds issued by the Region, the Region shall instruct the Regional Treasurer Bank, pursuant to a Payment Mandate, to pay the Lease Instalments in absolute priority to other payment obligations of the Region (other than payments due by the Region under the bonds issued by the Region, which will benefit from the same priority).

Claims of creditors of the Region of Lazio and the Healthcare Entities

Currently, under applicable Italian law, amounts due to the Issuer from the Region of Lazio and the Healthcare Entities pursuant to the Lease Contracts and the Payment Delegation will in principle rank *pari passu* with the claims of all the Region's and the Healthcare Entities' unsecured and unsubordinated creditors, respectively. However, the Payment Mandate mechanism and/or the specific provisions of Article 11 of Decree No. 8 of 18 January 1993 may have the practical effect of allocating certain funds of the Region in priority to the payment of certain specific payment obligations of the Region.

ITALIAN LEGAL CONSIDERATIONS

Liability of the sole shareholder

In the event of the insolvency of SAN.IM., the Region of Lazio, being the sole shareholder of SAN.IM will be fully liable by operation of Italian law for all obligations undertaken by SAN.IM. while the Region of Lazio holds 100 per cent. of the shares in SAN.IM.. In order for a creditor of SAN.IM. to be entitled to proceed against the Region, according to the prevailing view, it is not necessary that SAN.IM. be declared insolvent by the competent court. However, under a new Italian company law which will enter into force on 1 January 2004, the Region of Lazio, in its capacity as sole shareholder of SAN.IM., will no longer be liable by operation of law for the obligations undertaken by SAN.IM. after 31 December 2003 (see further, "*Selected Aspects of Italian Law – Liability of the sole shareholder*"). Such new Italian company law should have no direct impact on this securitisation as under the Programme no Notes will be issued after 31 December 2003.

Termination of the Lease Contracts

Due to the legal characterisation of the Lease Contracts under Italian law as leasing *finanziario traslativo* (see further, "*Selected Aspects of Italian Law – Finance Leases*"), in the event of termination deriving from a breach by the Healthcare Entities of their obligations under a leasing *finanziario traslativo*, the Healthcare Entities would have the right to receive from the Originator any amounts paid in respect of rental payments before termination but the Healthcare Entities would have to return the leased property to the Originator and pay to the Originator compensation for use of the leased property. However, pursuant to the Warranty and Indemnity Agreement, the Originator undertakes not to terminate the Lease Contracts and pursuant to each relevant Receivables Purchase Agreement the Originator has assigned to the Issuer all its contractual claims, rights, and actions under the Lease Contracts including any termination rights. In addition, under the Lease Contracts the Region will be the primary and joint-obligor of the Lease Instalments pursuant to the Payment Delegation contained therein. The Region would remain bound to fulfil its obligations under the Payment Delegation even in the event that the Lease Contracts were terminated since the Region, under the Lease Contracts, has expressly waived its right to raise any objections relating to, *inter alia*, any relationship between the relevant Healthcare Entity as Lessee and SAN.IM. as Lessor (including, therefore, the termination of the Lease Contract). Therefore, the Issuer will assume counterparty risk in respect of the Region rather than in respect of the Healthcare Entities. Further, notwithstanding the above, the event of termination of the Lease Contracts either by the Healthcare Entities or by SAN.IM. (or SAN.IM.'s receiver), the Region has agreed to indemnify the Issuer under the Warranty and Indemnity Deed for any documented loss suffered by the Issuer as a result of termination. The indemnity given by the Region in this respect will not exceed, in the aggregate in respect of all such claims, an amount sufficient to permit the Issuer to discharge all of its outstanding liabilities in respect of the Notes outstanding at the time of such claim (see further "*Purchase of the Portfolio – Warrant and Indemnity Deed*").

Insolvency and the Lease Contracts

The Italian Insolvency Act does not specifically regulate the impact of insolvency of the lessee or the lessor under a leasing *finanziario traslativo*, such as the Lease Contracts. However, the Italian Insolvency Act contains provisions regarding the effect of the declaration of insolvency on ongoing relationships arising from contracts entered into before the insolvency and still in effect at the time of declaration of insolvency. The effects of insolvency on the Lease Contracts will be determined on the basis of case law and academic literature, applying the principles that have already been established for ongoing relationships. See further, "*Selected Aspects of Italian Law*".

Insolvency of the Lessees

Under Italian law, in the event that a lessee is declared insolvent, the insolvency receiver has the right (but not the obligation) to terminate the lease contract. In such case the lessor would be obliged to repay the lease rentals received less an amount equal to a fair compensation for the use of the leased assets See above, "*Termination of the Lease Contracts*".

However, the above would not apply to Regions and/or Healthcare Entities since currently there is no specific provision of Italian law addressing the insolvency of public entities or providing for public entities to be submitted to Insolvency Proceedings, and none of the existing provisions of Italian law relating to Insolvency Proceedings expressly apply in the event of the insolvency of any of such entities.

However, it is possible that in the future legislation may be enacted either (i) resulting in broader applicability (including to the Lessees) of rules currently governing the financial difficulties of municipalities or (ii) adopting rules (which set out a definition of "insolvency" (*dissesto*) which differs from that contained in the Italian Insolvency Act) also in respect of the Healthcare Entities. Therefore, there can be no assurance that either the Healthcare Entities and/or the Region of Lazio will not be subject in the future to specific rules on the financial difficulties of public entities.

Insolvency of the Lessor

The precise impact that the insolvency of the Originator would have on Lease Contracts following the assignment of the receivables deriving therefrom is unclear under Italian law. Despite the opinion expressed by most legal scholars, the prevailing case-law has in the past granted the receiver of the Originator the option either to step into or, alternatively to terminate the contract and therefore regain possession of the Real Estate Assets leased under the related Lease Contract. However, given that (i) the Real Estate Assets are by law designated for healthcare purposes only, and such designation of purpose (*destinazione d'uso*) may not be changed and (ii) the Real Estate Assets are in principle non-transferable unless the healthcare use is preserved, the Real Estate Assets would be of limited economic value to the insolvency receiver of the Originator and the termination of the Lease Contracts would be unlikely to bring any advantages to the insolvency estate. Based on the facts, the risk of termination of the Lease Contracts would appear low as a practical matter. Moreover, under the Warranty and Indemnity Deed, the Region will indemnify the Issuer in case of termination of the Lease Contracts by the Lessees, the Lessor or, in the case of the Lessor's insolvency, its receiver. The indemnity given by the Region in this respect will not exceed, in the aggregate in respect of all such claims, an amount sufficient to permit the Issuer to discharge all of its outstanding liabilities in respect of the Notes outstanding at the time of such claim (see further "*Purchase of the Portfolio – Warrant and Indemnity Deed*").

Limited judicial and regulatory guidance regarding the application of the Securitisation Law

As at the date of this Offering Circular, the application of the Securitisation Law has not been considered by an Italian court, no interpretation of its application has been issued by any Italian governmental or regulatory authority and only limited guidance has been issued by the Bank of Italy. Consequently, it is possible that such authorities may issue further regulations relating to the Securitisation Law or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Offering Circular. See further, "*Selected Aspects of Italian Law*".

Risk of clawback under the Securitisation Law

Assignments of receivables executed under the Securitisation Law may be subject to revocation on bankruptcy under Article 67 of the Insolvency Act but only to the extent that the declaration of bankruptcy of the Originator occurs within three months of the securitisation transaction (or of the purchase of the relevant portfolio) or, in case that paragraph 1 of Article 67 applies, within six months of the securitisation transaction (or of the purchase of the relevant Portfolio). However, paragraph 1 of Article 67 should not apply since the Purchase Price to be paid for the Portfolio shall be equal to the face value of the Receivables comprised in the Portfolio. The assignment may be set aside and clawed back provided that the receiver gives evidence that the assignee had knowledge of the state of insolvency of the relevant party when the assignment was made. The question as to whether or not the Issuer had actual or constructive knowledge of the state of insolvency at the time of the assignment is a question of fact with respect to which a court may in its discretion consider all relevant circumstances. Clawback of assignment to the Issuer could adversely affect the ability of the Issuer to meet its payment obligations under the Notes. Pursuant to the Securitisation Law, Article 67 of the Insolvency Act does not apply to payments from the assigned debtors to the assignee.

To address the risk of insolvency of the Originator, the Originator and the Issuer have entered into the Warranty and Indemnity Deed, under which the Originator represents and warrants that it is not subject to Insolvency Proceedings nor is it insolvent. See further, "*Purchase of the Portfolio*". In addition, the Originator (i) was incorporated as a single purpose company (the purpose being that of entering into the Programme contemplated by the Transaction Documents as originator), (ii) has neither premises nor employees and (iii) does not engage in any activities other than the implementation of the Programme as originator.

Law No. 212 and the Interpello

On 28 June 2002 the Central Department of the Agency of Revenues (*Agenzia delle Entrate*), issued ruling No. 2002/124702 (the "***Interpello***"), confirming that the sale and lease back of the Real Estate Assets was a qualifying transaction for the restructuring of the regional healthcare system and thus qualified, *inter alia*, for an exemption of (a) the Healthcare Entities from (i) taxes, including IRPEG (*Imposta sul Reddito delle Persone Giuridiche*) and IRAP (*Imposta Regionale Sulle Attività Produttive*) on proceeds deriving from the transfer of the Real Estate Assets and (ii) IVA (*Imposta sul Valore Aggiunto*), the Italian Value Added Tax ("***VAT***"), registration tax, mortgage tax and cadastral tax on the transfer of the Real Estate Assets and of (b) SAN.IM from (i) VAT or registration tax on the rental payments, and (ii) any tax, VAT, registration tax, mortgage tax and cadastral tax on the re-transfer of the Real Estate Assets, all as more fully described below in "*Selected Aspects of Italian Law – Law No. 212 and the Interpello*". This confirmation was given conditional upon the transaction (i.e. the sale of the Real Estate Assets and the Lease Contracts) having been perfected by 30 June 2002.

While the Real Estate Purchase Agreement and the Lease Contracts were signed and perfected by 30 June 2002, consideration for the sale of the Real Estate Assets will not be paid by the Originator until the Issue of the relevant Tranche of Notes in line with the provisions of the Real Estate Purchase Agreement. The Tax Authorities could, in principle, question whether the transaction is in full compliance with the above 30 June deadline. In the event of a finding of non-compliance with such deadline, the exemptions mentioned above may not be available and, consequently, VAT and other direct and indirect taxes could become due on the purchase price for the Real Estate Assets and on the Lease Instalments.

Such taxes would not directly impact on the amount of the Receivables nor the payments to be made to the Noteholders, but could negatively affect the financial condition of the Healthcare Entities, the Originator and the Region which may adversely affect the Region's ability to fulfil its obligations under the Payment Delegation.

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 corporation tax ("***IRPEG***") at a rate of 34 per cent. on its annual profits for 2003 and (ii) Italian regional tax ("***IRAP***") at a rate of 4.25 per cent. on its annual profits for 2003 (5.25 per cent. on profits realised in the Region of Lombardy). Pursuant to the regulations issued by the Bank of Italy on 29 March 2000 (*schemi di bilancio delle società per la cartolarizzazione dei crediti*) as to the accounting treatment of companies incorporated pursuant to the Securitisation Law, all assets, liabilities, income and expenses attributable directly to the securitisation of the Receivables will be treated as off-balance sheet assets, liabilities, income and expenses. Circular 6 February 2003, No. 8/E issued by the Italian Agency of Revenues (*Agenzia delle Entrate*), a department of the Italian tax authorities, has stated that the tax regime applicable to the Issuer while the Notes are outstanding, is consistent with the above accounting treatment. According to Circular 6 February 2003, No. 8/E, an issuer will be taxed on the proceeds generated by a securitisation transaction under the ordinary Italian tax rules if and to the extent that such proceeds are legally available to such issuer when all the obligations of the issuer to the noteholders and to the other creditors in respect of the relevant securitisation transaction have been fully discharged. As a consequence of the position taken by the Italian tax authorities in Circular 6 February 2003, No. 8/E, no taxable income will be realised by the Issuer whilst any Notes are outstanding (except only for the Issuer On-Balance Sheet Expenses and the fees payable to the Corporate Servicer and the Management Services Provider). See Condition 8(d) as set out in "*Terms and Conditions of the Notes*".

Registration tax on transfer of Receivables

Registration and/or other forms of documentary taxes are applied upon execution in Italy of agreements and certain other deeds, depending on the manner in which they are documented, the place of execution and whether or not such documents or deeds are required to be registered with a public registry in Italy. These taxes include, in the case of an assignment of a receivable or claim under the contract, registration tax in an amount equal to 0.50% of the amount of the relevant receivable or monetary claim being assigned (the "***proportional registration tax***"), unless VAT is applicable to a transaction in which event – in line with the principle pursuant to which VAT is applied as an alternative to proportional registration tax (the so-called *principio di alternatività*) – only registration tax in a fixed amount of euro 129.11 will apply.

Given that the Receivables being assigned to the Issuer pursuant to the Receivables Purchase Agreements are monetary claims against Italian public entities, they are therefore subject to the provisions of Article 69 of Royal Decree No. 2440 of 18 November 1923. This decree requires that any assignment of claims due by a public administration or entity be executed by way of a public deed (*atto pubblico*) or by way of a private notarial deed (*scrittura privata autenticata*). The execution of an assignment before a notary public in Italy will give rise to the obligation to register the deed with the Italian registration tax office (*Ufficio del Registro*).

Pursuant to the Interpello, the assignment of the Receivables to the Issuer qualifies as a transaction "executed with a financing purpose" (*posta in essere nell'ambito di operazioni di finanziamento*). As a consequence, the assignment of the Receivables falls within the scope of application of the VAT (although it will be VAT exempt, as a result of the Interpello) and registration tax will only apply at the flat rate of euro 129.11 for the whole transaction.

Registration tax on judgments

If the Issuer were to obtain a judgment from an Italian court (this includes a decree executing an arbitral award) in respect of a breach of any Transaction Document or were to enforce a judgment in Italy in respect of any such breach in the event that such judgement has been given in a State which is not a member of the European Union, a registration tax of up to three per cent. of the amount awarded pursuant to any such judgment may be payable. However, in normal circumstances such registration tax would be chargeable to the losing party as damages. No registration tax or other duty will be due in Italy, other than a registration tax at the flat rate of euro 129.11, in the proceedings of the declaration of enforceability of a judgment in respect of any such breach given in a member state of the European Union. The forum for disputes chosen by the parties to the Transaction Documents is either the courts of England and Wales, the courts of New York or the courts of Rome. As of and from 1 March 2002, no stamp duty and other administrative charges apply on documents and decrees related to civil, criminal and administrative proceedings, as such charges has been replaced by a single tax (the so-called *contributo unificato di iscrizione a ruolo*). Such tax – which does not replace registration tax – would apply at a rate varying from €62.00 to €930.00.

Registration tax in "caso d'uso" and "enunciazione"

In addition, each Transaction Document (with the exclusion of the Real Estate Purchase Agreement and the Lease Contracts) may be subject to registration tax at a rate up to three per cent. of the amount indicated in each Transaction Document where a *caso d'uso* or an *enunciazione* will occur.

Caso d'uso means the filing of a Transaction Document with an Italian Court which is called to decide on non-contentious matters (*un atto si deposita per essere acquisito agli atti presso le cancellerie* *giudiziarie nell'esplicazione di attività amministrative*), or with an Italian administrative authority or public body where the filing is aimed at obtaining the granting of a right from such administrative authority or public body, unless such filing is compulsory as a matter of law. The filing of a Transaction Document with any Italian Court for the purposes of judicial proceedings (i.e. contentious matters) does not give rise to a *caso d'uso*.

Cross-references to the Transaction Documents in a deed, agreement or other document which has been filed with the Italian registration tax office will give rise to a case of *enunciazione* for the Transaction Documents if the relevant document filed for registration has been entered by the same parties which entered the Transaction Documents. In such a case, the Italian tax authorities may ask for the cross-referenced Transaction Documents to be filed with the competent Italian registration tax office and, consequently, the application of registration tax to such Transaction Documents according to the ordinary rules. The rule applies at Italian tax authorities' request and only to the extent that the document filed with the registration tax office and the Transaction Document which has been mentioned therein are entered into by the same parties. Where one of the parties of one of the Transaction Documents is not also a party of the document filed for registration with the Italian registration tax office, no *enunciazione* will apply in respect of the specific Transaction Document.

The same rule also applies in case of cross-references into a judicial decision of a Transaction Document which has not been subject to registration tax in Italy.

In case the Transaction Documents filed with the registration tax office as a consequence of a *caso d'uso* or *enunciazione* are subject to VAT, registration tax would be levied at the fixed rate of euro 129.11.

Definitive Notes

Unless the Global Notes are exchanged for Notes in definitive form, which will only occur under a limited set of circumstances, an investor's beneficial ownership of the Global Notes will only be registered in book-entry form with Euroclear or Clearstream, Luxembourg. See "*Clearance and Settlement – Issuance of Definitive Registered Notes*". The absence of definitive notes may, among other things:

(i) result in payment delays on the Notes because the Issuer will be sending distributions on the Notes to Euroclear or Clearstream, Luxembourg instead of directly to investors;

(ii) make it difficult for an investor to pledge or otherwise grant security over the Notes if definitive notes are required by the party demanding the pledge or other security; and

(iii) hinder an investor's ability to resell the Notes because some investors may be unwilling to buy Notes that are not in definitive form.

U.S. LEGAL CONSIDERATIONS

United States

Investment Company Act

The Issuer has not registered with the United States Securities and Exchange Commission (the "***SEC***") as an investment company pursuant to the Investment Company Act. The Issuer has not so registered in reliance on an exception for investment companies organised under the laws of a jurisdiction other than the United States or any state thereof (i) whose investors residing in the United States are solely "qualified purchasers" (within the meaning given to such terms in the Investment Company Act and the regulations of the SEC thereunder) and (ii) which do not make a public offering of their securities in the United States. Counsel will opine, in connection with the placement of the Notes by the Bookrunners, that the Issuer on the Issue Date is not an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, that the Notes are sold by the Bookrunners in accordance with the terms of the applicable Subscription Agreement and in the manner contemplated in this Offering Circular). No opinion or no-action position has been requested of, or received from, the SEC.

In consideration of the Issuer's status as a multi-purpose vehicle which is authorised to engage in Further Securitisations, an evaluation must be made as to whether any Further Securitisation would subject the Issuer to registration requirements under the Investment Company Act. However, the

Issuer has undertaken not to take, permit or cause any action that would cause or require the Issuer to be registered as an investment company pursuant to the Investment Company Act. In the event that the Issuer were to become subject to registration requirements but fail to register in the future, such failure could constitute a violation of the Investment Company Act and the following consequences could arise.

If the SEC or a court of competent jurisdiction were to find that the Issuer is required, but in violation of the Investment Company Act has failed, to register as an investment company, possible consequences include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation, (ii) investors in the Issuer could sue the Issuer and recover any damages caused by the violation, and (iii) any contract to which the Issuer is a party that is made in, or whose performance involves a, violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Issuer be subjected to any or all of the foregoing, the Issuer would be materially and adversely affected.

ERISA considerations

The Notes should not constitute equity interests in the Issuer for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("***ERISA***"). Therefore, no restrictions on ownership of the Notes will be imposed to prevent the underlying assets of the Issuer from being treated as "***plan assets***" for purposes of ERISA. If the assets of the Issuer were deemed to be "***plan assets***", certain transactions that the Issuer may have entered into, in the ordinary course of business, might constitute non-exempt prohibited transactions under ERISA and/or Section 4975 of the Code and might have to be rescinded.

Each purchaser or transferee of the Notes that is, or is acting on behalf of, an ERISA Plan that is subject to ERISA or Section 4975 of the Code will be deemed to represent and warrant that its acquisition and holding of Notes will not result in a non-exempt prohibited transaction under ERISA or the Code.

See the section entitled "*Certain United States ERISA Considerations*" for a more detailed discussion of certain ERISA-related considerations with respect to an investment in the Notes.

Proceedings against the Issuer

The Issuer will agree in the Master Definitions and Framework Deed (the provisions of which are incorporated into each English Law Transaction Document) to submit to the non-exclusive jurisdiction of the courts of England, and it may be necessary for an investor to bring a suit in England to enforce its rights against the Issuer, subject to the Issuer's submission to (i) the non-exclusive jurisdiction of the courts of New York (in addition to the non-exclusive jurisdiction of the English courts) under the Programme Agreement, and (ii) the jurisdiction of the courts of Rome under the Italian Law Transaction Documents. See "*Enforcement of Civil Liabilities*".

SELECTED ASPECTS OF ITALIAN LAW

The Securitisation Law

By establishing the Issuer in accordance with Article 3 of the Securitisation Law and assigning the Portfolio to the Issuer in accordance with the Securitisation Law, the Issuer and the Noteholders will benefit from the specific legal framework applicable under the Securitisation Law in respect of the Receivables comprised in the Portfolio.

The Securitisation Law requires that the Portfolio must be assigned to the Issuer in accordance with the provisions of paragraphs 2, 3 and 4 of Article 58 of the Italian Banking Act.

The prevailing interpretation of these provisions (which view has been strengthened by Article 4 of the Securitisation Law) is that the assignment is perfected against third parties including creditors by way of publication in the Italian Official Gazette. Accordingly, the Originator will transfer the Receivables in the Portfolio as a pool (*in blocco*), on the basis of common criteria permitting the identification of the Receivables for the purpose of publication of the transfer in the Italian Official Gazette.

The sale of the Receivables from the Originator to the Issuer will be also governed by Royal Decree No. 2440 as amended with regard to the formalities of the assignment in relation to the Lessees and the Region of Lazio.

The sale of the Receivables pursuant to each Receivables Purchase Agreement shall be perfected as follows:

(a) as between the Originator and the Issuer on the date of execution of the relevant Receivables Purchase Agreement;

(b) as against the Lessees and the Region of Lazio, from the date of service on each of them of a communication of the assignment of the Receivables pursuant to the relevant Receivables Purchase Agreement by a process server pursuant to the provisions of Royal Decree No. 2440 or from the date when each of them will have accepted the assignment with a deed having a date certain at law; and

(c) as against third parties, from the earlier of the publication in the Official Gazette of the Italian Republic of a notice (the "***Notice***") of the sale of the Receivables pursuant to the relevant Receivables Purchase Agreement from the Originator to the Issuer pursuant to Article 4 of the Securitisation Law and the notice or acceptance referred to under paragraph (b) above.

The publication referred to in (c) will render the assignment effective against third party creditors or assignees of the Issuer and the relevant Receivables and the proceeds deriving therefrom immune from any attachment or other action, save to the extent that such attachment or action is intended to protect the rights of the Noteholders, of the other Issuer Secured Creditors and of the Related Third Party Creditors entitled to receive payment of amounts related to the securitisation of the Receivables. In addition, as a result of the publication of the Notice, the sale of the relevant Receivables cannot be challenged or disregarded by any creditor or assignee of the Originator who has not seized or purchased this latter's assets prior to the date of publication of the Notice. Pursuant to Royal Decree No. 2440 signatures on each Receivables Purchase Agreement and on each acceptance by the Healthcare Entities and the Region will be duly legalised and authenticated by a Notary Public.

Regional Law No. 16

Article 8 of Regional Law No. 16/2001 relating to restructuring of the Region of Lazio's healthcare system has authorised the incorporation of SAN.IM. to be used as the vehicle to fund the Healthcare Entities of the Region of Lazio and to balance part of the regional healthcare deficit.

In this connection, Article 8 of Regional Law No. 16/2001 contemplated that (i) certain Real Estate Assets having a healthcare designation belonging to Healthcare Entities were to be sold to SAN.IM. pursuant to the Real Estate Purchase Agreement; (ii) SAN.IM. was to enter into the Lease Contracts in relation to the Real Estate Assets with the Healthcare Entities with options in favour of the Healthcare Entities for the re-purchase of the Real Estate Assets at the end of the term of the Lease

Contracts; and (iii) SAN.IM. would assign the Receivables to a special purpose vehicle incorporated under the Securitisation Law.

Regional Law No. 16/2001 also provides that pursuant to the Payment Delegation the Region of Lazio shall be responsible for payment to SAN.IM. of the Lease Instalments pursuant to the Lease Contracts.

The Real Estate Purchase Agreement and the Lease Contracts entered into on 28 June 2002 contemplate, respectively, that the price of the Real Estate Assets is to be paid within 5 days from the relevant Issue Date and that the Programme is to be finalised by 31 December 2003.

Law No. 212 and the Interpello

Article 90 ("***Article 90***") of Law No. 388 of 23 December 2000, as amended and supplemented, provides for a special favourable tax regime applicable, *inter alia*, to reorganisations of the regional healthcare system. In particular, any transfer of assets (including real property) will not be subject to any transfer tax nor would there be any taxation of capital gains deriving from such transfers on the transferees to the extent that the restructuring project has been executed before 30 June 2002.

Article 11 of Law No. 212 of 27 July 2000 allows taxpayers to address specific issues relating to the interpretation of certain tax provisions as applicable to them by filing an enquiry (*interpello*) with the relevant tax authorities. On 4 April 2002, the Healthcare Entities and the Region of Lazio (for itself and on behalf of SAN.IM.) filed an *interpello* with the Regional Department of the Agency of Revenues, concerning the application of Article 90 to the restructuring project of the regional healthcare system (as governed by Regional Law No. 16/2001). In particular, the Italian tax authorities were asked to confirm that, provided that the agreements governing the sale of the Real Estate Assets and the Lease Contracts were executed by 30 June 2002:

(i) in relation to the sales of the Real Estate Assets, no VAT, transfer tax, registration tax or mortgage tax is applicable nor will any proceeds deriving from the above-mentioned sales be subject to IRPEG, IRAP or any other tax or duty;

(ii) Article 90 will also apply to the Lease Contracts, so that no VAT, registration tax or any other transfer duty would be payable either on the rental payments or on the re-transfer of the Real Estate Assets at the end of the lease term;

(iii) the assignment of Receivables would be subject to VAT (excluding therefore the application of proportional registration tax).

On 28 June 2002, the Central Department of the Agency of Revenues to which the request for an *interpello* was sent by the Regional Department of the Agency of Revenues, issued ruling No. 2002/124702 (the "***Interpello***") whereby they confirmed the interpretation given by the Healthcare Entities and the Region of Lazio with respect to (i) and (ii) above to the extent that all the conditions (including the deadline of 30 June 2002) set out by Article 90 have been fulfilled. The Italian tax authorities also confirmed point (iii) above.

Unless the Tax Authorities take action to formally disregard the Interpello, the Interpello will bind the Tax Authorities and any further assessment on this specific issue carried out by the Italian tax authorities would therefore be declared null and void.

According to Article 11 of Law No. 212 and subsequent official interpretations, the position taken in the Interpello remains valid and binding, unless a new ruling is issued in contrast with the solution proposed by the Healthcare Entities and the Region of Lazio (also on behalf of SAN.IM.). However, the new ruling would not be considered valid in relation to actions taken and transactions entered into by the Healthcare Entities, the Region of Lazio and SAN.IM. on the basis of the Interpello originally issued and before the issuance of the new ruling.

Article 119 of the Constitution

Article 119 of the Constitution, as recently amended by the Federalism Law, provides that the Regions are not allowed to incur new borrowing for any purpose other than financing investments. Therefore any loan incurred in order to finance expenses not qualifying as investments (even where provided for by specific provisions of law) should be considered in principle prohibited by the Constitution and would therefore be null and void.

In particular, such risk arises with reference to specific types of financial transactions including new loans incurred (i) to repay outstanding loans, (ii) to cover the expenditure to be sustained by the Regions in relation to the national health service sector, (iii) to finance off-balance sheet loans and (iv) to cover any outstanding deficit in the transport sector. The Bank of Italy has stressed that the documentation relating to any loan incurred by the Regions must expressly indicate the purpose of the loan, and the new debts incurred by the Regions are currently being monitored by an *ad-hoc* committee arranged by the Ministry for the Economy and Finance.

Liability of the sole shareholder

Article 2362 of the Italian Civil Code imposes unlimited liability upon the sole shareholder of a company. In particular, pursuant to such provision, "for a company's obligations which arose during the period in which the shares are shown to have belonged to one person only, such person is liable without limitation in the case of insolvency of the company". Accordingly, creditors of a company are allowed to pierce the corporate veil and claim against a sole shareholder payments due by the wholly owned subsidiary of such a sole shareholder. In order for a creditor of the company to be entitled to proceed against a sole shareholder under article 2362, according to the prevailing view it is not necessary for the company to be declared insolvent by the competent court.

Starting from 1 January 2004, Italian company law will no longer impose the unlimited liability of a company's sole shareholder unless (i) the equity contributions to be made to the company's capital have not been made in full; or (ii) the filings requirements provided under Articles 2362 and 2470 of the Italian Civil Code (according to which the sole shareholder's details must be filed with the companies registry) have not been duly complied with. This new *regime* will be provided for under the combined provisions of Articles 2325 and 2362 of the Italian Civil Code with reference to joint stock companies (*S.p.A.s*) and Articles 2462 and 2470 of the Italian Civil Code with reference to limited liability companies (*S.r.l.s*).

Finance Leases

The finance lease contract (*locazione finanziaria*) ("***Finance Lease***") is a type of contract not expressly regulated by the Italian Civil Code but which may be validly entered into pursuant to the general provisions of Article 1322 of the Italian Civil Code. According to this provision, the parties to a contract can enter into any contract not belonging to a type subject to specific legal regulation provided that such contract aims to fulfil interests that in the opinion of the Italian courts deserve to be protected by the legal system. The Italian courts have established that Finance Leases fall within the scope of this provision.

Under Finance Leases, the lessor leases to the lessee certain assets (for the purpose of this section, the "***Leased Property***") which have been purchased by the lessor from, or have been constructed for the lessor by, a third party supplier or from the same lessee, with the consideration to be paid by the lessee to the lessor determined with reference to the duration of the lease, the cost of the assets and remuneration for the financing provided by the lessor. Upon the expiry of the Finance Lease the lessee has the option to return the Leased Property to the lessor, to purchase the Leased Property upon payment of the agreed purchase price (*riscatto*), or to enter into a new lease contract. Accordingly, three parties are generally involved in a Finance Lease transaction (i.e., lessor, lessee and supplier) which involves the execution of two contracts: (a) the Finance Lease between the lessor and the lessee and (b) the transfer agreement between the supplier and the lessor. The Italian Supreme Court (*Corte di Cassazione*) has established that although these contracts are separate, there is a contractual link between them arising from the fact that the assets acquired by the lessor from the supplier are selected and chosen by the lessee, who is responsible for their maintenance and is subject to the risk of their loss.

A Finance Lease is subject to the provisions of the Italian Civil Code on contracts in general and to those provisions regulating specific contracts that can be applied by analogy when, in view of the particular contractual provisions agreed by the parties, the circumstances are similar to those foreseen by such provisions.

In a number of decisions given by the Italian Supreme Court in 1989 and confirmed, *inter alia*, by a decision given by the *Sezioni Unite* of the Supreme Court in 1993 (ruling No. 65 of 7 January 1993), Finance Leases are divided into two different types: firstly, *leasing finanziario di godimento*, under which the payment of the agreed rentals represents only, in line with the intention of the parties involved, remuneration for the use of the Leased Property by the lessee; and secondly, *leasing finanziario traslativo*, under which the parties foresee, at the time of the conclusion of the contract, that the Leased Property (in view of its nature, the envisaged use and the duration of the contract) is to retain, upon expiry of the contract, a residual value significantly higher than the *riscatto*. Accordingly, it is reasonable to hold that rentals to be paid under *leasing finanziario traslativo* represent part of the consideration for the transfer of the Leased Property to the lessee following expiry of the contract upon payment of the *riscatto*, and that the exercise of the purchase option and transfer of the Leased Property to the lessee upon expiry of the contract does not constitute merely an option of the lessee but forms part of the original intention of the parties to the contract.

The Italian Supreme Court has established that the provisions of Article 1526 of the Italian Civil Code are to be applied by analogy to contractual relationships between lessors and lessees under the *leasing finanziario traslativo*. Article 1526 of the Italian Civil Code establishes that in case of sale by instalments with retention of title, if the contract is terminated as a result of the non-performance by the purchaser of its obligations, the vendor must repay the instalments received, save for its right to a fair compensation for the use of the goods and damages.

The Italian Supreme Court has established that the provisions of Article 1523 of the Italian Civil Code are to be applied by analogy to the *leasing finanziario traslativo*. Article 1523 of the Italian Civil Code establishes that in case of sale by instalments with retention of title, though the property right in the relevant asset is transferred to the purchaser upon payment of the last instalment, any risk on the loss of such asset is borne by the purchaser from the time the asset is delivered to it.

Insolvency and the Lease Contracts

The Italian Insolvency Act does not specifically regulate the impact of insolvency of the lessee or the lessor under a *leasing finanziario traslativo*. However, the Italian Insolvency Act contains provisions regarding the effect of the declaration of insolvency on ongoing relationships arising from contracts entered into before the insolvency and still in effect at the time of declaration of insolvency. The effects of insolvency will be determined on the basis of case law and academic literature, applying the principles that have already been established for ongoing relationships.

Under Italian law, in the event that a lessee is declared insolvent, the insolvency receiver has the right (but not the obligation) to terminate the lease contract. In such case the lessor would be obliged to repay the lease rentals received less an amount equal to a fair compensation for the use of the leased assets.

Currently there is no specific provision of Italian law addressing the insolvency of public entities or providing for public entities to be submitted to Insolvency Proceedings, and none of the existing provisions of Italian law relating to Insolvency Proceedings expressly apply in the event of the insolvency of any of such entities.

However, in the future legislation may be enacted either (i) resulting in broader applicability of rules currently governing the financial difficulties of municipalities or (ii) adopting rules (which set out a definition of "insolvency" (*dissesto*) which differs from that contained in the Italian Insolvency Act).

The precise impact that the insolvency of an originator would have on assets such as lease contracts following the assignment of the receivables deriving therefrom is unclear under Italian law. Despite the opinion expressed by most legal scholars, the prevailing case-law has in the past applied Article 72 of the Italian Insolvency Act which grants the receiver of such originator the option either to step into or, alternatively, to terminate the contract and therefore regain possession of the underlying real estate assets from which such lease contracts derive.

Sale and lease-back

The sale and lease-back arrangement involves the sale of an asset against payment of a purchase price for the asset and the simultaneous leasing of that asset back to the seller against payment of the rentals by the seller. Upon the expiry of the lease contract the lessee will be entitled to re-purchase the asset for an agreed price.

This arrangement has been construed in Italian law as a combination of two different contractual arrangements, namely a sale and purchase agreement and a lease contract. According to the prevailing case law, the underlying aim of a sale and lease-back transaction is to raise finance and therefore the purchase price constitutes a loan by the lessor/lender to the lessee/borrower, the rentals constitute the repayment instalments by the lessee/borrower and the option agreement is an ancillary arrangement aimed at ensuring that the assets sold may be returned to the lessee/borrower's estate upon expiration of the agreement.

Compliance of such an arrangement with the general principles of Italian law has been disputed at some length both among scholars and under relevant case law, especially in light of the prohibition of foreclosure agreements (so-called *divieto del patto commissorio*) set out under Article 2744 of the Italian Civil Code. According to such provision, "any agreement establishing that, upon failure to pay the claim within the fixed time limit, ownership of property mortgaged or given in pledge passes to the creditor, is void. Such an agreement is void even if subsequent to the establishment of the mortgage or pledge". The sale and lease-back scheme might be seen as matching the rationale of said prohibition in those cases where the passing of title to the leased asset(s) is conditional upon the lessee/borrower not being able to meet the secured obligation(s) as they fall due. In the specific case of the Real Estate Purchase Agreement and the Lease Contracts, no recharacterisation risk would arise since the transfer of the Real Estate Assets is clearly not intended to provide a security in favour of the Lessor as the Real Estate Assets are of no use for the creditors given that their designated purpose (*destinazione d'uso*) inhibits any other use thereof other than that of hospitals. Accordingly, the sale and lease-back arrangement provided under Regional Law 16/2001 and the Lease Contracts is not intended to create any security and, as such, it should not infringe said prohibition of foreclosure agreements.

The Payment Delegation

Pursuant to Article 1269 of the Italian Civil Code a debtor, a *delegante*, (the "***Delegator***") may delegate payment of its debt obligation to a third party, a *delegato*, (the "***Delegated Party***") who may undertake the debt obligation directly to the creditor, a *delegatario*, (the "***Creditor***") on behalf of the Delegator and in full discharge of its debt obligation to the Creditor. Pursuant to Article 1269 et seq. of the Italian Civil Code, the Delegator may revoke the payment delegation at any time prior to the Delegated Party undertaking the obligation vis-à-vis the Creditor or having made a payment to the Creditor. The Delegated Party may accept the delegation, which acceptance makes his commitment under the delegation irrevocable. Unless otherwise provided for in the payment delegation, the Delegated Party is entitled to raise against the Creditor any objections relating to their legal relationship. Unless otherwise provided for in the payment delegation, the Delegated Party is not entitled to raise against the Creditor any of the objections that it would have been entitled to raise against the Delegator, even if the Creditor is aware of such objections or the arrangements between those parties. Likewise, the Delegated Party cannot raise objections relating to the relationship between the Delegator and the Creditor.

DESCRIPTION OF THE PORTFOLIO

Description of the Receivables Purchase Agreements

Pursuant to the Receivables Purchase Agreements, SAN.IM. will sell to the Issuer the Receivables payable by the Healthcare Entities under the Lease Contracts. The sale of the Receivables under the Receivables Purchase Agreements will be subject to termination in the event that the purchase price in respect of the purchase of the relevant Receivables is not paid to SAN.IM. within 5 Business Days following the relevant Issue Date.

Description of the Sale and Leaseback Arrangements

The Portfolio is comprised of the Receivables payable under the Lease Contracts entered into between the Healthcare Entities, the Region of Lazio and SAN.IM., a company wholly owned by the Region. SAN.IM. was established pursuant to Article 8 of Regional Law 16/2001 for the sole purposes of engaging in (i) the purchase of the Real Estate Assets, which are transferable only pursuant to Regional Law 16/2001, (ii) the simultaneous leasing of the Real Estate Assets back to the Healthcare Entity-sellers and (iii) the assignment of the Receivables payable under the Lease Contracts to a special purpose vehicle incorporated under the Securitisation Law. Under the Lease Contracts the Healthcare Entities will be granted an option to re-purchase the Real Estate Assets, under certain circumstances, upon expiry of the term of the lease for a nominal consideration of euro 1.

The sale of the Real Estate Assets was effected pursuant to the Real Estate Purchase Agreement dated 28 June 2002 between SAN.IM., as purchaser, and the Healthcare Entities, as sellers. On the same date the Lease Contracts were entered into between the Healthcare Entities, as lessees, SAN.IM., as lessor, and the Region, as primary and joint-obligor pursuant to the Payment Delegation.

Description of the Real Estate Purchase Agreement

Under the Real Estate Purchase Agreement, the Healthcare Entities agreed to transfer to SAN.IM. the Real Estate Assets subject to a right of first refusal by the Ministry of Culture, within the period of 2 months from the date on which the Real Estate Purchase Agreement was notified to the Ministry of Culture pursuant to Arts. 59 et seq. of Lgs.D 490/99. The Ministry of Culture has not exercised such right of first refusal. The sale of the Real Estate Assets under the Real Estate Purchase Agreement is subject to termination in the event that the purchase price is not paid within 5 Business Days following the relevant Issue Date.

Description of the Lease Contracts

Under the Lease Contracts SAN.IM. leased the Real Estate Assets to the Healthcare Entities. In accordance with an express provision contained in the Lease Contracts, pursuant to the Receivables Purchase Agreements, SAN.IM. will sell the Receivables due under the Lease Contracts to the Issuer, which, it is expressed, will act as issuer in one or more securitisation transactions to be carried out by 31 December 2003. The net proceeds deriving from such transactions will be used by the Issuer to pay to SAN.IM. the purchase price for the Receivables pursuant to the terms of the Receivables Purchase Agreements.

The Lease Contracts are subject to termination in the event of (i) failure of the Issuer to pay to SAN.IM., within 5 Business Days of the relevant Issue Date, the purchase price for the relevant Receivables pursuant to the relevant Receivables Purchase Agreement or (ii) the termination of the Real Estate Purchase Agreement. A condition precedent to the effectiveness of the Lease Contracts is the execution and effectiveness of the Real Estate Purchase Agreement.

Pursuant to the Lease Contracts, the Healthcare Entities will have the right, subject to full payment of all Lease Instalments due over the entire term of the Lease Contracts, to repurchase the Real Estate Assets by paying, upon the expiry of the Lease Contract (corresponding with the date on which the notes issued by the Issuer will have come due), a nominal consideration of euro 1. This repurchase option may be exercised within 90 days from the final expiry of the Lease Contracts. The repurchase by the Healthcare Entities will be subject to the above right of first refusal by the Ministry of Culture pursuant to Art. 59 et seq. of Lgs.D. 490/99 which must be exercised within 2 months from the date on which the notice of exercise of the repurchase option is received by the

Ministry of Culture. Should the Ministry of Culture decide to exercise its right of first refusal in respect of the Real Estate Assets to be repurchased by the Healthcare Entities, it would not be entitled to purchase any portion of the Real Estate Assets at the above nominal consideration of euro 1.

The Lease Instalments due by the Healthcare Entities to SAN.IM. pursuant to the terms of the Lease Contracts will be directly paid by the Region, on behalf of the Healthcare Entities, pursuant to the Payment Delegation granted by each individual Healthcare Entity and accepted by the Region under the relevant Lease Contract and in accordance with the provisions of Regional Law No. 16/2001.

The amounts due by the Healthcare Entities to SAN.IM. under the Lease Contracts are the following: (a) an amount equal to 0.2 per one thousand per annum of the purchase price of the Real Estate Assets as provided in the Real Estate Purchase Agreement as the initial lease payment with reference to the period starting on and including the Effective Date of the Real Estate Purchase Agreement and ending on but excluding the relevant Issue Date (the "***Initial Lease Payment***") to be paid on the relevant Issue Date and (b) the lease instalments (the "***Lease Instalments***") to be determined on the basis of the following criteria, to be evaluated on the Issue Date:

(i) the purchase price of the Real Estate Assets indicated in the Real Estate Purchase Agreement, increased by any related costs;

(ii) the term of the Notes;

(iii) the implicit rate of interest to be determined based upon:

  (a) the interest rate of the Notes;

  (b) the costs of the transaction, including any ancillary costs related to the Lease Contracts; and

  (c) the inflation rate.

The Lessor undertakes under the Lease Contracts to prepare, on the basis of the above criteria, an amortisation plan. The Lessees and the Region of Lazio irrevocably agreed to accept such plan under the Lease Contracts.

The payment obligations under each Lease Contract shall remain suspended until such time as the relevant portion of the purchase price of the relevant Real Estate Assets has been paid by the Lessor to the Lessees pursuant to the terms of the Real Estate Purchase Agreement.

Payments under the Lease Contracts will be made by bank transfer to the account to be indicated by the Lessor to the Region and to the Lessees, or by such other manner as may be indicated by the Lessor from time to time, provided that 20 days' prior notice is given to the Region and the Lessees.

The Lease Instalments will be paid on a semi-annual basis, in arrear, with value date for the Lessor on the relevant instalment payment dates, and must be received by the Lessor by 11:00 am (Rome time) on such payment dates.

The Lessor is entitled, under the terms of the Lease Contracts, to apply any payment made by the Lessees (and/or by the Region as primary and joint-obligor pursuant to the Payment Delegation) as it may deem appropriate as against any amount owed by the Lessees (and/or the Region) to the Lessor.

The payment of the Lease Instalments, or any other amount due to the Lessor pursuant to the terms of the Lease Contracts, may not be delayed or suspended for any reason whatsoever, including in the event of disputes or the impossibility of use of the Real Estate Assets. Any claim on the part of the Lessees must be brought against the Lessor separately, it being agreed under the Lease Contracts that the Lessees will not have any right to set off amounts owed to the Lessees by the Lessor against amounts owed by the Lessees to the Lessor. See "*Investment Considerations – Destruction of or damage to the Real Estate Assets*".

In the event of a delay in payment of any Lease Instalment on the part of the Lessees exceeding 5 days, the Lessor must send to the Region and to the Lessees a payment request.

In the event of a delay in payment of any sum due to the Lessor under the Lease Contracts, penalty interest will accrue at the rate of 150 basis points per year over the effective rate of interest on the relevant payment date, accruing from the relevant due date until the date of receipt on the part of the Lessor of the amount overdue.

Under the Lease Contracts, the Region undertakes to indemnify and hold harmless the Lessees in respect of any penalty interest that may accrue on overdue amounts starting from the relevant payment date until the date of the payment request referred to above.

Under the Lease Contracts the Lessor is entitled to accelerate the payment of the Lease Instalments (both those already due and all future Lease Instalments) in the event that any Lease Instalment is not paid when due or certain other obligations of the Lessee under the Lease Instalments are breached.

List of the relevant Healthcare Entities

The Healthcare Entities party to the Lease Contracts are the following:

(i) Azienda Unità Sanitaria Locale Roma H, with registered office in Albano Laziale, Borgo Garibaldi No. 12;

(ii) Azienda Unità Sanitaria Locale Rieti, with registered office in Rieti, Viale Matteucci No. 9;

(iii) Azienda Unità Sanitaria Locale Roma F, with registered office in Civitavecchia, Via Terme di Traiano No. 39/A;

(iv) Azienda Ospedaliera San Giovanni – Addolorata, with registered office in Rome, Via Amba Aradam No. 9;

(v) Azienda Unità Sanitaria Locale Roma A, with registered office in Rome, Via Ludovico Ariosto No. 3 – 9;

(vi) Azienda Unità Sanitaria Locale Viterbo, with registered office in Viterbo, Via S. Lorenzo No. 101;

(vii) Azienda Unità Sanitaria Locale Roma E, with registered office in Rome, Borgo S. Spirito No. 3;

(viii) Azienda Ospedaliera S. Filippo Neri, with registered office in Rome, Piazza S. Maria della Pietà No. 5;

(ix) Azienda Ospedaliera S. Camillo – Forlanini, with registered office in Rome, Via Portuense No. 332;

(x) Azienda Unità Sanitaria Locale Roma B, with registered office in Rome, Via Filippo Meda No. 35;

(xi) Azienda Unità Sanitaria Locale Roma C, with registered office in Rome, Viale dell'Arte No. 68;

(xii) Azienda Unità Sanitaria Locale Roma D, with registered office in Rome, Via Cesare Giulio Viola No. 31;

(xiii) Azienda Unità Sanitaria Locale Latina, with registered office in Latina, Via Canova s.n.c.;

(xiv) Azienda Unità Sanitaria Locale Frosinone, with registered office in Frosinone, Via Armando Fabi s.n.c.; and

(xv) Azienda Unità Sanitaria Locale Roma G, with registered office in Tivoli, Via Tiburtina No. 23.

For further background information on healthcare entities of the Region of Lazio, see "*The Healthcare System of the Region of Lazio*".

The Payment Delegation

The Healthcare Entities have delegated the payment of Lease Instalments and the Initial Lease Payments (but not of any other amount which may fall due pursuant to the Lease Contracts) to the Region of Lazio pursuant to the Payment Delegation contained in Article 24 of the Lease Contracts. Under the Payment Delegation the Region of Lazio irrevocably undertook to make such payments and waived its right to raise any objections relating to (i) any relationship between itself and the Lessees, (ii) any relationship between the Lessor and the Lessee or (iii) any relationship between itself and the Lessor, thus expressly derogating from Article 1271 of the Italian Civil Code and making its obligation to pay under the Lease Contracts autonomous and separate from that of the Healthcare Entities in their capacity as Lessees. The Region of Lazio is the primary and joint-obligor pursuant to the Payment Delegation. However, only the payment obligation of the Region in relation to the Lease Instalments will be transferred to the Issuer pursuant to the Receivables Purchase Agreements. See "*Selected Aspects of Italian Law – The Payment Delegation*".

THE REGION OF LAZIO

General

The Region of Lazio is located in the central portion of the Republic of Italy ("***Italy***") approximately half way down the Italian peninsula. The Region of Lazio occupies an area of approximately 17,208 square kilometres (approximately 6,644 square miles) and is divided into five provinces (Frosinone, Latina, Rieti, Rome and Viterbo). With a population of approximately 5.3 million as of 30 September 2001, representing approximately 9 per cent. of the Italian population, the Region of Lazio is the third most populated region in Italy, following the Regions of Lombardia and Campania.

Rome, the capital of Italy, is also the capital of the Region of Lazio and the second largest city in Italy after Milan. As of 1 September 2001, the city of Rome had a population of approximately 2.7 million people, or approximately 4.6 per cent. of the Italian population according to the 2000 population census.

The principal office of the Region of Lazio is located at Via Rosa Raimondi Garibaldi 7, Rome, Italy.

Relationship between the Central and Local Governments

The Republic of Italy has been a democratic republic since 2 June 1946. Its government is organised territorially and administratively on national, regional and local levels. Legislative, executive and judicial powers are exercised at the national level by Italy's parliament, central government and judicial authorities (hereinafter together the "***Central Government***"). Legislative and executive powers are exercised in certain matters at the local level by Regions (*regioni*, of which there are 20), provinces (*province*, of which there are 103) and municipalities (*comuni*, of which there are 8,100). In addition, the future establishment of fourteen metropolitan cities (*città metropolitane*) has been authorised which, once implemented, will exercise certain administrative and executive powers.

Of Italy's 20 Regions, 15 have an ordinary degree of regional autonomy and are referred to as ordinary Regions, while five Regions (Friuli-Venezia Giulia, Sicily, Sardinia, Trentino Alto Adige and Valle d'Aosta) are regulated by special statutes, which provide these Regions with greater autonomy and wider legislative powers, classifying them as special Regions. The Region of Lazio is an ordinary region and was established in 1970.

The Constitution, as amended by the Federalism Law, reserves to the Central Government exclusive powers to act in the following areas: foreign policy and international relations (including with the EU), asylum rights and status of non-EU citizens; immigration; relations with religious communities; defence, armed forces and security; currency, financial markets, competition, monetary policy, tax and accounting systems of the Central Government, protection of savings, and equalisation of financial resources among the various regions; regulation of Central Government bodies and Central Government and EU elections; legal and administrative structure of the Central Government and of national public entities; public order and safety (with the exception of local police); citizenship, civil status and related registry offices; jurisdictional and procedural laws, civil and criminal legal systems and administrative justice; establishment of minimum levels of civil and social services to be guaranteed throughout the nation; general rules on education; national pension funds; regulation of provincial, metropolitan and municipal bodies, functions and election laws; customs and protection of national borders (including infectious disease control); determination of weights, measures and time and co-ordination of official data of the Central Government with official data of regional, provincial, metropolitan and municipal governments; protection of intellectual property; and protection of the environment, ecosystems and the arts.

The Constitution grants ordinary Regions and the Central Government concurrent legislative powers on the following matters: international relations of the regions (including with the EU); foreign trade of the regions; safety of the workplace and labour protection; education (except for autonomy granted to schools and professional education and training); professions; promotion and regulation of scientific and technological research; healthcare; nutrition; sports; disaster relief; zoning and planning; non-military ports and airports; major transportation and navigation networks; communication; transportation and distribution of energy on a national level; pension funds (other than those where contributions are mandated by law); co-ordination of public finance, public accounting and taxation systems; improvement, promotion and organisation of environmental, artistic and cultural projects; and savings banks, rural banks and banks operating at a regional level.

The Constitution grants ordinary Regions exclusive legislative powers on all those matters which are not expressly reserved to the exclusive or concurrent competence of the Central Government. Prior to the enactment of the Federalism Law, the Regions enjoyed only those powers specifically granted to them. The new law increases significantly the powers of ordinary Regions. The Regions must exercise their powers respecting the basic principles established by the Central Government and the EU and the international obligations of the Central Government.

The Central Government enjoys regulatory powers in relation to all matters expressly reserved to it, and the Region enjoys regulatory powers in relation to all other matters (except for the regulatory powers of the provinces and municipalities relating to the functions reserved to them or otherwise delegated to them by the Central Government from among its powers). Administrative powers are reserved to the municipalities, unless (in cases where greater uniformity is required) such powers are specifically attributed to provinces, Regions or to the Central Government.

The Federalism Law also provides the Regions with a role in international affairs. The new law provides for the participation of Regions in the decision making processes of the EU (relating to matters within the competence of the regions) and for the implementation by the Regions of international agreements and EU acts, within the framework of procedures established by the Central Government. In addition, the Federalism Law provides for greater participation by the Regions in Central Government processes. The new law envisages the enactment of regulations which will establish that Regions, provinces, metropolitan cities and municipalities may participate in a parliamentary commission that covers regional matters. If such a commission expresses a negative or a conditional opinion on a law that is being considered by the Central Government Parliament, regarding a matter falling within the concurrent legislative powers of the Regions or regarding financial or tax federalism, such bill of law must be passed by absolute majority of both branches of Parliament, rather than simply by a qualified majority. In addition, the Federalism Law abolishes the supervisory powers of the Central Government's State Commissioner with respect to regional legislation. Previously, regional legislation (including the Region's provisional budget) had to be referred to the State Commissioner prior to enactment and was subject to challenge under certain circumstances. The new law also provides that both the Regions and the Central Government can contest a law enacted by the other which is considered to exceed its powers by bringing a claim directly before the Constitutional Court.

The Constitution grants the Regions a high degree of autonomy and considers them financially independent. The Federalism Law underscores and confirms as part of the Italian constitution the following principles: (i) that the Regions are entitled to establish and collect their own taxes and other revenues and have autonomy in the expenditure of their resources (respecting constitutional norms and standards established by the Central Government to coordinate Italy's public debt and tax system), (ii) that the taxes and other revenues collected by the Regions should be sufficient to finance all of the Regions' functions and activities, (iii) that the Regions are entitled to receive the portion of Central Government taxes collected within their territory rather than Central Government transfers based on other criteria (with the exception of minimal transfers intended as social equalisers between Regions), (iv) that the redistribution of resources from richer areas to poorer areas should be made through an equalisation fund, and (v) that the Regions may incur indebtedness only to finance investment expenses and that such indebtedness may not be guaranteed by the Central Government.

Pursuant to Law No. 20 of 14 January 1994 as amended the Court of Accounts (*Corte dei Conti*) exercises supervisory powers on the operations of the Regions and in particular with reference to the achievement of the targets established by the Central Government legislation.

The Corte dei Conti also monitors the accounting of the Regions (*giurisdizione contabile*), judging on the cases of liabilities of the employees of the Region.

Legislative Decree No. 286 of 30 July 1999 has introduced the requirement that Regions be subject to certain internal controls, such as:

(a) control on administrative and accounting procedures (*controllo di regolarità amministrativa e contabile*);

(b) control on the activity of managers (*controllo della dirigenza*);

(c) strategic control, which consists in an evaluation of consistency between predetermined targets and results (*valutazione e controllo strategico*);

(d) control on operations (*controllo di gestione*).

The Region of Lazio is in the process of implementing such internal control procedures. The first three areas of control listed under letter (a), (b) and (c) above have been implemented by the Region and are already operational, while the area listed under letter (d) (control on operations) is expected to be implemented and operational by mid-year 2003.

Prior to the enactment of the Federalism Law, and in keeping with the Central Government's tendency to grant greater autonomy to the Regions, the Central Government enacted the so-called *Legge Bassanini* (Law No. 59 of 15 March 1997 as amended).

Pursuant to the *Legge Bassanini*, legislative and administrative powers are devolved to Regions in a three-step process:

(i) enactment by the Central Government of legislative decrees assigning new powers to the Regions;

(ii) implementation of the legislative decrees through the enactment of regional laws; and

(iii) transfer and assignment by the Central Government to the Regions of the operating and financial resources to fund the new functions by means of decrees of the Prime Minister.

Several legislative decrees were enacted which devolve to the Regions certain administrative powers contemplated by the *Legge Bassanini* including those relating to agricultural, labour, transport, trade, crafts, industry, energy, mines, geothermal and water resources, fairs and markets, tourism, chambers of commerce, environment, city planning, public works, roads, healthcare, social services, public education, sports, shows, local and regional police. In particular, Legislative Decree No. 112 of 31 March 1998 transferred to the Regions many functions, of which the most important concern financial resources, productive activities, transports, environment, healthcare.

Certain decrees of the Prime Minister have been enacted to provide for the transfer of funds and personnel to the Regions in support of the new functions. The Regions have received the relevant funding during the years 2000, 2001 and 2002.

The Central Government has also introduced a number of legislative measures delegating to Regions certain tax-raising responsibilities to allow Regions to perform their newly attributed functions and, at the same time, further measures are in the process of being adopted to transfer larger resources to Regions to allow them to perform their newly delegated powers.

Regional Administration

Local Government

The Region of Lazio, like all ordinary Italian Regions, is managed by a Regional Council (*Consiglio Regionale*), a Regional Board (*Giunta Regionale*) and a Regional President (*Presidente della Regione*) who is also chairman of the Regional Board. Regional Councils typically have legislative and regulatory functions and are composed of between 30 and 80 Regional Councillors (*Consiglieri Regionali*), depending on the population of the region that they represent. Lazio's Regional Council is composed of 60 Regional Councillors. The electoral system provides that 80 per cent. of the Regional Councillors be elected from provincial lists in exact proportion to the votes received by the political parties to which the candidates belong. The remaining 20 per cent. of the Regional Councillors are elected by constituents on a majority basis. Elections are held every five years.

The Regional Council has responsibility for the Region of Lazio's policy and regulation. In particular, the Regional Council is responsible, *inter alia*, for approving the Regional by-laws and Regional laws (for the matters of competence of the Region of Lazio), for the Region's accounts and budgets, for the Region's investment programmes, for determining the level of certain local taxes within a range provided by the Central Government, and for determining the maximum level of bond issues and other debt financing.

The following table shows the political party affiliations of the Regional Councillors elected in Lazio's most recent election on 16 April 2000. The term of the present Regional Council is due to expire in the year 2005.

Representation of Political Parties in the Regional Council (2002)

Political Party	*Seats*	*Per cent.*
Majority		
National Alliance (*Alleanza Nazionale*)	11	18.3.0%
For Lazio (*Per il Lazio*)	4	6.7%
Go Italy (*Forza Italia*)	15	24.9%
Christian Democratic Centre (*Centro Cristiano Democratico*)	6	10%
CDU (*Cristiani Democratici Uniti*)	1	1.7%
European Democracy (*Democrazia Europea*)	2	3.3%
Total Majority	39	65%
Opposition		
Democratic Party of the Left (*Partito Democratico della Sinistra*)	10	16.6%
Communist Refoundation (*Partito Rifondazione Comunista*)	3	5.0%
Italian Popular Party (*Partito Popolare Italiano*)	1	1.7%
Democrats (*Democratici*)	1	1.7%
Greens (*Verdi*)	1	1.7%
UDEUR (*Unione Democratica per l'Europa*)	1	1.7%
Sdi-Pri (*Socialisti Democratici e Partito Repubblicano*)	1	1.7%
With Badaloni (*Con Badaloni*)	1	1.7%
Italian Communists (*Comunisti Italiani*)	1	1.7%
Margherita	1	1.7%
Mixed Party (*Partito Misto*)	1	1.7%
Total Opposition	21	35%
Total	60	100.0%

The Central Government introduced a constitutional reform, by Constitutional Law No. 1 of 22 December 1999, providing for the election of the Regional President directly by popular vote. The first Regional Presidential election was held on 16 April 2000 together with the election of the Regional Councillors: currently the Regional President is Francesco Storace, who is supported by a centre-right coalition. The Regional Council appoints the members of the Regional Board. The Regional Board is the managerial body of the Region of Lazio. The Regional Board consists of 13 members (12 *assessori* and the Regional President) and is responsible for drawing up interim and final financial reports, as well as for determining the long term provisional budget. See "*Financial Information of the Region of Lazio*". Members of the Regional Board currently oversee the following areas: regional economy; healthcare; personnel and administration; agriculture; ecology; social services; labour; culture, sport and tourism; regional development; housing and urban development; schools and education; public transportation; and European Union, Central Government, provincial and municipal relations. See "*Financial Information of the Region of Lazio*".

Employees of the Region

As of 31 December 2001, Lazio employed 3,817 staff. The number of regional employees has decreased steadily since 1994, which has allowed the Region to maintain the increase in the cost of employees over the past six years substantially in line with the inflation rate. The following table shows the actual number of employees of the Region since 1994:

Employees of the Region

	Year ended December 31							
	1994	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*
Staff (number)	4,942	4,810	4,631	4,399	4,415	3,988	3,815	3,817
Cost (millions of euro) . . .	140.5	143.6	145.1	159.6	161.1	161.7	162.7	125.9

As a result of the implementation of the *Legge Bassanini* (which will transfer to the Region significant functions previously performed by the Central Government) a number of personnel previously employed by the Central Government are currently employed by the Region. In February 2001 approximately 320 employees were transferred from the Central Government to the Region. It is not currently expected that any further employees will be transferred.

Major Activities

Regions are empowered to address general economic and social issues and are responsible for co-ordinating local administration through the provinces and municipalities and providing resources to finance provincial and municipal investment programmes. The Region's primary role is to allocate regional funds and funds transferred from the Central Government to specific sectors and among the provinces and municipalities. See "*Financial Information of the Region of Lazio*". These functions are currently being expanded due to the implementation of the *Legge Bassanini*. See "*Relationship between the Central and Local Governments*".

The primary sector in which the Region is involved is the area of healthcare. The Region, through coordination with the ASL and the AO, which are controlled and funded by the Region, oversees the administration of the Region's public and private hospitals and health service providers. The Region is responsible for setting guidelines for health services and planning and implementing certain healthcare related programs and initiatives, such as emergency transportation services, within the framework set forth by the Central Government. The Central Government requires that funds transferred to the Region be utilised in three general healthcare categories (prevention, hospitals and healthcare services).

Controls over healthcare costs commenced in 1995, following the introduction of different reforms which required healthcare pricing and reimbursement to follow prescribed prices for specific services. As a result of the reforms, the Region has been given the responsibility for planning the healthcare budget, which will now be calculated based on pre-established prices for health services. This represents a change from prior budget planning by the Central Government which was typically based on a region's historic expenditures. In 2001, there were 242 public and private hospitals and healthcare facilities in Lazio which provided a total of 37,541 beds.

In the area of transportation, the Region distributes funds from the Central Government to the provinces and municipalities for general transportation needs within their respective territories, such as traffic control and road maintenance, and for specific capital programs established by the Central Government which must be implemented by the municipalities. Transfers from the Central Government to the Regions for transportation are based on the territory of the region and the number of its inhabitants. The Region's role in transportation is limited to the strategic planning of regional railways and roads. Transport activities are conducted by three public agencies that are funded by the Region. One of these agencies is owned by the city of Rome and conducts urban bus transportation. Another agency is owned by the city of Rome and the provinces and conducts subways and rail transportation. The third agency in which the Region has a majority stake, conducts regional buses. Similarly, the Region co-ordinates the administration of other areas of concern through various entities.

The Region of Lazio currently has an interest in certain local companies that are primarily involved with local development. One of the most significant of such local companies is a newly formed agency, *Agenzia Regionale per gli investimenti e lo Sviluppo del Lazio – Sviluppo Lazio S.p.A.* (the "***Agency***"). The Agency's objective is to promote industrial and other development in the Region of Lazio and to provide financial assistance to small- and medium-sized companies located in the Region of Lazio and to invest in transactions involving public entities of the Region of Lazio. Among other things, the Agency's main functions include the obtaining and managing of EU funds for various public entities and the involvement in various project finance initiatives, such as energy co-generation plants. In addition to the share capital, the Agency has an endowment fund (*fondo di dotazione*) financed by the Region, and additional to the share capital, which is aimed at strengthening the ability of the Agency to perform its institutional functions. The endowment fund for the three-year period 2001-2003 is approximately euro 47.2 million.

The Region is also charged with collecting certain local taxes. See "*Financial Information of the Region of Lazio – Financial Federalism*".

Significant Assets

The Region has both transferable and non-transferable assets. Its assets consist of houses, buildings, apartments, land, forests and miscellaneous other assets. As of 31 December 2001 the Region had euro 105.4 million in transferable assets and euro 52.2 million in non-transferable assets.

THE ECONOMY OF THE REGION OF LAZIO

The following description of the economy of the Region is based on data of ISTAT (*Istituto Nazionale di Statistica*), except as otherwise indicated.

In 2001, Lazio generated euro 115,563 million, or approximately 10.2 per cent. of Italy's Gross Domestic Product ("***GDP***"). In 2001, the Region of Lazio was the second largest region in GDP after Lombardy. The Region's GDP per capita in 2001 was approximately euro 21,800, which compares to approximately euro 19,600 for Italy as a whole. The following table shows GDP per capita in the Region and in Italy as a whole from 1995 to 2001:

GDP Per Capita(1)

	Year ended December 31						
	1995	*1996*	*1997*	*1998*	*1999*	*2000(2)*	*2001(2)*
				(euro)			
Lazio	17,823	18,785	19,545	20,358	20,968	21,055	21,795
Italy.	16,109	17,116	17,829	18,625	19,218	18,715	19,622

(1) Measured in current prices.

(2) Source: Istituto Tagliacarne 2002 and ISTAT 2002.

Per capita GDP in the Region of Lazio ranked ninth out of the 20 Regions in Italy in 2001 at euro 21,795, exceeding the national average of euro 19,622. The Region of Lazio's economy grew faster than the national economy over the fifteen-year period from 1980 to 1995, as measured by the average annual GDP growth rate (2.2 per cent. versus 1.9 per cent.), mainly due to public investments. Public expenditure during the same period as measured by the growth rate in gross investments, was 4.4 per cent. for the Region, versus the national average of 0.7 per cent. Between 1995 and 2001, the GDP growth slowed as a result of the general economic slow-down in Europe with the average annual growth rates of the Region slightly lower than those of Italy (1.6 per cent. versus 1.8 per cent. respectively). Between 1995 and 2001, gross investments for the Region show a slight growth with an annual rate of 2.3 per cent. versus the national rate of 4.0 per cent.

The table set forth below provides a breakdown of GDP of the Region for the periods indicated:

GDP of the Region(1)(2)

	Year ended December 31				
	1996	*1997*	*1998*	*1999*	*2000*
			(millions of euro)		
GDP	97,862	102,217	106,856	111,880	116,184
Net Imports	(6,818)	(5,451)	(5,580)	(2,626)	2,111
Total Available for Consumption	91,045	96,765	101,276	109,254	114,072
Household Consumption	56,405	59,441	62,135	66,921	70,441
Consumption by Public Entities And Private Social Institutions	18,272	19,171	20,026	20,890	22,094
Final Internal Consumption(3)	74,678	78,612	82,162	87,811	92,535
Gross Fixed Investment	16,004	17,573	18,231	20,655	21,160
Changes in Inventory	363	580	883	788	376,3
Total	91,045	96,765	101,276	109,254	114,072(4)

(1) Data for 2001 are not available.
(2) Measured in current prices.
(3) Includes final consumption by non-residents.
(4) Source: Prometeia 2001

The table below provides growth rates in GDP and gross investments for Lazio and Italy as a whole for the following periods:

	Lazio	*Italy*
Average Annual Real GDP Growth(1)		
1980-1995	2.2%	1.9%
1995-2001	1.6%	1.8%
Average Annual Gross Investments Real Growth(2)		
1980-1995	4.4%	0.7%
1996-1999	4.6%	3.7%

(1) Souce: ISTAT
(2) More recent information not available

Relationship between the Region and the European Union

As a region of a Member State of the European Union ("***EU***"), the Region is entitled to apply for support from the EU. Financial support from the EU is given on the basis that such funds are matched by funding from the relevant central government. The Region of Lazio includes both Objective 2 and Objective 3 areas. Objective 2 provides development assistance for specific industrial areas determined by the EU to be in decline, based on certain eligibility criteria. Objective 2's goal is to strengthen the competitiveness of small- and medium-sized enterprises in the targeted areas. Funding under Objective 2 is provided by the European Regional Development Fund ("***ERDF***") and includes contributions from the Central Government. On 27 July 2000 the European Union Commission decided which Italian areas are included in Objective 2 providing, for the years 2000-2006, euro 332 million to be funded by the EU (a further euro 37 million have been granted to phasing out areas). Total committed funding to the Region of Lazio from public sources under Objective 2 is equal to euro 846 million (of which approximately 44 per cent. is provided by the EU and 40 per cent. is provided by the Central Government) and is expected to be paid each year between 2002 and 2008 to the Region of Lazio in varying amounts up to euro 154 million per year. Private source funding under Objective 2 is estimated to provide an additional aggregate amount of euro 72.6 million through 2008.

As an Objective 3 region for the years 2000-2006, the Region benefits from the funds provided under Objective 3, which supports the modernisation of the employment markets of regions within the guidelines set forth by national plans for employment in compliance with the European employment policy. Total committed funds to be received by the Region from public sources under Objective 3 are equal to euro 877 million of which approximately 45 per cent. is provided by the EU and 44 per cent. is provided by the Central Government and are expected to be paid each year between 2001 and 2008 to the Region in varying amounts up to euro 131 million per year. The Region has established a representative office in Brussels to promote directly the interests of the Region within the various institutions of the EU.

The Region has been allocated funds for the six-year period 2000-2006 under the Rural Development Plan (the "***RDP***"). The RDP is designed to develop rural areas in the Region. The funds will be used to help maintain and diversify agricultural activities, create jobs and protect the environment. The EU fund which contributes to the RDP is the European Agricultural Guidance and Guaranteed Fund. Total committed funding to the Region from public sources under the RDP is equal to euro 586 million (of which approximately 44 per cent. is provided by the EU and 46 per cent. is provided by the Central Government) and is expected to be paid through 2008 to the Region in varying amounts up to euro 107 million per year. Private source funding under the RDP is estimated to provide an additional aggregate total amount of euro 257 million through 2008.

Funds have also been allocated for the six-year period 2000-2006 under the Leader Plus programme ("***Leader Plus***"). Leader Plus is designed to promote the development of rural areas in the Region through the provision of integrated services related to the agricultural industry (such as, for example, agro-business services). The funds will be used to promote strategic development projects and technical assistance programs and to foster cooperation among rural areas in the Region. Funding for Leader Plus is provided by the European Agricultural Guidance and Guaranteed Fund. Total committed funding to the Region from public sources under Leader Plus through 2006 is equal to euro 29 million (of which approximately 47 per cent. is provided by the EU and 33 per cent. is provided by the Central Government) and is expected to be paid each year between 2002 and 2008 to the Region in varying amounts up to euro 5 million per year. Private source funding under the RDP is estimated to provide an additional euro 22 million through 2008.

Funds committed by the EU are allocated to specific projects and amounts to be paid each year are contingent upon the Region having spent the prior year's allocation on such projects in the manner determined by the EU. If within a determined grace period after 2006, all funds allocated to the Region have not been spent on the relevant projects in accordance with EU specifications, the unpaid allocations will be forfeited and any prepaid funds must be returned to the EU. Funds allocated to the Region by the EU for the six-year period 1994-1999 pursuant to EU programs Objective 2 and Objective 5b (the latter provided for financial assistance to rural areas and terminated in 1999) totalled euro 261 million. Approximately 90 per cent. (or euro 235 million) of such funds were spent on the related projects within the established deadline of 31 December 2001. The balance of euro 26 million is required to be returned to the EU.

The following table shows the historical trend and the contribution of each sector to value added at factor cost ("***GAV***") for Lazio:

GAV

	Year ended December 31						
	1995[(1)]	*1996*[(1)]	*1997*[(1)]	*1998*[(1)]	*1999*[(1)]	*2000*[(1)]	*2001*[(2)]
			(millions of euro)				
Agriculture	1,563	1,540	1,592	1,636	1,673	1,732	1,751
Manufacturing	12,393	12,896	12,764	12,929	13,722	14,204	14,452
Construction	3,816	3,868	4,060	4,731	5,091	4.207	5,213
Services	71,405	76,175	79,179	82,015	84,678	89,298	94,197
GAV Including Imputed Banking Services	89,179	94,479	97,594	101,312	105,165	109,441	115,563
Imputed Banking Services	5,374	5,515	5,606	5,451	5,439	6,068	(3)
GAV Excluding Imputed Banking Services	83,804	88,964	91,987	95,862	99,725	103,373	(3)
Net Indirect Taxes	8,835	8,899	10,229	10,995	12,154	12,811	(3)
GDP	92,639	97,863	102,217	106,856	111,880	116,184	(3)

Measured in current prices.
(1) Source: ISTAT for 1995-2000 data.
(2) Source: *Istituto Tagliacarne*.
(3) Data relating to this item are not available for the year 2001.

In 2001 the service, industry and agriculture sectors contributed 81.5 per cent., 17 per cent. and 1.5 per cent., respectively, to GAV of the Region of Lazio as compared to the contribution of these sectors of 11.9 per cent., 6.2 per cent. and 5.7 per cent., respectively, to GAV of Italy as a whole.

Service Sector

The service sector accounts for the largest contribution to Lazio's GAV. Since Rome maintains many of the administrative functions of the Central Government, the service sector has traditionally contributed a greater percentage to GAV of the Region than to GAV of Italy as a whole. In 2001, Lazio represented 11.9% of Italy's service sector as a whole.

The following table shows the contribution of each sector in 2000 and 2001:

GAV by Service Sector[1][2]

	2000	*Percentage*	*2001*	*Percentage*
		(millions of Euro)		
Commerce, hotels and transport	27,935	31.3%	29,305	31.2%
Commerce	12,690	14.2%	—	—
Hotels and restaurants	3,399	3.8%	—	—
Transport and communications	11,856	13.3%	—	—
Banking services, consultancy and other business	33,979	38.0%	35,989	38.3%
Financial brokerage	9,469	10.6%	—	—
Real estate, rental, research, consultancy and other business	24,510	27.4%	—	—
Non marketable services	27,383	30.7%	28,716	30.5%
Public administration and defence	10,078	11.3%	—	—
Instruction	5,515	6.2%	—	—
Healthcare and social services	5,098	5.7%	—	—
Other services	6,693	7.5%	—	—
Total Service Sector	89,298	100.0%	94,010	100.0%

(1) Measured in current prices.
(2) Source: ISTAT.

In 2000, the service sector's primary components were non-marketable services (30.7%), commerce (14.2%), hotels and restaurants (3.8%), transportation and communication (13.3%), banking (10.6%) and other financial services (27.4%).

Financial Services. In 2001, there were 266 different banks present in Lazio, with over 2,286 branches. The majority of these branches are those of the largest Italian banks, followed by savings banks, then medium- and small-sized banks. In 2001, total short-term deposits in Lazio amounted to approximately euro 69 million, or approximately 12.5% of all national deposits.

Insurance. Lazio is the third most important region in Italy in terms of insurance contracts and insurance premiums paid. In 2000, premiums of euro 6,220 were paid on life and property insurance contracts, which represented over 9.5% of the total insurance premiums paid in Italy.

Tourism. Rome, Italy's capital city and its most important administrative centre, attracts a large number of business travellers and tourists. The Region accounted for 11.3% of all arrivals in Italy in 2001. There were more than 9 million arrivals staying an average of 3.1 days in 2001. Tourists to the Region in 2001 came both from other parts of Italy (44.2%) and around the world (55.1%). There were 29 million night stays in Lazio in 2001, or 8.3% of all night stays in Italy. Of these night stays, 46.3% were by Italians. In 2001 there were 1,786 hotels, with a total of 136,331 beds in Lazio as compared to 33,428 and 1,888,510 respectively, in Italy as a whole. Camping and other accommodation in 2001 accounted for an additional 99,439 beds in Lazio, and 2,117,386 beds in Italy overall. In 2001, 90 of Italy's museums were located in the Region. These museums had approximately 9.5 million visitors during 2001.

The millennium jubilee in the year 2000 represented an opportunity for further tourism development within Lazio, due primarily to Rome, which has been a pilgrimage destination for religious communities. Between 12 and 15 million tourists visited the Region in 2000.

Transportation. In 2001 there were approximately 9,969 kilometres of roads in the Region of which 474 kilometres were highways. As of 2001, there were approximately 3,9 million motor vehicles in circulation in the Region.

Fiumicino airport, located in Rome, is one of two intercontinental airports located in Italy. The other, Malpensa, is located in Milan, in the region of Lombardy. In 2001 Fiumicino was the busiest airport in Italy with 28% of all Italian passenger traffic and 21% of total Italian cargo traffic. In

2001, approximately 25.5 million passengers travelled on flights arriving or departing from Fiumicino. In addition, approximately 2.3 million tons of merchandise and mail were transported through the airport. Another airport also located in Rome is Ciampino which is used mainly for charter flights within Europe.

The Region has an extensive rail network which, in 1999, covered approximately 1,154 kilometres of track, representing approximately 7.2% of the national rail network.

The port of Civitavecchia (the "***Port***") is the only major port located in the Region. The Port is in a strategic position to provide links with the major Italian islands of Sicily and Sardinia. In 1999, the Region had a flow of approximately 2.2 million passengers and approximately 7,719 millions of tons of cargo through its ports in coasting and international navigation. Several other local ports provide connections with smaller islands in the Tirrenian Sea, as well as facilities for private boats.

Industrial Sector

Manufacturing and construction in Lazio represented 5.7% and 8.1%, respectively, of Italy's manufacturing and construction in 2000. The table set forth below provides the percentage contribution of various manufacturing categories to the manufacturing GAV of the Region for 2000-2001:

GAV by Manufacturing Category(1)

	2000		*2001(2)*
	(millions of Euro)	*%*	
Mining	175	1.2%	—
Food and Drinks	1,282	9.0%	—
Textiles	564	4.0%	—
Leather	20	0.1%	—
Paper	1,663	11.7%	—
Chemical/Pharmaceutical Goods	2,451	17.3%	—
Non-Metal Mineral Products	877	6.2%	—
Metal Products	733	5.2%	—
Means of Transport	2,994	21.1%	—
Wood/Rubber/Others	1,017	7.2%	—
Energy	2,428	17.1%	—
Total GAV Manufacturing	14,204	100.0%	15,298

(1) Measured in current prices.
(2) Breakdown for 2001 not available.

The manufacturing sector in Lazio is well diversified as shown on the table above. Lazio produces means of transport (21.1% of manufacturing GAV) and energy (17.1% of manufacturing GAV) and has a significant presence in chemical and pharmaceutical production (17.3% of manufacturing GAV), including plants for many of the multinational pharmaceutical companies.

Agricultural Sector

The Region occupies an area of approximately 1,128,164 hectares (approximately 17,208 square kilometres), or 5.7% of Italy. Land used for agriculture in 2001 was 814,925 hectares, or 72.2% of the total surface area of the Region.

In 2001, agriculture, forestry and fishing contributed 1.6% of regional GAV and represented 5.7% of total agriculture value added for Italy as a whole.

Agriculture in the Region can be broken down into three categories: herbaceous, arboreal and zootechnic. Herbaceous growing accounted for 40.1% of gross marketable production in the agricultural sector in 2000 and included potatoes and vegetables (63,4%), cereals (18.3%), flowers and plants (13.6%), industrial plants (4.9%) and other (1.2%). Arboreal growing accounted for 23.7% of gross marketable production in 2000 and included citrus fruit and fruits (35.9%), vines (33.2%), olives (26.4%) and others (4.5%). Zootechnic production accounted for the remaining 33.3% of gross marketable production in 2000 and included meat (including poultry) (58.2%), milk (36.8%) and eggs and others (4.9%).

In 2000, fishing production in the Region as a percentage of fishing production in Italy represented 2.5% of sea and lagoon fishing, 0.8% of shellfish and 12.5% of farmed and lake fish.

Inflation

The table below shows annual increases in the consumer price index ("***CPI***") in Rome and Italy for the periods indicated:

Change in Consumer Price Index(1)

	Year ended December 31					
	1996	*1997*	*1998*	*1999*	*2000*	*2001*
Rome	4.5%	2.3%	1.7%	1.9%	2.4%	3.0%
Italy	3.9%	1.7%	1.8%	1.6%	2.6%	2.7%

(1) December vs. December. For workers and labourers.

Employment

As of 2001, approximately, 1,952 million people, or 36.9% of the population of the Region, are employed. The unemployment rate of the Region, centred between Southern Italy, which has relatively high unemployment, and Northern Italy, which has relatively low unemployment, is close to the national average. In 2001, approximately 215,000 people, or 9.9% of the labour force of the Region, were unemployed as compared to the Italian national average of 9.2% for the same period. The table set forth below provides information as to employment in the Region for the periods indicated:

Employment in the Region(1)

	1997	*1998*	*1999*	*2000*	*2001*
Total population	5,243	5,255	5,264	5,215	5,302
Labour Force	2,077	2,089	2,133	2,154	2,166
Participation Rate	39.6%	39.7%	40.5%	41.3%	40.9%
Number Employed	1,818	1,864	1,884	1,916	1,952
Number Unemployed	258	258	249	237	215
Unemployment Rate	12.5%	12.4%	11.7%	11.0%	9.9%

(1) Represents an average of the results from quarterly labour force surveys performed by ISTAT on a sample of households.

During 2002 the unemployment rate in the Region of Lazio fell to 8.2%, declining to below the national average.

Of those employed in the Region in 2001, approximately 76.3% are in the service sector. Another 19.8% are involved in industry and the remaining 3.9% are in agriculture. To accommodate the population of Rome, there is a high level of employment in the service sector. The following table provides a breakdown of average employment by sector for both the Region and Italy as a whole for the periods indicated:

Employment by Sector[(1)(2)]

	Region						*Italy*		
	1997	*1998*	*1999*	*2000*	*2001*		*2000*	*2001*	
	(thousands, except for percentages)								
Services	1,375	1,433	1,451	1.474	1,490	76,3%	13.193	13,697	63.1%
Industry	362	372	374	381	386	19.8%	6,767	6,871	31.6%
Agriculture	80	59	58	61	76	3.9%	1,120	1,144	5.3%
Total	1,818	1,865	1,884	1,916	1,952	100.0%	21,080	21,713	100.0%

(1) Source: Annual Report of the Ministry of the Budget and ISTAT.

(2) Represents an average of the results from quarterly labour force surveys performed by ISTAT on a sample of households.

In Lazio in 2001, a total of approximately 299,000 hours of work were lost as a result of 163 different strikes involving approximately 41,000 workers.

The Region of Lazio is the leading region in Italy in terms of resources and human capital. University graduates in the Region of Lazio comprise 8.9% of the population compared to 6.5% in Italy. Those working on research and development in the Region of Lazio comprise 1.2% of the workforce compared to 0.4% in Italy. Research and development spending in the Region of Lazio comprises 19.3% of Italy's total. There are several public and private universities throughout the Region, most of which are located in Rome. During the 2000-2001 academic year, approximately 215,000 university students, or 13.8% of all Italian university students, attended universities located in the Region. In addition, several public and private research institutions, both national and foreign, are located in the Region. These contribute to the Region's status as a key centre for research in Italy. In 2001, the Region also had 15 of Italy's 45 major libraries, and produced over 1,048 publications representing about 8.6% of Italy's total publications.

Exports and Imports

Lazio imported goods valued euro 21,384 million and euro 20,482 million in 2001 and 2000, respectively. Lazio exported goods valued euro 10,943 million and euro 11,806 million in 2001 and 2000, respectively, representing 4.4% and 4.6%, respectively, of Italian exports for such years. Exports as a percentage of GDP were 9.1% in 1999.

Foreign Direct Investment

A significant amount of foreign direct investment in Italy is directed at Lazio due to its central location, economic opportunities and business infrastructure. This investment includes industries such as pharmaceuticals (Abbott, Bristol-Meyers Squibb, Merck & Co., Pfizer Italiana), tyres (Goodyear Dunlop Tires Italia), consumer products (Colgate Palmolive, Johnson and Johnson and Procter & Gamble Italia), automobiles and automobile rentals (Avis Autonoleggio, Europcar, Ford Italiana, Hertz Italiana, Honda Italia Industriale, Mercedes Benz Italia and Renault Italia) and credit card providers (American Express Company and Diners Club). Foreign direct investment in Lazio comes primarily from the United States, the United Kingdom and France.

DEBT OF THE REGION OF LAZIO

As of 31 December 2001, the Region of Lazio had total aggregate indebtedness of euro 1,944.6 million. The debt of the Region consists primarily of six loans borrowed on the domestic market from Italian banks and six bonds issued on the international markets. In 2000 the Region issued bonds in amount equal to euro 250 million. In 2001, the Region borrowed euro 516 million from the *Cassa Depositi e Prestiti*. In 2002 the Region issued bonds in an amount equal to euro 600 million of which euro 120 million are to be repaid directly by the Region.

Pursuant to Central Government Law No. 181 of 26 April 1982, as amended the Region is prohibited from issuing debt if the percentage of (i) aggregate annual payments of principal and interest on outstanding debt (excluding debt relating to healthcare and transportation services and other indebtedness which may be excluded from time to time by State law) to (ii) annual regional tax revenues (the "***Debt Service Ratio***") exceeds 25 per cent. As of 1 January 2002 the Debt Service Ratio was 10 per cent. (or 13 per cent. including debt related to healthcare services). The Region did not include tax revenues derived from IRAP in the calculation of its Debt Service Ratio.

The Region can incur or issue new loans or bonds when the following criteria are met: (i) the proceeds received are used for specific investments (provided the Region may incur indebtedness to cover healthcare deficits incurred in certain years) (see "*The Healthcare System of the Region of Lazio-Healthcare Deficits*"); (ii) the Regional Council has approved the financial report with respect to the fiscal year ended two years prior to the issue date; (iii) the borrowing is provided for in the provisional budget; (iv) the borrowing is approved by the Regional Council and the appropriate authority in Italian Parliament (*Comitato interministeriale per il credito ed il risparmio*); and (v) the future debt service will not cause the Region to exceed its permitted Debt Service Ratio.

In addition to the debt for which the Region is directly responsible, there is also debt of the Central Government, debt service of which is paid by the Region of Lazio on behalf of the Central Government with transfers received from the Central Government designated for such purposes. For loans contracted prior to 1990, the Central Government was responsible for 100 per cent. of debt service. The Central Government arranges directly for the reimbursement of its loans and the related interest payments with the sole exception of its loans and the related interest payments relating to healthcare and transportation deficit loans (euro 1,063 million as at 1 January 2001), the debt of which is serviced by the Region with funds specifically transferred by the Central Government.

Central Government supported loans may come from the *Cassa Depositi e Prestiti*, a legal entity separate from the Central Government that has its own assets and accounts. It operates in the interest of the Central Government and lends exclusively to local authorities, public entities and the Central Government. Although the Region receives proceeds on loans from the *Cassa Depositi e Prestiti* to cover certain healthcare related expenses, the loans are direct obligations of the Central Government and the Region has no obligation to pay such loans. Loans such as these which are paid by the Central Government are not reflected in the Region's balance sheet and are not taken into account when determining the permitted Debt Service Ratio. The Region currently has no plans to make any borrowings from the *Cassa Depositi e Prestiti* for its own account.

In November 2001 the Region of Lazio established the *Osservatorio sul Debito della Regione* (the "***Osservatorio***"), a group composed of two banks (J.P. Morgan and UBM Credito Italiano) and *Agenzia Sviluppo Lazio*, the latter acting as co-ordinator. The primary objective of the *Osservatorio* is to monitor the Region's debt in light of current market conditions with a view to identifying possible means of reducing such debt, through both cost management and improvement of risk profile.

The majority (58 per cent. of the total as of 31 December 2002) of the Region's debt is floating rate and approximately 61 per cent. of the total as of 31 December 2002 was incurred to finance specific capital expenditures. Each of these loans requires equal instalments of principal to be paid until maturity. The following table sets forth a breakdown as of 31 December 2002 of the debt of the Region outstanding for the periods indicated (excluding debt which is serviced by the Region with funds transferred by the Central Government):

Date Issued	*Amount of Obligations of the Region*(1)	*Maturity Date*	*Rate*	*Outstanding as of 31 December 2002*
25 February 1994	€162.8 million(2)	31 December 2004	Fixed (10.9% per annum); Floating(3)	€47,144,883
2 August 1996	€28 million(2)	31 December 2006	Fixed (9.9% per annum)	€14,463,899
23 December 1996	€103.3 million	31 December 2007	Fixed (8.65% per annum)	€57,739,272
13 February 1998	USD 100 million	1 February 2028	Fixed (6.53% on a semi-annual basis)(4)	€226,617,389
13 February 1998	USD 200 million	1 February 2018	Fixed (6.2% on a semi-annual basis)(4)	
23 June 1998	€250 million	23 June 2028	Fixed (5.695% per annum)(5)	€217,531,645
9 December 1998	€174.9 million(2)	31 December 2018	Floating(6)	€153,364,250
28 December 1998	€300.7 million	31 December 2018	Floating(6)	€276,903,363
13 July 1999	€150 million	13 January 2018	Floating(7)	€150,000,000
16 February 2000	€250 million	16 February 2015	Fixed (6.355% per annum)(8)	€199,972,111
14 February 2001	€250 million	February 2004	Floating(9)	€250,000,000
2 October 2001	€516.45 million	31 December 2023	Floating(10)	€516,456,899
29 November 2002	€300 million	23 June 2028	Fixed (5.695% per annum)(11)	€300,000,000

(1) At the time of issuance.

(2) Healthcare deficit related loans, debt service of which is not included in the calculation of Permitted Debt Service Ratio.

(3) Of which euro 150.8 million is fixed and euro 12 million is floating. The floating rate portion of the debt is indexed to a formula calculated by obtaining the average between six months RIBOR (Italian LIBOR) with an additional 75 basis points and the domestic bond market yield (*Rendistato Lordo*) and applying an additional spread of 80 basis points.

(4) The Region entered into an interest rate and currency swap transaction for the term of the loan which modifies their obligation to an interest rate of 5.83%.

(5) The Region entered into an interest rate and currency swap transaction for the term of the loan which modifies their obligation to an interest rate of 5.035%.

(6) The floating rate is indexed to six months LIBOR with an additional 6 basis points.

(7) The floating rate is indexed to six months EURIBOR with an additional 25 basis points.

(8) The Region entered into an interest rate and currency swap transaction for the term of the loan which modifies their obligation to an interest rate of 5.93%.

(9) Loan granted by the Issuer to the Region of Lazio in the context of a securitisation transaction. The first tranche in the amount of €250 million was repaid in full on maturity in August 2002. The second tranche in the amount of €250 million has already been repaid by the Region of Lazio to the Issuer.

(10) The floating rate is equal to six months EURIBOR.

(11) The Region entered into an interest rate and currency swap transaction for the term of the loan which modifies the obligation to an interest rate of 4.90% for the first period from 31 December 2002 until 31 December 2003.

The following table sets forth the changes in the debt of the Region for the periods indicated:

	Year ended 31 December						
	1996	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*
	(millions of euro)						
Outstanding at Beginning of Year	540	635	714	1,225	1,325	1,509	1,945
New Borrowings	131	129	705	156	250	516	120
Debt Repayments	(37)	(50)	(194)	(56)	(67)	(80)	84
Outstanding at End of Year	635	714	1,225	1,325	1,509	1,945	1,981

The following table sets forth the aggregate annual principal amounts due on the Region's outstanding debt as at 31 December 2002:

Aggregate Annual Payments of Principal on the Region's Debt

Year	*Aggregate Principal Payments*	*Year*	*Aggregate Principal Payments*	*Year*	*Aggregate Principal Payments*
	(millions of euro)		*(millions of euro)*		*(millions of euro)*
2001	79.6	2011	110.4	2021	42
2002	83. 6	2012	112.6	2022	42
2003	105.6	2013	115.1	2023	29.1
2004	123.3	2014	117.7	2024	16.2
2005	101.2	2015	112.3	2025	16.2
2006	104	2016	107.1	2026	16.2
2007	86.8	2017	110.5	2027	16.2
2008	88.3	2018	101.5	2028	8.1
2009	106.5	2019	42		
2010	108.4	2020	42		

Short-Term Debt

Short-term borrowings against future tax revenues (*anticipazioni di Tesoreria*) were limited by the Central Government to euro 89.3 million for the year 2001. The Region did not make any short-term borrowings in either 2000, 2001 or 2002.

Debt Record

The Region has never failed since, its establishment in 1970, to pay, when due, the full amount of principal of, and interest and premium on, and amortisation or sinking fund requirements with respect to, its outstanding public debt. See "*Financial Information of the Region of Lazio – Summary*".

Hedging Arrangements

Pursuant to applicable provisions of Italian law, the Region may not assume any currency risk and is therefore obliged to periodically restructure its debt obligations. To this end, the Region, whenever necessary, enters into (i) cross currency swap transactions in conjunction with foreign currency debt and (ii) amortising swap transactions (with or without a related sinking fund structure) in conjunction with bullet issues of notes.

FINANCIAL INFORMATION OF THE REGION OF LAZIO

Summary

The general administration of the Region's finances is the responsibility of the Regional Board and the Regional Council. Legislative Decree No. 76 of 28 March 2000 ("***Lgs. D. No. 76***") and Regional Law No. 25 of 20 November 2001 ("***Regional Law No. 25***") require the Italian Regions to produce four kinds of financial reports. These reports are: (i) the provisional budget (*bilancio di previsione*), (ii) the pluri-annual budget (bilancio pluriennale); (iii) the pre-closing budget (*bilancio di assestamento*) and (iv) the actual financial report (*bilancio consuntivo or rendiconto generale*). Lgs. D. No. 76 has enabled the Regions to adopt a financial law (*legge finanziaria*), similar to that prepared by the Central Government.

As a governmental entity, the Region does not prepare its financial reports in accordance with generally accepted accounting principles, but in accordance with accounting standards established by Regional Law No. 25, nor does it prepare interim financial reports. The Region's accounts are maintained on an accrual basis and according to the calendar year.

In addition to the financial reports described above, the Region of Lazio is required by Regional Law No. 25 to prepare a Regional Economic and Finance Programme Document (*Documento di Programmazione Economico Finanziaria Regionale*) ("***Regional Economic and Finance Programme Document***"). The Regional Economic and Finance Programme Document describes (i) the assumptions (economic and social) underlying the pluri-annual budget assuming no change from current policy and existing legislation and (ii) the assumptions (economic and social) underlying the pluri-annual budget assuming proposed policy and legislative reforms are adopted. The Regional Economic and Finance Programme Document is prepared by the regional financial services department and is presented to the Regional Board and the Regional Council together with the draft pluri-annual budget.

The Provisional Budget. The provisional budget is the Region's best estimate of revenues and expenditures for the upcoming year. Regions are required to prepare their provisional budgets prior to the beginning of the year for which such budget relates. However, because regional budgets include revenues from Central Government transfers which are included in the Central Government's budget, many Regions, including Lazio, often postpone completing their provisional budget until after the Central Government budget is published in order to be able to include actual rather than estimated figures for such transfers. Regions may do this by passing a temporary budget based on the prior year's financial report, allowing them to extend the deadline for submitting the provisional budget to the Central Government until the end of March. During this interim period, Regions are authorised to spend one-twelfth per month of the total allocated amounts based on the latest approved provisional budget. The Region's provisional budget is initially developed by the regional financial services department, then sent to the Regional Board and the Regional Council for approval. Once approved by the Regional Council, the provisional budget is published in the Regional Law Bulletin and enacted into law.

The Pluri-Annual Budget. The pluri-annual budget is the Region's forecast of revenues and expenditures for the following three years. Unlike the provisional budget, the pluri-annual budget cannot be considered operative and expenditures thereunder cannot be treated as already authorised. The pluri-annual budget is prepared on the basis of two alternative sets of assumptions described in the Regional Economic and Finance Programme Document: the first assumes existing policy and legislation remain unaltered and the second assumes proposed legislative and policy reforms currently under consideration are adopted.

The Pre-Closing Budget. The pre-closing budget represents an adjustment of the provisional budget. This adjustment results from the recording of actual revenues and expenditures during the year plus a final accounting as to amounts committed but not actually expended during the prior fiscal year (*residui*). The pre-closing budget is prepared, depending on the workload of the Regional Board and the Regional Council, between July and September of each year following the year in which the pre-closing budget refers to, to enable the preparation of the provisional budget for the up-coming year. A more updated pre-closing budget is submitted to the Regional Board and the Regional Council in November or December of each year following the year which the pre-closing budget refers to.

The Actual Financial Report. The actual financial report contains financial reports substantially the same as those in the pre-closing budget, but contains detailed notes and statistics not provided in the pre-closing budget. The actual financial report for the Region's last fiscal year is submitted to the Regional Board and Regional Council for approval at the same time as the provisional budget for the upcoming year and it must be approved before the provisional budget.

The Financial Law. The financial law (*legge finanziaria*) establishes the Region of Lazio's financial legislation and policy for the upcoming year. Specifically, the financial law prescribes (a) the maximum amount of indebtedness that can be assumed during each year; (b) any variations in the rates of taxes and duties from which the Region of Lazio derives revenues; (c) any refinancing of expenditures approved by previous regional laws; (d) any reduction in expenditures authorised by previous Regional legislation; and (e) the amounts of expenditures required to be made pursuant to other Regional legislation during each year covered by the pluri-annual budget. The financial law cannot create new taxes or duties nor can it authorize new or increased expenditures, except to the extent covered by new or increased revenues or offset by reductions in existing authorised expenditures. The financial law is presented by the Regional Board to the Regional Council together with the draft pluri-annual budget and the provisional budget. Once approved by the Regional Council, the financial law is published in the regional law bulletin and enacted into law.

Regional Treasurer (Tesoriere Regionale) and Central Government Provincial Treasurer (Tesoreria Provinciale dello Stato). Regions in Italy are required to make all payments and collect all revenues through one or more agent banks acting as their treasurer (each a "***Treasury Bank***"). The Treasury Banks for Lazio is composed by a pool of banks comprised of Banca Nazionale del Lavoro, Banca di Roma and Banca Monte dei Paschi di Siena with Banca di Roma acting as agent bank for the pool (the "***Regional Treasurer Bank***"). The Treasury Banks manage all outflows linked to the activity of the Region as well as most of the inflows, except for Central Government transfers which go directly into a deposit account at the Bank of Italy.

Revenues of the Region. The mix of the Region of Lazio's current revenues has changed significantly in the most recent years. The Region's current revenues have traditionally consisted primarily of transfers from the Central Government. The amount transferred by the Central Government has decreased substantially as compared to prior years, and the amounts collected through local taxes have increased. See "*Financial Federalism*".

The Central Government requires that certain amounts be dedicated by the Region to specified expenditures ("***Restricted Amounts***"). The amount of the Region of Lazio's Expected Healthcare Expenditure (as defined below) is a Restricted Amount. See "*The Healthcare system of the Region of Lazio – Healthcare Deficits*". Such Restricted Amounts represented approximately 80 per cent. of the Region of Lazio's revenues (current and capital) in 2000.

Financial Federalism

In recent years, greater financial autonomy has been transferred to the regions and other local authorities from the Central Government. Until 1998, transfers of funds by the Central Government historically represented an average of between 80 per cent. and 90 per cent. of the current revenues of the Regions and the Regions played a minor role in the collection of taxes. In 2000, transfers from the Central Government represented approximately 34 per cent. of the Region of Lazio's current revenues. Financial federalism has been accompanied by similar steps towards increased political federalism. See "*Current Revenues*" below.

The increased financial autonomy of the Regions has been enabled by a series of laws of the Central Government. In 1999 a law outlined the changes to be implemented to the then existing transfer system to the Regions : (i) the cancellation of Central Government transfers save for certain specific exceptions; (ii) the authorisation to the Regions to receive an increased amount of certain taxes collected by the Central Government and transferred to the Regions (such as the percentage of income tax on individuals and the percentage of gasoline tax currently received by the Regions) and (iii) establishment of a national compensation fund (*fondo perequativo nazionale*) ("***National Compensation Fund***") to be financed through receipts of the Regions from value added tax. Pursuant to Lgs. D. No. 56 of 18 February 2000 the largest portion of the Central Government transfers to ordinary Regions terminated in 2001.

The granting of powers to tax and to receive a portion of Central Government taxes has been gradual. The principal tax revenues of the Region of Lazio are IRAP, Addizionale IRPEF, (each as defined below), the automobile tax and a portion of the gasoline tax.

Since 1998, the Regions have been entitled to impose a new regional tax on productive activities ("***Imposta Regionale sulle Attività Produttive***" or "***IRAP***"), which today represents the largest portion of the Region of Lazio's tax revenues. IRAP is based on the net production value of enterprises and professionals in a Region and replaced several taxes previously levied on such entities (e.g., *Imposta Locale sui Redditi*, a tax on corporate income, *Imposta Comunale per l'Esercizio di Imprese e di Arti e Professioni*, a municipal tax on business operations, a registration fee to obtain a value added tax number, etc.). The Regions have the power to determine the tax rate of IRAP, within a range established by the Central Government, which is currently 3.25 per cent. to 5.25 per cent. The Region of Lazio's current rate of IRAP is 4.25 per cent. IRAP is currently collected by the Central Government and transfers are made to the Regions based on prior years' transfers, with any shortfall being covered by the Central Government. Transfers by the Central Government are not necessarily made in the same year that the Central Government collects the IRAP.

Since 1998, Regions have been entitled to impose an additional amount on the Central Government's income tax on individuals (*Imposta sul Reddito delle Persone Fisiche* or "***IRPEF***"). This additional amount is known as *Addizionale IRPEF* and Regions have the power to determine the tax rate of *Addizionale IRPEF* within a range established by the Central Government, which is currently 0.9 per cent. to 1.4 per cent. The Region's current rate of *Addizionale IRPEF* is 0.9 per cent. *Addizionale IRPEF* is currently collected by the Central Government.

The Regions have been entitled to collect an automobile tax since 1993. The tax rate is euro 2.58 per kilowatt of a vehicle. This amount can be increased or decreased by euro 0.00516 per year. The Region directly collects the automobile tax.

Since 1996 the Regions have been entitled to a portion of the Central Government's tax revenue on gasoline sold in their territory, known as *Compartecipazione Regionale all'Accisa sulle Benzine*. Currently the portion of the tax per litre of gasoline granted to regions is euro 0.129. The Central Government collects the gasoline tax and transfers to the Region of Lazio the portion to which it is entitled. Additionally, the regions are entitled to tax each litre of gasoline euro 0.0258; however the Region is not currently levying such a tax.

In 2001, the Regions became entitled to a portion of the VAT equal to 25.7% of the overall revenues deriving from VAT. For 2001, the Regions were entitled to a portion of VAT equal to 38.55% of overall VAT revenues. For 2002, the rate was 38.55%, and this rate currently remains in effect. The amount of VAT to which a Region is entitled in any given year can change based upon the calculation of its annual healthcare expenditure requirements. The Central Government collects VAT and transfers to the region the portion to which it is entitled. The introduction of the transfer of a portion of VAT has been offset by the abolition of transfers by the Central Government's National Healthcare Fund and certain other minor transfers. See "*Healthcare Expenditures*".

The Region also collects certain other minor taxes directly, including the waste disposal tax, the methane tax and a tax on each university student enrolled in the Region of Lazio. While the recently enacted Federalism Law nominally grants the Regions the right to raise further taxes, these rights must be detailed in yet to be enacted Central Government laws.

Transfers of funds to regional authorities are dependent on the finances of the Central Government. The Central Government has in the past delayed the timing of certain transfers of tax revenues. While the Region of Lazio is not aware of any plan to change the current transfer system other than as discussed above, there can be no assurance that transfers from the Central Government will continue in the manner of, or in the amounts allocated in, the past. The Italian Parliament is continuing to examine proposals on political and financial federalism. While these proposals may grant greater political and financial autonomy to the regions, there can be no assurance that any such proposals will be passed or, if passed, will not adversely affect the political, economic or financial condition of the Region of Lazio.

The Regions have the power to raise certain regional taxes within limits established by the Central Government and may do so to cover healthcare deficits. The Regions are required to cover healthcare deficits in order to qualify for Central Government transfers of amounts to cover Expected Healthcare Expenditures. For 2002 only, the Regions are entitled to raise the *Addizionale IRPEF* and the automobile tax to beyond the limits established by the Central Government specifically to cover healthcare deficits. Although a number of Regions announced the increase of such taxes for 2002 in their territories, the Region of Lazio did not do so. In addition, the Federalism Law has established the principle of increased fiscal autonomy for Italian Regions and implementing legislation is expected to be enacted in the future granting to the Regions the power independently to establish taxes and tax rates. There can be no assurance, however, that any legislation will be enacted increasing the Region of Lazio's taxing authority.

Revenues and Expenditures

The following table sets forth for the periods indicated the current revenues and expenditures and the capital revenues and expenditures of the Region:

Revenues and Expenditures

	Year Ended December 31					
	1996	*1997*	*1998*	*1999*	*2000*	*2001*
	(millions of euro)					
Current Revenues						
Local Taxes						
IRAP and *Addizionale IRPEF*[1]	—	—	3,393	3,237	3,727	3,540
Gasoline Tax[2]	425	416	298	317	293	221
Automobile Tax	288	280	401	401	463	498
Other	113	91	107	365	99	2,508[3]
Total Local Taxes	826	787	4,198	4,067	4,583	6,767
Other Revenues	28	44	50	21	43	50
Transfers from or on behalf of the Central Government[4][5]	4,854	4,745	1,953	2,867	2,067	3,526
Central Government Healthcare Deficit repayment	257	837	315	181	333	800
Total Current Revenues	5,965	6,413	6,516	7,135	7,465	9,377
Current Expenditures	5,984	6,646	6,318	6,362	7,857	9,285
Current Balance	(19)	(233)	197	774	(392)	92
Capital Revenues	560	490	359	379	458	1,128
Capital Expenditures	671	702	1,149	1,302	1,299	1,386
Capital Balance	(111)	(212)	(789)	(923)	(841)	(258)
Budget Balance Before Financing	(130)	(445)	(592)	(149)	(1,233)	(166)
Net Borrowing	56	20	271	202	77	313
Total Budget Balance	(73)	(425)	(321)	53	(1,156)	147

(1) Region began receiving IRAP and *Addizionale IRPEF* in 1998.

(2) Region began receiving Gasoline tax in 1996.

(3) Includes the Region's share of VAT collected in the Region of Lazio.

(4) Includes proceeds of borrowing, debt service of which is paid directly by the Central Government.

(5) In each of 1996, 1997, 1998, 1999 and 2000, approximately 90% of such amount represents Restricted Amounts.

The Region has accumulated approximately euro 1 billion in cash as of 31 December 2002 from amounts not previously expended, some of which may be used to service debt and some of which must be used only for specified purposes.

Current Revenues

Current transfers from the Central Government have historically represented the majority of regional revenues. However, in 1999 and 2000, most of the Region of Lazio's current revenues arose from local taxes (approximately 51.8 per cent. and 56 per cent., respectively) as opposed to Central Government transfers (approximately 40 per cent. and 34 per cent., respectively). In 2001, local taxes represented 72% of the Region of Lazio's current revenues. In addition to the tax revenues and current transfers, the Region also receives revenues from non-tax income.

Local Taxes and Other Revenues

	Year Ended December 31					
	1996	*1997*	*1998*	*1999*	*2000*	*2001*
			(millions of euro)			
Local Taxes						
IRAP and Addizionale IRPEF	—	—	3,393	3,237	3,727	3,540
Automobile Tax	288	280	401	401	463	498
Gasoline Tax	425	416	298	317	293	221
Licensing Fees	13	7	21	14	14	13
Tax on Methane	39	36	49	57	54	60
University Tax(1)	38	22	3	2	2	—
Other	23	26	35	39	29	2,435(2)
Total Local Taxes	826	787	4,198	4,067	4,583	6,767
Other Revenues	28	44	50	21	43	50
Total	854	831	4,248	4,088	4,626	6,817

(1) Starting from 2001 University tax is collected directly by the relevant universities within the Region's territory.
(2) Includes the Region's share of VAT collected in the Region of Lazio.

Local Taxes consist of taxes, fees and charges collected locally by the Region or by the Central Government on behalf of the Region. The specific taxes and fees that Regions are allowed to levy include natural gas tax; automobile tax; university tax; regional licensing fees (e.g., a pharmacy license or hunting permit); and tax for dumping litter. In addition, the Central Government collects a gasoline tax, a portion of which it remits to the Region. Commencing in 1998 the Region of Lazio imposed a new regional tax on productive activities (IRAP) and received a percentage of the income tax on individuals (*Addizionale IRPEF*), both of which are collected by the Central Government. The Central Government has established a Guaranty Fund from which it transfers an amount to the Regions equal to the shortfall between the expected amount of IRAP and *Addizionale IRPEF* collections, on the one hand, and the amounts actually collected, on the other hand. See "*Financial Federalism*".

Beginning in 2001, the Region began to receive Central Government transfers equal to a portion of VAT collected in the Region of Lazio. See "*The Healthcare system of the Region of Lazio – Healthcare Deficits*".

Other revenues include revenues from public services and payments from public entities.

Transfers from or on behalf of the Central Government[1]

	Year Ended December 31					
	1996	*1997*	*1998*	*1999*	*2000*	*2001*
			(millions of euro)			
Healthcare[2]	4,485	4,664	1,696	2,283	2,249	2,040
European Union Transfers[2]	328	73	236	9	24	59
Equalisation Transfers	207	241	41[3]	20[3]	81[3]	250
Transport[2]	134	48	134	142	140	387
Agriculture[2]	4	14	13	35	15	10.5
Energy and Ecology[2]	14	25	13	33	—	45
Public Housing[2]	28	4	2	111	278	644
Local Economy and *Mezzogiorno*[2]	102	23	101	65	53	22
Others[2]	77	109	19	473	83	320
Total	5,378	5,202	2,254	3,171	2,924	3,777.5

(1) Includes current and capital transfers.

(2) Includes transfers to cover debt service payments which are the responsibility of the Central Government. Also, includes the proceeds of borrowings from the *Cassa Depositi e Prestiti*, debt service which is paid directly by Central Government.

(3) With effect from 1998 the equalisation transfer *(fondo perequativo)* consists of a 10% share of IRAP. The 1998, 1999 and 2000 figures refer to collections of residual amounts concerning previous years.

Transfers from or on behalf of the Central Government take the form of ordinary transfers and proceeds of borrowings from the *Cassa Depositi e Prestiti*, debt service of which is paid directly by the Central Government. Transfers from the Central Government can be used by the Region in a given fiscal year only for the expenditures for which they are specifically transferred (*fondi vincolati*) and are Restricted Amounts. Commencing in 1998, transfers from the Central Government for healthcare were reduced; however, this reduction was intended to be offset by the collection of IRAP and *Addizionale IRPEF*. The Central Government also transfers funds received on behalf of the Region from the EU. See "*The Economy of the Region of Lazio*". In addition, the Central Government transfers funds specifically to be expended in the areas of transportation, agriculture, energy, ecology and public housing. See "*Financial Federalism*".

In 1999 there was a sharp increase in transfers from the Central Government due to a special transfer made to cover previous years' healthcare deficits.

Central Government Healthcare Deficit Repayment and Transport Deficit Repayment represent Central Government's Transfers and proceeds of loans for which the Central Government is obligated to pay and which were issued to cover deficits which relate primarily to healthcare and transportation funding deficits.

Current Expenditures

Current expenditures include personnel, goods and services, current transfers to local entities, interest expense and other expenses. The following table sets forth for the periods indicated a breakdown of the current expenditures of the Region:

	Year Ended December 31					
	1996	*1997*	*1998*	*1999*	*2000*	*2001*
			(millions of euro)			
Personnel Expenses	146	160	161	164	181	177
Goods and Services	107	112	123	128	145	165
Current Transfers	5,504	6,182	5,852	5,902	7,307	8,721
Interest Expense	144	142	134	130	139	139
Other Expenses	83	51	48	38	86	83
Total Current Expenditures	5,984	6,646	6,318	6,362	7,857	9,285

Personnel expenses include salaries, social security expenses and expenses in connection with early retirement. Over the last seven years the Region of Lazio has been able to reduce its number of administrative staff (5,281 at 31 December 1993 compared to 3,966 at 31 December 2000).

Goods and services include amounts spent on goods and services provided by independent contractors such as solid waste collection and street cleaning. Public tenders and more transparent bidding procedures have allowed the Region to realise significant savings in goods and services over the last few years, although the amount of goods and services bought by the Region has been increasing.

Current Transfers are grants to provinces and municipalities and to ASL, AO or regional healthcare facilities and hospitals. In 2000 and 2001, approximately 78.1 per cent. and 81.4 per cent., respectively, of current expenditure were related to healthcare.

The table set forth below provides a breakdown of the uses of current transfers to local entities:

Current Transfers

	Year Ended December 31					
	1996	*1997*	*1998*	*1999*	*2000*	*2001*
			(millions of euro)			
Social Expenses(1)	4,828	5,442	5,096	5,283	6,149	7,556
Transport	462	599	630	451	925(2)	840
Economic	145	65	59	93	138	103
Teaching and Culture	63	70	64	62	49	71
Public Housing	4	3	3	4	36	34
Administration	3	2	1	8	8	8
Total	5,504	6,182	5,852	5,902	7,307	8,612

(1) Represents primarily healthcare.

(2) This figure increased sharply from 1999 to 2000 as a result of payment of past deficits.

Social expenses have been increasing sharply since 1996 primarily as a result of the healthcare deficit which resulted from salary increases for healthcare personnel under national collective bargaining agreements, increases in the prices of pharmaceutical products and increases in VAT rates. See "*The Healthcare system of the Region of Lazio – Healthcare Deficits*".

Interest expense is the interest paid on the Region's long-term and short-term debt. See "*Debt of the Region of Lazio*".

Other expenses are administrative expenses of the Region, recoveries and miscellaneous expenses, including the payment of pension benefits. An increase in the payment of pension benefits in 1996 accounted for the majority of the increase in other expenses in that year.

Capital Revenues and Capital Expenditures

Capital Revenues consist of Transfers from the Central Government and other revenues. Transfers from the Central Government include funds transferred on behalf of the European Union for various regional funding programmes and funds from other public entities. Other revenues include asset sales, capital transfers and credit collections. Asset sales consist of the sale of certain transferable assets owned by the Region. See "*The Region of Lazio – Significant Assets*".

The following table sets forth for the period indicated the capital revenues of the Region:

Capital Revenues

	Year Ended December 31					
	1996	*1997*	*1998*	*1999*	*2000*	*2001*
			(millions of euro)			
Transfers from the Central Government	524	458	302	304	417	1,080
Other Revenues	36	33	33	58	40	48
Total	560	490	359	379	458	1,128

Capital Expenditures are made by the Region for the development and improvement of facilities for housing, transportation, the renovation of public property for general use and other civic purposes. The following table sets forth, for the periods indicated, the capital expenditures of the Region attributable to its major activities:

Capital Expenditures

	Year Ended December 31					
	1996	*1997*	*1998*	*1999*	*2000*	*2001*
			(millions of euro)			
Capital Transfers:						
Transfers to Local Entities	471	402	827	912	945	882
Other Transfers	17	18	29	39	61	413
Total Transfers	488	420	856	950	943	1,295
Real Estate	21	25	28	37	42	93
Other Capital Expenditure	162	257	264	315	314	879
Total Capital Expenditure	671	702	1,149	1,302	1,299	2,267

Financial Result; Cash and Accruals

The financial result (*avanzo di amministrazione*) is a key ratio in Italian state accounting, and is strictly monitored by the Corte dei Conti, the authority that controls local government accounts. The financial result consists of available cash at year-end plus accrual receivables net of accruals payable. Accruals are the difference between the balance due and the actual amount paid or received in the current year. They are comprised of accrued but uncollected revenues and accrued but unpaid expenditures. Accruals payable are brought forward for a maximum period of two years for both current and capital expenditures, after which they are cancelled and no longer accounted for in the Regional Budget (although creditors may still make claims with respect to cancelled payables and allocations are made by the Region to cover a portion of such payables).

The following table sets forth for the periods indicated the financial result (*avanzo di amministrazione*) of the Region.

Financial Result

	Year Ended December 31					
	1996	*1997*	*1998*	*1999*	*2000*	*2001*
			(millions of euro)			
Cash at year end	1,548	813	1,129	1,369	577	1,336
Accruals receivable[1]	1,132	2,437	3,747	3,316	4,127	5,206
Accruals payable	(2,465)	(3,023)	(4,289)	(3,397)	(3,936)	(4,834)
Financial Result	215	227	587	1,287	768	1,708

(1) Includes accrued but uncollected revenues from the Central Government (including EU funds) and other third party payees.

The Region has reported a positive financial result over the last five years. The increase in accruals receivable over the period was due to current revenues accounted for but not received relating to Central Government transfers of increasingly greater amounts to cover the Region's Expected Healthcare Expenditures as well as the Central Government's portion of the Region's healthcare deficits. See "*The Healthcare system of the Region of Lazio – Healthcare Deficits*". The increase in accruals payable over the period was due primarily to expenditures accounted for but not yet spent relating to healthcare.

The following table sets forth for the periods indicated total revenues of the Region and accrued but uncollected revenues.

Revenues Cash vs. Accrual

	Year Ended December 31					
	1996	*1997*	*1998*	*1999*	*2000*	*2001*
			(millions of euro)			
Total revenues	12,411	10,616	13,998	14,215	14,566	15,472
Revenues actually collected	12,166	9,267	12,685	14,644	13,750	14,383
Receivables	246	1,349	1,313	–429	816	1,192

The following table sets forth for the periods indicated total expenditures of the Region and accrued but unpaid expenditures:

Expenditures Cash vs. Accrual

	Year Ended December 31					
	1996	*1997*	*1998*	*1999*	*2000*	*2001*
			(millions of euro)			
Total expenditures	12,485	11,040	14,319	14,162	15,722	15,325
Expenditures actually paid	11,631	9,989	12,346	14,340	14,499	13,598
Payables	854	1,051	1,973	–179	1,223	1,728

THE HEALTHCARE SYSTEM OF THE REGION OF LAZIO

Aziende Unità Sanitarie Locali and _Aziende Ospedaliere_ and their activities

The ASLs and the AOs were established pursuant to Legislative Decree No. 502 of 30 December 1992 as amended ("***Lgs. D. No. 502***"), as a result of the transformation into *aziende* with a public legal status and commercial autonomy – in the case of ASL – of *unità sanitarie locali* (the entities which were previously providing healthcare services) and – in the case of AO- of some other pre-existing hospitals and other entities as referred to in Article 4 of Lgs. D. No. 502. ASL/AO do not have a corporate capital but in line with their public legal status have an endowment fund (*fondo di dotazione*) established by the relevant Regions. ASL/AO are autonomous entities from the Regions although strictly related to them due to the functions which are delegated to them. ASL/AO are supervised by the Regions and must perform their functions in an efficient and cost-saving way and in compliance with the applicable budgetary constraints. ASL/AO's activities are to be performed in compliance with the provisions of national and regional legislation as well as with resolutions (known as *atti aziendali*) passed by the general manager of each ASL or AO. ASLs are obliged to, *inter alia*, prepare annual and multi-year forecast financial statements as well as an annual budget; maintain accounting records to enable a comparative analysis of their expenses, income and results of operations; and allocate their own resources and determine means to cover their deficit. In particular, the annual budget sets out the ASL's actual results. Each ASL approves its financial statements within four months following the financial year-end. The annual and multi-year forecast financial statements as well as annual historical financial statements of the ASLs are subject to control by the competent Region.

The Region of Lazio has provided for the re-organisation of its regional healthcare service, including the establishment of ASL/AO pursuant to Lgs. D. No. 502, through its Regional Law No. 18 of 16 June 1994 as amended ("***Regional Law No. 18***"). Article 5 of Regional Law No. 18 has provided for the establishment within the Region of Lazio's territory of the following ASL: Azienda Unità Sanitaria Locale Roma A, Azienda Unità Sanitaria Locale Roma B, Azienda Unità Sanitaria Locale Roma C, Azienda Unità Sanitaria Locale Roma D, Azienda Unità Sanitaria Locale Roma E, Azienda Unità Sanitaria Locale Roma F, Azienda Unità Sanitaria Locale Roma G, Azienda Sanitaria Locale Roma H, Azienda Unità Sanitaria Locale Frosinone, Azienda Unità Sanitaria Locale Latina, Azienda Unità Sanitaria Locale Rieti, Azienda Unità Sanitaria Locale Viterbo and of the following AO: Azienda Ospedaliera San Camillo – Forlanini, Azienda Ospedaliera San Filippo Neri and Azienda Ospedaliera San Giovanni – Addolorata.

Pursuant to Lgs. D. No. 502 and Regional Law No. 18, ASL/AO's bodies include the general manager and a board of auditors. The general manager is responsible for adopting the *atto aziendale* and for the ASL/AO's general management. The general manager is assisted in the performance of his duties by an administrative director and a healthcare director, who are directly responsible for the functions delegated to them and have decision-making responsibilities together with the general manager. The general manager is also in charge with decisions relating to the entering into of loans and borrowings within the limits set forth in the applicable regional and State legislation.

Each of the boards of auditors of ASL/AO within the Region of Lazio are composed of three members appointed one by the Regional Board, one by the Ministry of the Economy and Finance and the third by the local conference of municipalities for the healthcare matters established pursuant to Regional Law No. 18. The board of auditors is charged in general with the supervision of the regularity of the ASL/AO's accounts and may, in this connection, express their opinions on the resolutions of the general manager and of the directors as well as make inspections at the premises of the ASL/AO in order to inspect any kind of corporate document.

Pursuant to Article 23 of the Regional Law No. 18, any movable and immovable assets formerly belonging to the provinces or municipalities and which were destined for the *unità sanitarie locali* or other entities prior to their transformation into ASL and AO, were transferred to the newly established ASL and AO.

Healthcare Deficits

The amount that Italian Regions are expected to spend on healthcare ("***Expected Healthcare Expenditure***") is determined annually by the Central Government in consultation with the Regions.

Each Italian Region is required to spend an amount annually on healthcare at least equal to its Expected Healthcare Expenditure.

In order to fund Expected Healthcare Expenditures, the Central Government transfers to the Regions each year an amount equal to the sum of an estimate of the following taxes expected to be collected in that year in the region's territory: (i) the regional tax on productive activities (IRAP), (ii) a portion of the income tax on individuals (*Addizionale IRPEF*), (iii) a portion of the gasoline tax and (iv) a portion of value added tax (VAT) based upon the Region's gross domestic product and the amount of VAT collected during the prior three years. See "*Financial Federalism*". If the sum of the estimate of the above taxes is different from a Region's Expected Healthcare Expenditure, an amount substantially equal to the difference is paid to, or received by, the region (as the case may be) from the National Compensation Fund. For 2001, the Region of Lazio paid euro 842 million to the National Compensation Fund. If the Central Government's estimate of IRAP and *Addizionale IRPEF* expected to be collected in any given year is less than the amount of those taxes actually collected for that year, the difference is transferred to the Region from the Central Government's Guaranty Fund; if such estimate is greater than the amount actually collected for that year, the difference is retained by the Region. See "*Financial Information of the Region of Lazio – Current Revenues – Local Taxes and Other Revenues* and *Transfers from or on behalf of the Central Government*".

Like other regions, in recent years the Region of Lazio has expended greater amounts on healthcare than its Expected Healthcare Expenditure due primarily to salary increases for healthcare personnel under national collective bargaining agreements, increases in the prices of pharmaceutical products and increases in VAT rates. Prior to 1991 the Central Government entirely covered the Region of Lazio's healthcare deficits. As a result of the Federalism Law, with effect from 2001 Italian regions are responsible for the entire amount of any future healthcare deficits and the Central Government will no longer transfer funds to the Regions to cover such deficits.

However, the Central Government agreed with the Regions to reserve an aggregate amount of funding for the period 2001-2005 to be shared each year among the Regions in order to meet healthcare expenditures. Save for such 2001-2005 funding, the Regions may request contributions from the Central Government (*integrazioni*) only where additional financial burden is placed on the Regions by the Central Government (e.g. new medical treatments or services to be provided by the Healthcare Entities).

On 20 January 2003, a special commission of the Central Government reviewed the Region's economy and, based on a favourable assessment thereof, additional resources will be allocated to the Region.

On 31 January 2003, all regions agreed on the allocation of the 2003 National Healthcare Fund. The Region of Lazio was given euro 6.8 billion, an increase of 5.6 per cent. as compared to the 2002 level of euro 6.4 billion.

The table set forth below indicates the aggregate healthcare deficit incurred by the Region of Lazio for the periods indicated and the portion thereof covered (and to be covered) respectively by the Central Government and the Region of Lazio.

	Year(s) Ended December 31				
	1995-1999	*2000*	*2001*	*2002*	*aggregate healthcare deficit*
			(millions of euro)		
Healthcare Deficits.	3,643	1,014	875	550(2)	5,832
Portion to be paid by the State(1). .	2,248	136	n/a	n/a	2,384
Portion to be paid by the Region .	1,395	878(3)	875	550	3,698

1 Subject to certain conditions described below and pursuant to the relevant legislation prior to enactment of the Federalism Law.

2 Estimated figure.

3 Euro 516 million of which has been covered by the issuance of debt obligations.

With respect to the aggregate healthcare deficit up to 1999, an agreement between the Region of Lazio and the Central Government has been reached pursuant to which the Region of Lazio will be responsible for approximately euro 1,395 million and the balance will be borne by the Central Government. The Central Government was authorised by Law No. 129 of 28 March 2001 to cover the portion it agreed to pay of the healthcare deficit up to 1999, and has made allocations of funds and partial payments of amounts owed to cover that portion. In September 2002, the Region received approximately euro 1.4 billion of the Central Government's share of deficits, up to 1999. Residual payments by the Central Government are subject to the Region covering its portion of the healthcare deficit. In order to anticipate a portion of amounts owed by the Central Government, in early 2001 the Region of Lazio securitised euro 500 million of such amounts.

With respect to the healthcare deficits of euro 1,014 million incurred in 2000, the Central Government has agreed to cover an amount equal to euro 136 million. The Region of Lazio will be responsible for the balance. The Region of Lazio has borrowed an aggregate of euro 516 million from the *Cassa Depositi e Prestiti* to cover a portion of the healthcare deficit that it is required to cover with respect to 2000. Indebtedness issued by the Region of Lazio to cover the healthcare deficit was not included when calculating the Permitted Debt Service Ratio. See "*Debt of the Region of Lazio*".

With respect to the healthcare deficits incurred in 2001 and 2002, the Central Government acknowledged an insufficiency of the funding for the period 2001-2005 and, therefore, approved in favour of the Region additional funds in the amount of approximately euro 332 million for 2001 and euro 800 million for 2002. In 2002, increases in pharmaceutical costs were limited to 0.5 per cent., compared with an increase of 7 per cent. in the previous year.

With respect to the healthcare deficits incurred in 2002, the Region of Lazio plans to carry out a securitisation transaction (expected to be completed by mid-year 2003) involving the sale of certain of the Region of Lazio's transferrable real estate assets, the value of which is expected to meet the healthcare deficits incurred in 2002. Such transaction will have no impact on the Region of Lazio's balance sheet.

The Federalism Law also provides that Regions are permitted to incur indebtedness only to finance capital expenditures. Consequently, after the enactment of the Federalism Law, Regions are no longer permitted to incur indebtedness to finance healthcare or other deficits.

Central Government Law No. 405 of 16 November 2001 enacted after the Federalism Law ("***Law No. 405***") as well as Central Government Law No. 39 of 26 February 1999 and Central Government Law No. 34 of 31 January 1996 enacted prior thereto (referred to collectively as the "***Healthcare Finance Laws***") authorise the Regions to incur indebtedness to finance healthcare deficits incurred in certain years through 2000 (i.e. prior to the enactment of the Federalism Law). The Healthcare Finance Laws authorise the Regions to borrow from financial institutions, and in some cases to issue bonds or notes, in order to finance healthcare deficits. In addition, Central Government Law No. 129 of 28 March 2001 specifically requires that the Regions cover healthcare deficits incurred through 1999.

As part of the initiatives that the Region of Lazio is developing to finance the aggregate Healthcare Deficits, the Region has approved Regional Law 16/2001.

In particular, Article 8 of Regional Law 16/2001 has authorised the incorporation of SAN.IM., a limited liability company having as its corporate object the purchase of the Real Estate Assets, subject to their use remaining unaltered, and the entering into by such company of the Lease Contracts with the option to re-purchase the Real Estate Assets upon expiration of the Lease Contracts. Such a transaction falls within the guidelines set forth by Article 90 of Law No. 388 of 23 December 2000, as amended by Article 52, paragraph 53, of Law No. 449 of 28 December 2001 ("***Law No. 388***"), which contemplated tax benefits in favour, *inter alia*, of restructuring projects of the regional healthcare system aimed at rationalising and reducing healthcare expenditures.

The Central Government's agreement to pay its portion of the Region of Lazio's healthcare deficits for 2000 and to grant additional funds for 2001 is conditioned (i) for the deficit relating to 2000, upon the Region of Lazio having covered its portion of the healthcare deficit for that year; and (ii) for the deficit relating to 2001, upon the Region of Lazio having covered its portion of the healthcare deficit for that year and having implemented a number of directives of the Central Government aimed at monitoring and containing healthcare expenses while guaranteeing certain minimum levels of healthcare services. In respect of the amount due to the Region of Lazio by the Central Government for the year 2000 (equal to approximately euro 136 million), approximately euro 68 million has already been paid to the Region of Lazio and the remainder is expected to be paid in the near future. The amounts due in respect of 2001 (equal to approximately euro 332 million) have been approved by the Central Government and are expected to be paid in the near future. The amount due in respect of 2002 (equal to approximately euro 800 million) has also been approved by the Central Government and is expected to be paid in the near future.

THE REPUBLIC OF ITALY

The Notes are not the obligations of, or guaranteed by, the Republic of Italy.

The discussion set forth below is primarily based on the Annual Report of the Bank of Italy (1998, 1999, 2000 and 2002), the Annual Report of the Ministry of the Economy and Finance (1999 and 2000), the Italian Government's 2001-2004 Economic Programme Document (*Documento di Programmazione Economica*) and on data provided by ISTAT (*Istituto Nazionale di Statistica,* the Italian statistical service).

Central Government Administration

The Executive Branch. The head of state is the President, who is elected for a seven-year term by an electoral college that includes 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 (who is the effective head of government) and to dissolve Parliament. Silvio Berlusconi has served as Prime Minister since 11 June 2001. 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 Judicial Branch. Italy is a civil law jurisdiction. Judicial power is vested in the ordinary, administrative and accounting courts. The highest ordinary court is the *Corte di Cassazione* in Rome, where judgments of lower courts of local jurisdiction may be appealed. The highest of the administrative courts, which hears claims against the state and local authorities, is the *Consiglio di Stato* in Rome. The *Corte dei Conti* in Rome supervises the preparation of, and adjudicates, the state budget of Italy.

The Legislative Branch. The Parliament constitutes the legislative branch of the Central Government. It consists of a Chamber of Deputies and a Senate with 630 and 315 elected members, respectively. In 1993, the Parliament enacted electoral reforms. From the adoption of the Italian Constitution in 1948 to 1993, both chambers of Parliament (the Chamber of Deputies and the Senate) were elected by a system of proportional representation with a nominal lower limit on the percentage of votes needed to achieve representation. Except for a brief period, no one party has been able to command an overall majority in Parliament, and Italy has a long history of weak coalition governments. The electoral reform legislation adopted by Parliament in August 1993 provides that 75 per cent. of the members of both houses of Parliament be elected through a "first past the post" system or single-member districts in which the candidate receiving the largest number of votes wins. The remaining 25 per cent. are elected through a proportional representation system. In the Chamber of Deputies, only parties that receive at least 4 per cent. of the total vote on a nationwide basis are eligible for the seats elected by proportional representation. These modifications of the voting system have significantly reduced the number of parliamentary seats held by parties that receive a relatively small share of the popular vote.

Since the electoral reforms, Italy has held three general elections, the latest on 13 May 2001. The following tables show the results of the last election:

General Election of 13 May 2001

House of Deputies

Political Party	*Seats*
Centre-Right Coalition (*Casa delle Libertà*)	368
Centre-Left Coalition (*L'Ulivo*)	242
Communist Refoundation (*Rifondazione* Comunista)	11
Südtiroler Volkspartie – Olive (*SVP-Ulivo*)	8
Others (*Altri*)	1
Total	630

Senate

Political Party	*Seats*
Centre-Right Coalition (*Casa delle Libertà*)	177
Centre-Left Coalition *(L'Ulivo)*	125
Italian Values (*Italia dei Valori*)	1
European Democrats (*Democrazia Europea*)	2
Südtiroler Volkspartie – Olive (*SVP-L'Ulivo*)	3
Communist Refoundation (*Rifondazione Comunista*)	3
Südtiroler Volkspartie (*SVP*)	2
Individual Candidates (*Candidati Individuali*)	1
Autonomist List (*Lista Autonoma*)	1
Total	315

The last general elections held on 13 May 2001, resulted in a victory of the Centre-Right Coalition, which includes Go Italy (*Forza Italia*), the National Alliance (*Alleanza Nazionale*), the Northern League (*Lega Nord*), the Christian Democratic Centre (*Centro Cristiano Democratico*) and the Christian Democratic Union (*Cristiani Democratici Uniti*). A new government, led by Silvio Berlusconi, was formed on 11 June 2001, and won the vote of confidence in Parliament on 20 June 2001. The Centre-Right Coalition obtained an unprecedented majority of both the House of Deputies and the Senate.

Economy

The economy of the Republic of Italy, as measured by gross domestic product ("***GDP***"), was the sixth largest in the developed world as at June 2002, after the United States, Japan, Germany, the United Kingdom and France (Source: OECD). Italy is a founding member of the European Union, and its economy is closely linked with those of the other EU members. Over half of both Italy's exports and imports involve other EU countries.

As a result of persistent budget deficits financed by borrowing, Italy's public debt reached 124.8 per cent. of GDP in 1995. In 1995, the Government achieved its long standing objective of stabilising the debt-to-GDP ratio. Italy's public debt as a percentage of GDP further decreased in subsequent years reaching an estimated 109.9 per cent. of GDP at the end of 2001, although it remains above the debt ceiling of 60 per cent. required under the Maastricht Treaty. Public debt is estimated to have increased by 3.3 per cent. in 2001 (Source: ISTAT). Such reduction was largely due to proceeds deriving from financial operations, which were used by the Central Government to repurchase outstanding Treasury bonds, and to a decrease in interest payments and debt issuances coupled with an increase of the primary surplus. The primary balance (which excludes interest costs) has improved steadily over the past five years and has shown surpluses since 1992.

Beginning in 1989, GDP growth began to slow in Italy as in other countries of the EU, reaching 0.6 per cent. in 1992. The downturn in Italy became a recession in the third quarter of 1992, which lasted until the end of the third quarter of 1993. For the 1994-95 period, Italy experienced an average annual real GDP growth rate of 2.9 per cent., reflecting Italy's recovery from the recession. Economic growth began to slow in the last quarter of 1995, and Italy's real GDP growth rate in 1996 was

0.9 per cent. In 1997, after a first quarter of negative growth, the Italian economy began to recover, primarily as a result of stronger domestic consumption, and real GDP grew by 2.0 per cent. for the year. In 1998, the real GDP growth rate slowed to 1.8 per cent. and, in 1999, the real GDP growth rate increased to 1.6 per cent. In 2000, the real GDP growth rate increased to 2.9 per cent., the highest rate since 1995, as compared to an average annual increase of 3.4 per cent. in the member countries of the European Union. The growth in 2000 is primarily attributable to increased domestic demand and expenditures, coupled with higher exports. In 2001 GDP grew by 1.8 per cent. due primarily to increases in gross fixed investment and total consumption. Real GDP grew at a seasonally adjusted rate of 0.3 per cent. during the third quarter of 2002 and 0.5 per cent. during the twelve months ended 30 September 2002.

The following tables set forth nominal and real GDP and expenditures for Italy for the periods indicated:

GDP Summary

	Year Ended 31 December				
	1997	*1998*	*1999*	*2000*	*2001*
Nominal GDP(1)	1,026,285	1,073,019	1,108,497	1,164,767	1,216,583
Real GDP(1)(2)	952,050	969,130	984,567	1,012,802	1,030,910
% Change (real)	2.0%	1.8%	1.6%	2.9%	1.8%
Population (thousands)	57,563	57,613	57,655	57,680	57,844
Nominal per capita GDP(3)	17,829	18,625	19,226	20,194	21,032
Real per capita GDP(2)(3)	16,539	16,821	17,077	17,559	17,822

(1) Millions of euro.
(2) Constant euro, with purchasing power equal to the average for 1995.
(3) Euro.
Source : ISTAT (2002).

GDP and Expenditures

	Year Ended 31 December				
	1997	*1998*	*1999*	*2000*	*2001*
	(millions of constant euro)				
Real GDP	952,050	969,130	984,567	1,012,802	1,030,910
Imports of goods and services	232,621	253,285	266,639	291,669	292,151
Total supply of goods and services	1,184,672	1,222,415	1,251,206	1,304,471	1,323,061
Less: Exports of goods and services	267,151	276,325	277,059	309,510	311,897
Total goods and services available for domestic expenditure	917,521	946,090	974,147	994,961	1,011,164
Private sector consumption	562,337	580,294	594,271	610,265	616,981
Public sector consumption	171,175	171,730	174,131	177,165	181,321
Total consumption	733,512	752,024	768,402	787,430	798,302
Gross fixed investment	179,114	186,229	196,755	209,446	214,464
Changes in inventories	4,894	7,837	8,991	(1,914)	(1,602)
Total domestic expenditure	917,521	946,090	974,147	994,961	1,011,164

Source: ISTAT (2002).

In 1997, domestic consumption in Italy, particularly of household durable goods (such as furniture and appliances), communications and recreational services, grew by 2.6 per cent. In 1998, domestic consumption of goods and services increased by 2.4 per cent., fuelled mostly by motor vehicle purchases (which benefited from government incentives for scrapping old vehicles), household consumption and stockbuilding by firms. In 1999, domestic consumption of goods and services grew by 2.0 per cent. due to the weakening of consumer spending power and an atmosphere of uncertainty regarding the Italian economic situation. In 2000, domestic consumption of goods and services registered a growth of 2.8 per cent. as a result of an increase in the purchases of durable goods (particularly motor vehicles, telecommunication and recreational products, furniture and electric appliances) and services (primarily communication services, hotels and recreational services, insurance and other financial services). In 2001, domestic consumption of goods and services grew by 1.4 per cent.

Gross fixed investment grew by 2.1 per cent. in 1997, 4.0 per cent. in 1998, 5.7 per cent. in 1999, 6.4 per cent. in 2000 and 2.4 per cent. in 2001. The significant growth in 2000 was mainly attributable to increased investments in construction, motor vehicles and intangibles.

Total domestic expenditure, encompassing consumption, investment and changes in inventories, grew only marginally in 1996, by 0.8 per cent., reflecting the slowdown in economic activity that began in late 1995 and continued throughout 1996. In 1997, consumer spending was especially robust in the first half of the year but subsequently lost momentum, eventually registering a rate of growth of 2.7 per cent. In 1998 and 1999, total domestic expenditure increased by 3.0 per cent. and 2.8 per cent., respectively, while in 2000 and 2001, it increased by 2.4 per cent. and 1.6 per cent., respectively.

In 2001, the following sectors of the economy contributed the indicated percentage of GDR: agriculture, fishing and forestry (2.7 per cent.), industry and manufacturing (25.9 per cent.), construction (4.9 per cent.) and services (60.3 per cent.) (including commerce, hotels, public works, transport and communications, financial services, rent and other miscellaneous services). (Source: ISTAT). VAT and tariffs on imports accounted for the remaining 6.2 per cent. of GDP.

Principal Sectors of the Economy

Services

In 2001, services represented 65.0 per cent. of GDP and employed 65.5 per cent. of the economically active population.

Transport. Italy's transport sector has been relatively fast-growing largely as a result of trade integration with European markets. Roads are the dominant mode of transportation in Italy and include, among others, local roads that are managed and maintained by regions and local authorities, roads outside the local areas that are managed and maintained by the State Road Board and a system of toll highways that are in part managed and maintained by *Autostrade – Concessioni e Costruzioni Autostrade S.p.A.*, Italy's largest motorway company. Autostrade manages 3,120 kilometres of the 6,478 kilometre system of motorways under a twenty-year concession granted by the State Road Board. Toll motorways represent 85 per cent. of the total motorway network.

Italy's railway system is small in relation to its population and land area, and has historically suffered from overstaffing, high pay and inadequate infrastructure. The Central Government provides substantial operating subsidies to the State-owned railroads, making passenger tickets less expensive than for most European railroads. The Italian State Railway Company (*Ferrovie dello Stato S.p.A.* or "***FS***") had losses of euro 800 million in 2000, compared to euro 1.4 billion in 1999. In March 1999, the Government issued a directive for the reorganisation of the state railways. In January 2000, the infrastructure components and transportation services business were legally separated. A new protocol agreement was signed in November 1999 by the Italian Ministry of the Economy and Finance (the "***Treasury***") (as shareholder), FS and the unions providing for the return to a balanced financial account by 2003 and 2005 for the service division and the infrastructure division, respectively. One of the most important objectives under the protocol is the shift towards a new fare system. The gradual review of the current under-priced passenger fare system, which started in January 1999, will cause upward revisions of long distance fares, while short distance fares will remain stable. The new protocol also provides for a new wage and labour contract according to which wages would start to be aligned to productivity gains and employment conditions made more flexible. The transport activity has been divided into three separate business units (freight and inter-city businesses, which the

Government plans to privatise, and local transport and infrastructure, which will continue to be government-operated). The Government's objective is to devolve to the regions a significant part of the State responsibilities for local railways. By January 2000, many regions had published plans with the government setting targets for regional transportation. Under the planned decentralisation process, regions will become responsible for the whole range of local transportation services through contracts entered into with the Central Government. A project for a new high-speed train system (*Treno ad alta velocità*) linking Turin to Milan and Milan to Rome and Naples, is expected to be substantially completed by 2008.

In 1996, six Italian ports ranked among the thirty largest ports in the European Union in terms of volume of freight traffic. In the late 1990s, IRI S.p.A. ("***IRI***") completed the privatisation of its international maritime companies and has concentrated its activities in the shipping sector on ferry operations and regional maritime activities. IRI plans to privatise its remaining shipping activities by 2003.

Alitalia, Italy's national airline, was partially privatised in 1997 and is 47 per cent. owned by the public and 53 per cent. owned by the Treasury. As the result of a major restructuring programme, Alitalia returned to profitability in late 1997 (after incurring losses for the previous ten years). In 2001, it registered a consolidated net loss of approximately euro 907 million. Alitalia currently has strategic partnerships with certain airline carriers, including Delta Airlines, a U.S. carrier, and CSA Czech Airlines. In 2001, Alitalia negotiated a strategic alliance with Air France, the national flag carrier of France.

Passenger air traffic in Italy is concentrated, with 57 per cent. of all air traffic in 2001 attributable to Ciampino and Fiumicino airports in Rome and Linate and Malpensa airports in Milan. A Government decree would have shifted all of Milan's international traffic from Linate to Malpensa in October 1998. In January, 2001, as a result of opposition from the EU Commission based on the anti-competitive effects of the action, the Italian Government issued a revised decree that shifted part of Milan's international traffic to Malpensa airport but also permitted EU carriers to operate "point to point" connections between Linate and other airports of the EU, subject to certain limits.

Contract negotiations and proposed reforms to the labour market and social security regime provoked various air traffic controller and public transportation worker strikes in 2002. The strikes had a heavy impact on the Italian transport system.

The Italian air traffic controller trade unions announced two strikes a month in each of January, May and June 2002 which disrupted air traffic. On 19 June 2002, the European air traffic controllers protested against the European Union plan to unify the airspace across Europe. The main Italian air traffic controller trade unions did not participate, even though a number of smaller Italian trade unions were involved.

In January 2002, the trade unions announced a general strike of the public transportation sector to protest against labour market reforms. Local subway and bus transportation workers participated in trade union demonstrations in May and June requesting salary increases. Transit was affected by strikes in June and July as well.

Communications. In 1997, Parliament enacted legislation to reform the telecommunications market with the aim of promoting competition in accordance with EU directives. This legislation permits companies to operate in all sectors of the telecommunications market, including radio, television and telephone, subject to certain antitrust limitations and provided for the appointment of a supervisory authority. The Italian Telecommunication Authority (*Autorità per le Garanzie nelle Comunicazioni*, or AGCOM), established in January 1998, is responsible for issuing licences, which are valid for 15 years and are renewable, and has the power to regulate tariffs and impose fines and other sanctions.

Italy's telecommunications market is characterised by very high fixed-line penetration estimated at 97.5 per cent. of households in 2000. The market was deregulated in January 1998 and Telecom Italia, which was privatised in 1997, acquired by Olivetti in 1999, and now controlled by a consortium headed by Pirelli, remains the largest operator, with a market share of approximately 77 per cent., but is facing increasing competition from new operators. Telecom Italia is engaged in the sale of domestic and international telephone, telex and telegraph services, domestic and international satellite transmission, publishing and data transmission and the installation and sale of telecommunications equipment, systems and networking. In 1998, the government granted three national fixed telephony licences to Infostrada (merged into Wind in January 2002), Wind (a joint venture between ENEL S.p.A. ("***ENEL***") and France Telecom) and Albacom (a consortium controlled by British Telecom, Banca Nazionale del Lavoro, Mediaset and ENI S.p.A. ("***ENI***")). As of 31 December 1999, four licences for local telephone services had been granted to several telecommunications operators in Italy. Competition among telecommunications operators has resulted in lower charges and a wider range of services offered. In January 2000, access to the local telephone loop was deregulated.

In 1995, following the adoption of legislation aimed at developing competition in the mobile telephone business, Telecom Italia Mobile ("***TIM***") was spun-off from Telecom Italia and publicly listed. The Government also granted mobile licences to Omnitel (controlled by the Vodafone Group), Wind and Blu (controlled by Autostrade and British Telecom). The Italian mobile telephony market has been one of the fastest growing in Europe.

In 1998 the European Parliament authorised EU member countries to grant a limited number of Universal Mobile Telecommunications System, or UMTS, licences for third-generation, or 3G, mobile telephony services, through which companies will provide additional and enhanced services including high-speed wireless internet access.

In accordance with the Decision of AGCOM in January 2000, the allocation process of UMTS licences in Italy has been carried out by an auction among pre-qualified applicants. Only six candidates qualified for the auction, which started on 19 October 2000. UMTS licences were granted to Omnitel, Ipse 2000 (controlled by Telefonica and Sonera), Wind, Andala Opco (controlled by Hutchison Whampoa and Tiscali) and TIM. Each licence will last for 15 years, commencing on 1 January 2002. Italy raised euro 14 billion through the UMTS licence auction.

The market for internet services is dominated by three providers (Seat/Tin.it, Wind/Infostrada and Tiscali), which together account for approximately 78 per cent. of the subscriber base (approximately 26 million subscribers). (Source: Registration Statement filed by the Republic of Italy under Schedule B of the Securities Act of 1933 (16 January 2003)).

Financial Services. Historically, a significant portion of Italy's domestic investment has been allocated to public debt. In 1998 and 1999, the household sector reallocated its portfolio, with investments in holding in foreign assets, investment funds and shares increasing, while the percentage of domestic portfolios allocated to government securities decreased. The large shift of household assets into managed products generated substantial fee income for financial institutions. In 2001, due to the weakness of the equity markets in Italy and abroad, investment in holdings of foreign assets, investment fund units and shares decreased to approximately 35.5 per cent. of domestic investment, while the percentage allocated to bonds rose to approximately 21.5 per cent.

Tourism. Tourism is an important sector of the Italian economy and makes a significant and positive contribution to the balance of payments. In 2001, tourism revenues, net of amounts spent by Italians traveling abroad, were approximately euro 13.1 billion, representing a 1.6 per cent. increase over net tourism revenues in 2000, reflecting a greater decline in 2001 in spending by Italians abroad than in tourism revenues. Spending by Italian tourists abroad decreased by 6.7 per cent. and spending by foreign visitors to Italy decreased by 3.2 per cent., reflecting a decrease of Italian traveling abroad (2.5 per cent.) and tourists visiting Italy (3.4 per cent). The decrease was mainly due to the terrorist attacks of 11 September 2002.

Manufacturing

In 2001, manufacturing represented 22.8 per cent. of GDP and employed 21.9 per cent. of the economically active population.

Non-energy production. Italy's principal manufacturing industries include metal products, precision instruments and machinery, textiles, leather products and clothing, wood and wood products, paper and paper products, food and tobacco, chemical and pharmaceutical products and transport equipment, including motor vehicles.

The number of large private companies in Italy is relatively small in comparison to other EU countries. Among the most significant are Fiat (automobiles and other transportation equipment), Pirelli (tires, cables and industrial rubber products), Fininvest (media and publishing), Montedison (chemicals) and Benetton (clothing). However, much of Italy's industrial output is produced by small and medium-sized firms, which also have accounted for much of the economic growth over the past 20 years. They are active especially in light industry (including the manufacture of textiles, clothing, food, shoes and paper), where they have been innovators and export a significant share of their production.

Energy production. Italy depends on imported oil and other fossil fuels for a significant portion of its energy needs. Overall, Italy imported approximately 95.5 per cent. of its energy requirements in 2001 (source: Bank of Italy). In 2001, oil accounted for 48.4 per cent. of primary energy consumption. The largest domestic source of energy is natural gas. Natural gas provided approximately 31.2 per cent. of primary energy consumption in 2001, of which approximately 78.0 per cent. was imported. The only other significant imported energy source is coal. A referendum rejected the use of nuclear power in Italy in 1987.

The domestic energy industry consists primarily of ENI and ENEL. ENI, which is 30.3 per cent. owned by the Central Government, is engaged in the exploration, development and production of oil and natural gas in Italy and abroad, the refining and distribution of petroleum products, the supply, transmission and distribution of natural gas and oil field services contracting and engineering. ENEL is engaged principally in the generation, importation, transmission and distribution of electricity. ENEL's domestic capacity is insufficient to meet current demand, and Italy imports a portion of its electricity requirements. The Government sold a 31.74 per cent. stake in ENEL to the public in late 1999.

The Electricity and Gas Authority (*Autorità per l'Energia Elettrica e il Gas*) regulates electricity activities and natural gas distribution in Italy with the aim of promoting competition while ensuring adequate levels of service quality. The Authority, led by a board of three members appointed by Parliament, became operational in April 1997. It has a large degree of independence and significant powers, including the power to establish base tariffs and the criteria for tariff adjustments, as well as the power to issue fines and other sanctions. As part of the gradual liberalisation of the Italian hydrocarbons industry in line with European Union directives, a legislative decree eliminated, with effect from January 1997, certain exclusive rights benefiting ENI and all other disparities in the regulatory treatment between ENI and other oil and natural gas companies operating in Italy.

A Government decree issued in March 1999 provided for the partial liberalisation of the generation, importation, purchase and sale of electricity. Beginning in April 1999, major customers were permitted to purchase electricity from any European purchaser. The decree also provides that from 2003, no company will be permitted to own more than 50 per cent. of the electrical energy generated or imported into Italy. A single agency (*Gestore della Rete di Trasmissione Nazionale S.p.A.*) has been formed to act as exclusive manager of the national power grid and the transmission of electricity.

In accordance with the above decree, in August 1999 the Government approved a plan whereby ENEL established three new generating companies (Eurogen, Elettrogen and Interpower or, collectively, Gencos), which are expected to be sold to independent power generators by no later than 1 January 2003. To date, ENEL has sold Elettrogen, the second largest Genco, with a total generation capacity of 5,400 MW and has entered into preliminary arrangements (subject, among other things, to the approval of competition authorities) for the sale of Eurogen, the largest Genco, with total generating capacity of 7,000 MW. In order to achieve an effective privatisation of this sector, the Government has required that no more than 30 per cent. of each bidding consortium will be owned by a State-controlled company (including municipalities).

A new tariff regime took effect on 1 January 2000. The new regime significantly lowered fixed tariff rates for the generation, transmission and distribution of electricity in 2000. In addition, tariff rates for transmission and distribution will be subject to a price cap for the period 2001-2003.

Construction

In 2001, construction represented 4.9 per cent. of GDP and 6.8 per cent. of total employment. Italy has been characterised by an increase in construction in recent years, principally due to the special fiscal incentives provided for residential construction and repair implemented in 1997 and also to an increase in public works due in part to the preparations for the 2000 Jubilee.

Agriculture, Forestry and Fisheries

Agriculture, forestry and fisheries accounted for 2.7 per cent. of GDP in 2001, and employed approximately 5.7 per cent. of the economically active population. The agricultural share of Italian GDP has declined steadily with the growth of industrial output since the 1960s. Italy is a net importer of all categories of food, except fruits and vegetables. The principal crops are wheat (including the durum wheat used to make pasta), maize, olives, grapes and tomatoes. Cereals are grown principally in the Po valley in the North and in the Southeast plains, and olives are grown principally in Central and Southern Italy, whereas grapes are grown throughout the country. Italy is one of the largest wine producers in the world.

Other Characteristics of the Italian Economy

Role of the Central Government in the Economy. Government-owned enterprises play a significant though decreasing role in the Italian economy. The state participates in the energy, banking, insurance, shipping, transportation and communications industries, among others, through its ownership of IRI (under voluntary liquidation since July 2000), ENI, ENEL and various other entities. In the 1990s, government-owned enterprises accounted for approximately 20 per cent. of GDP in terms of value added. By the end of 1997, such share had fallen to approximately 11 per cent. of GDP. In addition, the Central Government directly and indirectly owns shares in a number of publicly traded companies.

Since 1993, the Government has been privatising various operating subsidiaries of the state holding companies and certain entities owned directly by the Ministry of Treasury. These privatisations include entities in the financial institution sector (IMI, INA, Istituto Bancario San Paolo di Torino, Banco di Napoli, Mediocredito Centrale), the telecommunications sector (Telecom Italia), oil integrated companies (ENI) and electricity utilities (ENEL). Under Italian law, all proceeds of the privatisation of entities directly owned by the Treasury must be deposited into a fund established in 1993 for the purchase and repayment of outstanding Treasury securities. Accordingly, such proceeds reduce the ratio of public debt to GDP, but cannot be taken into account to offset current account deficits. From February 1994 to 30 June 2002, the Government has raised approximately euro 66 billion, making the Italian privatisation programme one of the largest privatisation programs in Europe. Proceeds from privatisations in 2001, including revenues from the IRI disposal programme, were the lowest since 1994, when the privatisation process began, amounting to euro 3 billion compared to euro 10 billion in the previous year.

Budget Deficits. Substantial budget deficits have been a persistent problem affecting the Italian economy. Prior attempts to deal with this problem have been hampered by, among other things, high levels of social spending and the fact that social services and other non-market activities of the central and local governments and their agencies and instrumentalities account for approximately 19 per cent. of total employment. The wages of these employees, like those of the private sector, were indexed to the inflation rate until the end of 1991, exacerbating both inflation and the budget deficit. In 1993, the Central Government, the principal unions and the industrial employers' association reached an agreement ending such indexation. In 1995, the Central Government reformed the pension system by linking each individual's benefits to the contributions made by such individual to the system. This plan is to be implemented over an 18 year period and is expected to produce a reduction in projected pension expenditures. Further reforms to the pension system have been enacted by legislation tied to the 1998 budget law. See "*Measures of Fiscal Balance – Health, Education, Labour and Other Social Welfare Expenditures*." Countries participating in the European Monetary Union are required to reduce "excessive deficits" and adopt a budgetary balance as a medium term objective. The reduction of the budget deficit has been a Central Government priority since 1992, as Italy pursued a policy of debt reduction to meet the conditions for membership in the European Monetary Union.

In 1995, the Central Government achieved its long standing objective of stabilising its debt-to-GDP ratio. As a result, Italy's public debt as a percentage of GDP reached 124.8 per cent., and has been dropping gradually since then, reaching an estimated 109.4 per cent. of GDP in 2001.

Savings Rate. Historically, Italy has had a high savings rate. Although the savings rate has declined over the past three decades (most notably in the last five years) in Italy as in most of the developed world, household savings as a percentage of household disposable income was 19.0 per cent. in 2000, among the highest of any G-7 country, according to OECD data. In 1999, only France recorded a higher figure than Italy, with a savings rate equal to 15.8%. By contrast, household savings as a percentage of household disposable income in 1999 was 1.5 per cent. in the U.S., 5.1 per cent. in the United Kingdom, 10.2 per cent. in Germany, 3.2 per cent. in Canada and 14.1 per cent. in Japan. As a consequence, Italy has a significant domestic pool of capital available for investment and, although its fiscal deficits historically have been large, the high private savings rate has enabled the Government to finance those deficits principally in the domestic bond market.

Regional Disparities. The Italian economy is characterised by significant regional disparities. The level of economic development of Southern Italy is well below that of Northern Italy; per capita GDP of the *Mezzogiorno* (which includes the regions of Abruzzo, Molise, Campania, Puglia, Calabria and Basilicata, plus the islands of Sicily and Sardinia) is lower (although it has been narrowing in recent years due mainly to migration from the south to the northern regions of Italy) and its unemployment is substantially higher (19.3 per cent. as compared to 9.5 per cent. for Italy as a whole in 2001) than that of the remainder of the country despite large and long-standing infusions of development funds and other income transfers from the Central Government.

Imports and Exports and Balance of Trade. Italy is fully integrated into the European and world economies, with imports and exports accounting for 25.3 per cent. and 26.2 per cent. respectively of Italian GDP in 2001. Italy's exports are dominated by manufactured goods, including industrial machinery, office machinery, automobiles, clothing, shoes and textiles. The EU accounts for over half of Italian trade value. In 2000, countries within the EU purchased 53.7 per cent. of Italian exports and supplied approximately 56.5 per cent. of imports. Italy's trade surplus with EU countries, however, decreased from euro 10,565 million in 1996, to euro 3,401 million in 1997, and registered a slight increase to euro 3,784 million in 1998, mainly due to higher exports to the United Kingdom, the Netherlands and Spain. In 1999 and 2000, Italy's trade balance with EU countries registered a surplus of euro 1,427 million and a deficit of euro 2.2 million, respectively. In 2001, the deficit was 1.7 million. Italy's trade balance decreased substantially in 1999 and 2000 as compared to prior years due to higher trade deficits with Germany, the Netherlands and Ireland which were not balanced by higher exports to the other EU member countries. Italy's overall trade surplus also decreased from euro 34,912 million in 1996 to euro 26,619 million in 1997, euro 24,479 million in 1998, euro 14,026 million in 1999 and euro 1,907 million in 2000 before increasing to euro 9,934 million in 2001 (source: ISTAT, Bank of Italy).

Employment. The following table shows the change in total employment, the official employment rate and the official unemployment rate between 1997 and 2001. The unemployment rate does not include workers paid by the Wage Supplemental Fund (*Cassa Integrazione Guadagni* – "***CIG***"), which guarantees part of the wages of workers in the industrial sector who are temporarily laid off or have had reduced working hours.

Employment and Unemployment

	Year Ended 31 December				
	1997	*1998*	*1999*	*2000*	*2001*
Employment Volume (entire economy)(1)	20,207	20,435	20,692	21,080	21,514
Participation Rate (%)(2)	57.9%	58.7%	59.3%	59.9%	60.4%
Unemployment Rate (%)	11.7%	11.8%	11.4%	10.6%	9.5%

(1) Thousands.
(2) Participation rate of population aged 15-64.
Source: ISTAT (2002)

The unemployment rate rose from 11.7 per cent. in 1997, to 11.8 per cent. in 1998, mainly due to a slight increase in the supply of labour. The unemployment rate steadily decreased to 11.4 per cent. in 1999 and 10.6 per cent. in 2000, principally due to positive trends in the service sector (in particular, business and household services) resulting in a greater number of available jobs. The unemployment rate in Italy fell to 9.5 per cent. in 2001. In October 2002, the seasonally adjusted unemployment rate was 8.9 per cent. compared to 9.3 per cent. in October 2001.

Although there were a series of short strikes between 1992-94 protesting certain aspects of the Government's programme to reduce the budget deficit, the disruption to the economy front labour disputes has decreased significantly since the 1970s and early 1980s. In the six-year period 1992-97, an average of 8.4 million man-hours of labour per year were lost as a consequence of labour disputes. By contrast, the average number of man-hours lost per year as a consequence of labour disputes was 116.6 million over the period 1978-1982, 43.6 million over the period 1983-1990, 50.2 million in the period from 1991-1997 and 23.3 million in the period 1998-2001.

Since October 1992, the Central Government has initiated a series of reforms to the state pension system designed to reduce the level of benefits provided by the Central Government and to promote the development of private pension funds to supplement Central Government retirement benefits. Employer and employee contributions to the national social security pension system continue to be compulsory and have not been reduced by the reforms, although benefits have been reduced. In August 1995, the Central Government reformed the pension system by linking each individual's benefits to the contributions made by such individual to the system. This plan is to be implemented over an 18 year period and is expected to produce a reduction in projected pension expenditures over the next ten years. Further reforms to the pension system have been enacted by legislation tied to the 1998 budget law, which are aimed at further reducing and harmonising the level of benefits.

The Italian government has recently implemented reforms aimed at creating greater flexibility in the labour market. Italian trade unions responded strongly to these reforms and conducted a general one-day strike on 16 April 2002. The primary conflict between the government and the trade unions has concerned the proposed temporary suspension of the application of an article of a 1970 labour law. Currently, this article provides an employee dismissed without just cause the right to seek reinstatement and indemnification from his or her employer.

After long negotiations, the government has revised its proposed reforms to this article. The new proposal would temporarily suspend the article for newly-hired employees only at firms with more than 15 employees. To balance such temporary suspension, the government has offered the trade unions higher unemployment indemnity for employees. The new proposal has caused a split in the trade unions; two trade unions, CISL and UIL, have resolved to agree to the government's new proposal by signing an agreement on 5 July 2002, in which the government has committed to reduce the tax burden, not introduce any change to the current pension system and to increase the unemployment allowances. The primary trade union, CGIL, opposes the new proposal and is expected to organise new strikes and protests in the future.

Unemployment in Southern Italy has been persistently higher than in Northern Italy and was approximately 21.9 per cent. in 1998, 22.0 per cent. in 1999, 21.0 per cent. in 2000, and 19.3 per cent. in 2001 as compared to 6.8 per cent., 6.0 per cent., 5.3 per cent. and 4.0 per cent. in the northwestern regions. The differential narrowed slightly in the early 1990s, principally because unemployment in Northern and Central Italy is more sensitive to the business cycle than is employment in Southern Italy, but the gap widened again in the last few years, as the economic contraction was larger in the South. Unemployment is also substantially higher among younger workers and women. The Central Government has adopted a number of programs to correct these imbalances, including programs that provide money for jobs training, particularly in the South, and that provide certain incentives to firms that hire young workers.

Wages and Prices

Wages. Prior to July 1992, Italy had a system known as the *scala mobile* under which wages set pursuant to collective bargaining agreements were indexed to the annual inflation rate.

The Central Government, the unions and the industrial employers' association subsequently reached the Incomes Policy Accord of July 1992, which abolished the *scala mobile* and froze firm-wide wage increases until the end of 1993. In June 1993, the principal unions and the industrial employers' association reached a four-year wage agreement covering all public and private sector industrial employees. The agreement bases wage increases on the Government's inflation targets rather than on the actual rate of inflation. As a consequence of the Incomes Policy Accord and the effects of the economic downturn, wage growth slowed, rising by an average annual rate of 3.7 per cent. from 1992 to 1994. Italian firms experienced productivity gains during the same period, which contributed to a fall in unit labour costs in manufacturing in 1994 for the first time in several years. In July 1993, the principal unions and the industrial employers' association formulated guidelines for a new collective bargaining system covering all public and private sector employees. Unit labour costs in Italy in 1999 increased by 1.8 per cent. to euro 11,948 from euro 11,732 in 1998, as compared to a slight increase of 0.7 per cent. in 1998 from euro 11,650 in 1997. Unit labour costs remained stable between 1996 and 1997. Wages, as measured by gross earnings per standard labour unit, increased by an average of 3.0 per cent. for the entire economy in 2001, compared with increases of 3.1 per cent. in 2000 and 2.8 per cent. in 1999.

The increase in the Consumer Price Index slowed steadily from 1996 to 1999. The decrease in the rate of growth of inflation continued into 1997 when, due to a general slow down in domestic demand, the Consumer Price Index grew by only 2.0 per cent., well below the Government target of 2.5 per cent. and the Maastricht criteria requirement of 2.7 per cent. In 1998, the Consumer Price Index grew by 2.0 per cent. due primarily to a decline in the cost of new materials and the appreciation of the Euro-area currencies against the dollar. At the end of 1999, the Consumer Price Index increased by 1.7 per cent., primarily as a result of higher oil costs. In 2000 and 2001, the Consumer Price Index grew by 2.5 per cent. and 2.7 per cent. respectively. Inflation as measured by the Consumer Price Index was 2.6 per cent. during 2002.

The following table illustrates trends in prices and wages for the periods indicated:

Prices and Wages

	Year Ended 31 December				
	1997	*1998*	*1999*	*2000*	*2001*
	(thousands of euro, except percentages)				
Consumer Price Index	1.9%	2.0%	1.7%	2.6%	2.7%
Per capita gross wages(1)	4.1	(1.8)	1.6	3.0	2.8
Unit labour costs(1)	2.8	(1.3)	1.6	1.7	2.3
Private consumption deflator	2.2	2.1	2.1	2.7	2.9

(1) Entire economy.

Sources: ISTAT (2002) and Registration Statement filed by the Republic of Italy under Schedule B of the Securities Act of 1933 (16 January 2003).

Foreign Trade

Italy is fully integrated into the European and world economies, with imports equal to 25.3 per cent. of GDP and exports accounting for 26.2 per cent. of GDP in 2001. (Source: ISTAT 2002)

The following tables illustrate Italy's exports and imports for the years 1997 to 2001. Export amounts do not include insurance and freight costs and only include the costs associated with delivering and loading the goods for delivery. This is frequently referred to as "free on board" or "fob". Import amounts include all costs, insurance and freight, frequently referral to as "charged in full" or "cif".

Foreign Trade

	Year Ended 31 December				
	1997	*1998*	*1999*	*2000*	*2001*
	(millions of euro)				
Exports (fob)					
Agriculture, forestry and fishing . .	3,525	3,605	3,687	3,858	4,150
Minerals	448	433	430	525	538
Manufactured products	206,253	214,981	215,803	254,706	262,813
Food, beverage and tobacco products	10,850	11,484	12,051	13,066	13,873
Textiles, leather products and clothing.	35,512	35,683	34,411	40,078	43,007
Wood and wood products	1,183	1,247	1,329	1,510	1,478
Paper, printing and publishing. .	4,662	4,934	5,029	5,960	5,977
Refined oil products	2,959	2,428	2,604	5,181	4,944
Chemical and pharmaceutical products	17,333	17,961	19,472	24,136	25,547
Rubber and plastic products. . .	7,649	8,113	8,228	9,389	9,525
Non-metallic minerals and mineral products.	8,008	8,253	8,332	9,230	9,343
Metals and metal products. . . .	17,783	18,496	17,513	21,257	21,567
Mechanic products and machinery	44,213	45,270	45,060	50,678	53,397
Electric and precision machinery	20,176	21,275	21,619	26,383	27,361
Transport equipment	21,701	25,394	25,353	30,389	29,459
Other manufactured products . .	14,224	14,442	14,902	17,449	17,335
Energy, gas and water production .	23	22	23	22	46
Other	1,048	1,064	1,098	1,302	2,151
Total exports	211,297	220,105	221,041	260,413	269,698

(1) Sources: ISTAT (2001 and 2002)

	Year Ended 31 December				
	1997	*1998*	*1999*	*2000*	*2001*
	(millions of euro)				
Imports (cif)					
Agriculture, forestry and fishing . .	8,666	8,864	8,603	9,228	8,786
Extractive industries	15,792	13,025	15,243	29,561	28,703
Manufactured products	158,608	172,159	181,552	217,071	218,434
Food, beverage and tobacco products	15,417	15,668	15,645	17,135	18,036
Textiles, leather products and clothing	14,015	14,737	14,743	18,249	20,097
Wood and wood products	2,532	2,791	2,980	3,393	3,207
Paper, printing and publishing. .	5,442	5,896	6,222	7,255	6,665
Refined oil products	3,808	2,727	3,161	5,378	4,611
Chemical and pharmaceutical products	25,520	26,686	28,097	33,231	33,671
Rubber and plastic products. . .	4,016	4,455	4,792	5,387	5,342
Non-metallic minerals and mineral products.	2,270	2,388	2,509	2,843	2,915
Metals and metal products. . . .	20,244	21,857	20,350	26,277	25,370
Mechanic products and machinery	13,615	16,075	17,564	20,354	20,441
Electric and precision machinery	25,574	28,267	30,982	38,269	36,562
Transport equipment	23,139	27,340	30,978	35,038	37,259
Other manufactured products . .	3,016	3,271	3,529	4,262	4,258
Energy, gas and water production .	1,459	1,456	1,424	1,535	1,798
Other	153	152	193	1,111	2,469
Total imports	184,678	195,626	207,016	258,506	260,361
Trade Balance	26,620	24,479	14,024	1,907	9,337

(1) Sources: ISTAT (2001 and 2002).

The Italian economy relies heavily on foreign sources for energy and other natural resources, and Italy is a net importer of chemical and pharmaceutical products and agricultural and food industry. Of all the major European countries, Italy is the most heavily dependent on imports of energy, importing 83.6 per cent. of its energy requirements in 2001. As a result, Italy's trade balance is vulnerable to fluctuations in oil prices. The long-term challenge of Italian industries is to produce the surplus necessary to fund the purchase of imported energy, raw materials and agricultural products.

Balance of Payments

The balance of payments tabulates the credit and debit transactions of a country with foreign countries and international institutions for a specific period.

Current Account. From the oil shock of 1973 until 1992, Italy experienced persistent, though generally small, current account deficits.

However, a current account surplus was achieved in each year from 1992 through 1999, initially as a result of the devaluation of the Italian Lira following its suspension from the Exchange Rate Mechanism ("***ERM***") in September 1992, as well as weaker domestic demand and the increased competitive positions of Italian industry. The surplus steadily decreased from euro 31,338 million in 1996 (3.4 per cent. of GDP) to euro 29,341 million in 1997 (3.1 per cent. of GDP), euro 20,444 million in 1998 (2.1 per cent. of GDP) and euro 7,692 million (0.8 per cent. of GDP) in 1999. In

2000, the current account registered a deficit of euro 6,091 million (0.6 per cent. of GDP). The decreases in 1999 and 2000 were mainly due to a growth in imports of energy products.

Capital Account. In recent years, Italy's financial markets have become increasingly integrated internationally, as exchange rate restrictions have been lifted and Italian companies have become more international in scope.

The capital account totalled euro 2,922 million in 1997 due to an increase in the utilisation of grants from EU programs. In 1998, the capital account totalled euro 2,249 million, representing a decrease of 23.0 per cent. as compared to 1997, mainly due to lower EU transfers. In 1999 and 2000, the capital account amounted to euro 2,789 million and euro 3,191 million, respectively, representing increases of 23.9 per cent. and 14.4 per cent. as compared to the previous year. These increases were principally due to higher transfers from the EU through the Regional Development Fund.

The following table illustrates the balance of payments for the periods indicated:

Balance of Payments

	Year Ended 31 December				
	1997	*1998*	*1999*	*2000*	*2001*
	(millions of euro)				
Current Account	29,341	20,444	7,692	(6,305)	(178)
Goods	35,172	32,584	22,044	10,368	17,775
Exports	211,296	220,104	221,484	260,906	270,877
Import	176,124	187,520	199,440	250,538	253,102
Services	6,846	4,386	1,125	1,167	338
Income	(9,010)	(9,869)	(10,392)	(13,099)	(11,575)
Transfers	(3,666)	(6,658)	(5,085)	(4,742)	(6,716)
to EU Institutions	(2,628)	(5,940)	(4,684)	(4,905)	(5,812)
Capital Account	2,922	2,249	2,789	3,195	938
Intangible assets	93	(121)	(3)	(72)	(311)
Transfers	2,829	2,370	2,792	3,267	1,249
to EU Institutions	3,264	2,748	3,201	3,624	1,748
Financial Account	(18,279)	1,282	(8,867)	4,287	(2,889)
Direct Investments	(6,404)	(10,580)	178	1,149	(7,377)
Abroad	(10,768)	(14,418)	(6,309)	(13,368)	(23,995)
In Italy	4,364	3,838	6,487	14,157	16,618
Portfolio Investments	17,171	7,075	(23,635)	(26,255)	(7,640)
Assets	47,127	(86,315)	(121,493)	(86,340)	(40,070)
Liabilities	64,298	93,390	97,858	60,085	32,430
Financial derivatives	(1,631)	(762)	1,766	2,501	(477)
Other investments	15,656	(13,547)	5,725	29,950	12,121
Change in official reserves	11,759	19,096	7,099	(3,058)	484
Errors and Omissions	(13,985)	(23,975)	(1,614)	(1,177)	2,129

(1) Both exports and imports are stated on a "***FOB***" basis for purposes of the current account.
Source: Annual Report of the Bank of Italy (May 2002).

According to the Bank of Italy, the balance of payments in Italy for 2001 (provisional) was divided as follows: (i) the current account deficit was equal to euro 0.2 billion; (ii) Italy's capital account surplus was equal to euro 0.9 billion; (iii) Italy's financial account showed a debit of euro 2.9 billion. Errors and omissions in 2001 were equal to euro 2.1 billion. Exports of goods increased to euro 270,877 million (provisional) and imports of goods increased slightly to euro 253,102 million (provisional).

The current account deficit was equal to euro 2,640 million in the first quarter of 2002, euro 4,398 million in the second quarter of 2002, and euro 3,241 million in the third quarter of 2002. The capital account surplus was euro 673 million and euro 247 million, and a deficit of 257 million in the first, second and third quarters of 2002, respectively. The financial account showed a debit of euro 788 million, euro 4,285 million and euro 2,988 million in the first, second and third quarters of 2002, respectively. Errors and omissions in the first, second and third quarters of 2002 were equal to 1,179 million, 134 million and 510 million, respectively.

Exchange Rates

The suspension of the lira from the ERM in 1992 marked an end to the role of the lira exchange rate as the cornerstone of Italian monetary policy. The value of the lira subsequently declined sharply against the deutsche mark, the USD and the other major currencies. This fall in the value of the lira made Italian exports more competitive in world markets and resulted in a significant increase in exports until 1996, when the rate of growth in exports decreased, in part because of the strengthening of the lira. On 24 November 1996, the lira was readmitted to the ERM at a rate of 990 lire per deutsche mark, and 1,906.48 per ECU agreed among the Bank of Italy and the central banks of the other nations participating in the European Monetary System ("***EMS***"). In January 1999, Italy, together with ten other European countries, introduced the Euro as its new national currency. The exchange rate was invariably fixed at Lit. 1,936.27 per euro. As of 1 January 2002, the euro was adopted as a single common currency, which replaced, over a maximum period of 2 months, the pre-existing national currencies.

Reserves

By the end of 1991, official reserves stood at euro 48,721 million, but the effect of the 1992 currency crisis on the official reserves of Italy was significant. By the end of September 1992, the total amount of the official reserves had dropped to euro 16,949 million, a decrease of 65.1 per cent. from the reserves at 31 December 1991. Since 1992, the Central Government has followed a policy of generally strengthening official reserves. By the end of 1999, official reserves amounted to euro 45,100 million. In 2000, official reserves increased to euro 50,306 million, mainly due to variations in exchangeable currencies acquired during 2000. For 2001, official reserves amounted to euro 52,437 million.

The following table illustrates the foreign exchange reserves of Italy for the periods indicated:

Foreign Exchange Reserves

	Year Ended 31 December				
	1997	*1998*	*1999*	*2000*	*2001*
	(millions of euro)				
Gold	19,407	20,562	22,775	23,098	24,732
SDRs[(1)]	61	95	163	255	337
Total position with IMF	2,036	3,697	3,537	2,916	3,647
ECUs	8,228	—	—	—	—
Net foreign exchange	36,009	21,425	18,537	24,097	23,721
Other net reserves	3,280	—	1,769	N.A.	N.A.
Total reserves	45,778	45,807	45,100	50,366	52,437

(1) Special Deposits Rights

Source: Annual Report of the Bank of Italy (May 2002).

Monetary Policy

The European System of Central Banks. Prior to Italy's adoption of the euro, the Bank of Italy was responsible for conducting monetary policy. As of 1 January 1999, which marked the beginning of Stage III of European Economic and Monetary Union, the 11 countries joining the EMU officially adopted the euro, and the Eurosystem became responsible for conducting a single monetary policy.

The European System of Central Banks ("***ESCB***") consists of the European Central Bank ("***ECB***"), established on 1 June 1998 and the national central banks of the EU Member States. The Eurosystem is formed by the 12 national central banks in the euro area and the ECB. So long as there are EU Member States that have not yet adopted the euro (Denmark, Sweden and the United Kingdom), there will be a distinction between the 12-country Eurosystem and the 15-country ESCB. The three national central banks of non-participating countries do not take part in the decision-making of the single monetary policy, they maintain their own national currencies and conduct their own monetary policies. The Bank of Italy, as a member of the Eurosystem, participates in Eurosystem decision-making.

The Eurosystem is principally responsible for:

- defining and implementing the monetary policy of the euro area;
- conducting foreign exchange operations and holding and managing the official foreign reserves of the euro area countries;
- issuing banknotes in the euro area; and
- promoting the smooth operation of payment systems.

The ESCB is governed by the decision-making bodies of the ECB which are:

- the Executive Board, composed of the President, Vice-President and four other members, responsible for implementing the monetary policy formulated by the Governing Council;
- the Governing council, composed of the members of the Executive Board and the governors of the 11 national central banks, in charge of formulating the monetary policy in the euro area; and
- the General Council composed of the Executive Board and the 15 national central banks and contributes to the advisory functions of the ECB.

The ECB is independent of the national central banks and the Governments of the member States and has its own budget, independent of that of the European Community; its capital is not funded by the European Community but has been subscribed and paid up by the national central banks of the member States which have adopted the euro, pro-rated to the GDP and population of each such member State. The ECB had paid up capital of approximately euro 4 billion at 31 December 2000. (Source: European Central Bank).

The Bank of Italy. The Bank of Italy was founded in 1893. It supervises and regulates the Italian banking industry, as discussed below, and operates services for the banking industry as a whole, including a central information office on credit risks. It also supervises and regulates non-bank financial intermediaries. The Bank of Italy had assets at 31 December 2001 of euro 180.3 billion.

Regulation of Italian banks is conducted by the Interministerial Committee for Credit and Savings, the Treasury and the Bank of Italy. The principal objectives of such regulation are the sound and prudent management of the institutions subject to supervision and the overall stability, efficiency and competitiveness of the financial system. During the 1980s, Italian banking and European Community authorities began a process of substantial deregulation, which has resulted in a significant increase in competition in the Italian banking industry in virtually all bank and bank-related services.

The Interbank Fund (*Fondo Interbancario di Tutela dei Depositi*), established in 1987 by a group consisting of the principal Italian banks, protects depositors against the risk of insolvency of their bank and the loss of their deposited funds. The Interbank Fund assists banks that are declared insolvent or are subject to temporary financial difficulties and, in the case of declared insolvency, guarantees the refund of deposits of banking customers up to a predetermined percentage of each deposit account (which is 100 per cent. for accounts up to euro 103,291 and 75 per cent. for the subsequent euro 435,166), subject to a maximum limit of euro 516,457 per account.

Italian banks' bad debts decreased by 12.7 per cent. in 2002 to euro 45,356 million after decreasing 13.8 per cent. in 2001. As a percentage of total loans, bad debts declined from 7.8 per cent. in 1999 to 5.7 per cent. in 2000 and 4.7 per cent. in 2001.

Public Finance

The State budget includes the revenues and expenditures of the Central Government and certain agencies and entities whose budgets must be approved by Parliament. Other entities whose budgets are not subject to Parliamentary approval, including autonomous agencies, regional and local governments and authorities and the national social security agencies (which are referred to, collectively with the Central Government and the agencies included in the budget, as the "public sector"), are reflected in the state budget only to the extent of the Central Government's receipts from and transfers to such entities. In April 1997, Parliament enacted legislation to reform the budget process. The objectives of the reform are to simplify the structure of the budget, to enable quicker decision making by Parliament, to promote a more efficient allocation of resources and more effective monitoring of expenditures and to increase the responsibility and administrative autonomy of senior civil servants.

Measures of Fiscal Balance

Italy reports the fiscal balance of the public sector using the following two principal measures:

(i) Net borrowing is the consolidated revenues minus the consolidated expenditures of the general government (as defined and adopted by EU countries). This is the principal measure of fiscal balance, and is calculated in accordance with European Union accounting requirements. For most internal purposes, Italy uses the state sector borrowing requirement as its principal measure of financial balance. The state sector is narrower than the public sector because it excludes local and regional governments and authorities and the national social security agencies. However, in the past, the Central Government has been the principal source of funds for financing deficits of the public sector, and consequently in the past the state sector borrowing requirement and the NBR have not been materially different. General government is narrower that the public sector because it excludes certain agencies and authorities; and

(ii) Primary Balance, which is the Financial Balance less interest payments and other borrowing costs of the Central Government. The primary balance is used to measure the effect of discretionary actions taken to control expenditures and increase revenues.

The Statistical Office of the European Communities, or Eurostat, published in July 2002 a decision relating to the methods of accounting for securitisations. Pursuant to the Eurostat decision, Italy will be required to account for receipts, aggregating approximately euro 6.7 billion, from certain real estate and state lottery proceeds securitisation transactions, which took place in 2001, in the three-year period 2002-2004 and not in 2001. As a result of the Eurostat decision, Italy's net borrowing for 2001 rose from 1.6 per cent. of GDP to 2.2 per cent. of GDP.

The table below shows selected public finance indicators for the periods indicated.

Selected Public Finance Indicators

	Year Ended 31 December				
	1997[(1)]	*1998*[(1)]	*1999*	*2000*	*2001*
			(millions of euro)		
General government expenditure . .	520,598	528,747	536,581	540,891	583,595
% of GDP	50.7%	49.3%	48.4%	46.4%	48.0%
General government revenues. . . .	492,875	498,549	517,164	534,628	556,797
% of GDP	48.0%	46.5%	46.7%	45.9%	45.8%
Net borrowing[(2)]	27,723	30,198	19,417	6,263	26,798
% of GDP	2.7%	2.8%	1.8%	0.5%	2.2%
Primary balance	63,383%	55,813	55,417	69,002	50,335
% of GDP	6.7%	5.2%	5.0%	5.9%	4.1%
Public debt[(3)]	1,233,683	1,248,469	1,269,594	1,287,593	1,337,528
% of GDP	120.2%	116.4%	114.5%	110.5%	109.9%

(1) Lire amounts have been converted into euro at the fixed exchange rate of Lit. 1936.27 to euro 1, which took effect on 1 January 1999. For convenience, amounts for prior years have been translated at the same rate and depict the same trends as they would had they been presented in lire.

(2) Net borrowing includes revenues from UMTS licences for the year 2002 (euro 13,815 million).

(3) Net of revenues from UMTS licences for the year 2000.

Source: For the years 1997- 2000: Annual Report of the Bank of Italy (2002). For the year 2001, ISTAT data published in August 2002, taking into account the effect of the Eurostat decision.

The improvements in the primary balance in 1998 and 1999 were primarily due to an increase in public sector revenues and lower than budgeted net borrowing as a result of the faster than envisaged fall in interest rates and the larger than expected growth in GDP. The decrease in net borrowing requirements in 2000 was due principally to extraordinary income of euro 13,815 million deriving from the sale of UMTS licences to telecommunication companies.

Governmental Objectives. The Central Government sets forth the principal policy objectives, which, since 1992, have been principally focused on reducing net borrowing and stabilising the debt-to-GDP ratio, in a four year planning document (referred to as the ''***Economic and Finance Programme Document***'').

The Economic and Finance Programme Document (*Documento di Programmazione Economica e Finanziaria*), prepared by the Treasury and presented each year to the Parliament, sets forth two sets of forecast revenues and expenditures: the first assuming no change from current policy and the second assuming the Central Government's proposed programmatic changes are adopted. The Economic and Finance Programme Document is presented to the Parliament along with the draft budget.

The 2003 – 2006 Programme Document

For the past four years Italy has been successful at meeting the ambitious targets set for fiscal consolidation, while introducing reforms to modernize the public sector and tax system. Although Italy substantially reduced its budget deficit, the ratio of public debt-to-GDP remains well above the 60 per cent. reference rate established by the Maastricht Treaty.

In July 2002, the Government finalised and presented to Parliament its 2003-2006 Programme Document, which, as its main objective, contemplates the following reforms:

- *fiscal reform*, designed to continue to reduce the tax burden in order to stimulate economic growth while reducing current expenditures to balance the lower tax revenues;
- *labour market reforms*, aimed at increasing the efficiency and liquidity of the labour market by introducing new standard forms of labour contracts, improving the flow of information relating to job opportunities, strengthening job training programs and reforming unemployment and other types of employment-related compensation; and
- *pension reform*, aimed at promoting supplementary private pension provisions and increasing the labour force participation rate of the Italian population aged 55-64.

The following table shows Italy's principal public finance targets for the years indicated, as well as the gross domestic product, inflation and unemployment assumptions underlying the 2003-2006 Programme Document.

2003 – 2006 Programme Document Objectives

	2003	*2004*	*2005*	*2006*
		(Target)		
Current account surplus, as % of GDP	2.2	2.7	2.7	3.1
Primary balance, as % of GDP	5.1	5.5	5.8	5.7
Interest expense, as % of GDP	5.9	5.8	5.7	5.5
Net borrowing, as % of GDP	(0.8)	(0.3)	0.1	0.2
Structural net borrowing, as % of GDP	(0.4)	0.1	0.2	0.2
Public debt, as % of GDP	104.5	99.8	97.1	94.4
GDP (% real growth rate)	2.9	2.9	3.0	3.0
Inflation (% real growth)	1.4	1.3	1.2	1.2
Unemployment rate (%)	8.5	8.0	7.5	6.8

Source: 2003-2006 Programme Document.

The 2003-2006 Stability and Growth Programme

In November 2002 Italy presented its update to its stability and growth programme for the period 2003-2006 ("***2002 Stability Programme***") to the Council of the EU and the EU Commission. The 2002 Stability Programme is based on the 2003-2006 Programme Document approved by Parliament in July 2002 and amended on 30 September 2002, the RPP for 2003 approved by Parliament on 30 September 2002 and the Annual Financial Law presented to Parliament for approval on 30 September 2002. The following table shows compares the principal finance indicators included in the 2002 Stability Programme:

2002 Stability Programme

	2001	*2002*	*2003*	*2004*	*2005*	*2006*
			(Percentage of GDP)			
Real GDP growth rate.	1.8	0.6	2.3	2.9	3.0	3.0
Net Borrowing, as a % of GDP. .	(2.2)	(2.1)	(1.5)	(0.6)	(0.2)	0.1
Public Debt, as a % of GDP . . .	109.9	109.4	105.0	100.4	98.4	96.4

Source: 2002 Stability Programme; Update November 2002

The Council of the EU issued opinions in February 2002 and January 2003, setting forth the following considerations associated with the achievement of the budgetary targets set forth in Italy's 2001 and 2002 Stability Programmes respectively and November 2002 Programme Update:

- short term real GDP growth forecasts were based on the assumption that global economic recovery would begin during early 2002 but the projected deficit for 2002 significantly exceeds the original objectives;
- budgetary targets in 2002 and 2003 rely heavily on one-off measures, in particular the sale of publicly-owned real estate assets, while few details are provided on the planned sizeable reduction in non-interest expenditure as percentage of GDP over the programme period;
- even assuming that such one-off measures yield the expected results, the cyclically adjusted budget position may fail to improve as planned on account of the risks to the trend budgetary projections;

Furthermore, the Council of the EU recommended that Italy:

- adopt rules allowing for a more effective monitoring and control of current expenditures at all levels;
- replace one-off measures with structural ones on the expenditure side;
- accelerate the implementation of the pension reform to control expenditure and to promote supplementary private pension provisions; and
- implement labour market reforms and accelerate the reduction of its debt ratio.

Taxation. Italy's tax structure includes taxes imposed at the Central Government and local level and provides for both direct taxation and indirect taxation through a value added tax ("***VAT***") and other transaction-based taxes. Direct taxes include income taxes, corporate taxes and local taxes. Income taxes consist of an individual tax levied at progressive rates and a corporate tax levied at a flat rate. Tax reform legislation that became effective in 1998 reduced the maximum rate payable by individuals and introduced a two-tiered system for corporate taxation. For 2001, the top individual tax rate was 45 per cent. and the corporate tax rate was 36 per cent. Corporations also pay certain local taxes, and the deductibility of those taxes for income tax purposes has been gradually eliminated over the last few years. Tax reform legislation that became effective in 1998 reduced the maximum rate payable by individuals and introduced a two-tiered system for corporate taxation.

VAT is imposed on the sale of goods and the rendering of services performed for consideration in connection with a business or profession, and on all imports of goods or services. Italy has already issued legislation to harmonise its VAT with applicable EU directives. The basic VAT rate is 20 per cent. although certain goods and services qualify for an exemption from VAT or a reduced rate. In addition to VAT, indirect taxes include customs duties, IRAP (discussed below), taxes on real estate and certain personal property, stamp taxes and excise taxes on energy consumption, tobacco and alcoholic beverages.

Low tax compliance has been a longstanding concern for the Central Government, which has adopted measures to increase compliance. Some of these measures are aimed at identifying tax evasion, and include systems of crosschecks between the tax authorities and social security agencies, public utilities and others. One of the areas of greatest concern to the Central Government is under-reporting of income by self-employed persons and small enterprises. In response to this problem, Parliament has enacted a new form of minimum income tax for self-employed persons and small enterprises. The minimum tax is determined on a presumed minimum income for such a self-employed person or small enterprise, based on location, age, organisation and type of activity. If the taxpayer does not declare the minimum income set forth, there will be an automatic intervention by the tax authorities to verify the accounts of such taxpayer. The Parliament has also enacted a new tax on enterprises' capital which may, in the case of medium- and small-sized enterprises, be levied based on assets. The Central Government's efforts to increase tax compliance during the last three years have led to an increase in the general tax base and to an improvement in compliance.

The Government enacted legislation under the tax-reforming powers it was granted, which took effect in 1998. A regional tax on productive activities (*IRAP*) was introduced in place of certain health service contributions and other various taxes. The structure of personal income tax (*IRPEF*) and the system for taxing income from financial assets was revised. A new system of corporate income tax was introduced, known as Dual Income Tax. The reforms were aimed at simplifying and rationalising the tax system, reducing the fiscal autonomy of lower levels of government and giving relief to large families. In using its delegated powers, the Government set itself the objective of keeping revenues basically unchanged. Subsequent reforms enacted in 2001 increased the fiscal autonomy of lower levels of government. See "*The Region of Lazio – Relationships between the Central and Local Governments*".

Health, Education, Labour and other Social Welfare Expenditures. The Central Government currently administers almost all the country's social security and welfare programs. These programs are funded in part by contributions from employers and employees and in part from general tax revenues. In 1997, 1998, 1999, 2000 and 2001 social services, which include pensions and other social security payments and unemployment compensation, constituted the largest share of government spending (34.1 per cent., 34.4 per cent., 35.4 per cent., 36.1 per cent. and 34.7 per cent., respectively). The overall amount of social expenditure in Italy is in line with the EU average, accounting for approximately 24.9 per cent. of GDP in 1997 and 25.7 per cent. in 1998 and 1999. However, Italy spends approximately 60 per cent. of all social expenditure on pensions, compared with the EU average of approximately 45 per cent., and approximately 4 per cent. in support of the unemployed, vocational training, families in need and other benefits, significantly less than the EU average of approximately 32 per cent. Italy's health expenditures are in line with the EU average, accounting for approximately one-fifth of total social expenditures. A key objective of the Government is to shift social spending from pensions, through reforms of the state pension system, to programs designed to increase employment.

In 1995, Parliament enacted legislation to reform the pension system and reduce pension expenditures by approximately euro 51,645,690 million over ten years. The new pension system, which will apply to all employees with 18 years or less of employment experience, has begun to be implemented and will be completed through 2013. Once phased in, each individual's pension will be determined on the basis of the contributions, adjusted for GDP growth, made to the system by the individual or by his or her employer on their behalf. No additional contributions will be made by the Central Government.

Italy has a public health service which was traditionally run principally by regional governments with funds provided by the Central Government in lieu of such transfers the Regions will be granted rights to raise certain taxes and to receive a portion of certain taxes raised by the Central Government. See "*Financial Information of the Region of Lazio – Transfers from or on behalf of the Central Government*". All local health care authorities were converted to joint stock companies in 1993 and are directed by managers with fixed-term work contracts and with pay partly contingent on performance. In response to rising costs, the Central Government began imposing charges for treatment and drugs beginning in 1998, subject to exemptions for low-income patients and for life-preserving measures.

Most children attend the state school system, and attendance is compulsory from ages six to fifteen. The Central Government has introduced programs to increase vocational and technical training. In 1997, the Central Government implemented a major reform of the education system, which among other things, increased the number of years of compulsory education from eight to ten years and imposed higher standards for the end-of-school exam.

Public Debt

Italy's public debt includes Treasury securities and borrowings, debt incurred by the social security agencies and regional and local governments and authorities and debt incurred by autonomous agencies within the state sector.

Italy's public debt as a percentage of GDP remains the highest among G7 countries. However, in 1995, the Central Government reduced the debt-to-GDP ratio for the first time in 16 years as compared to 1994 from 124.3 per cent. to 123.8 per cent. and then steadily down to 109.9 per cent. in 2001. The general government debt of Italy as of 31 December 2001, was euro 1,335,430 million, representing an increase of approximately 3.8 per cent. over 2000 as compared to increases of 1.7 per cent. and 1.2 per cent. in 1999 and 1998, respectively. Because of the substantial interest component in the annual budget, continued stabilisation will require significant reductions in expenditures.

In this section, "external debt" means debt initially incurred or issued outside Italy, regardless of the currency of denomination and "short term debt" means debt that has a maturity at issuance of up to eighteen months.

The following table summarises Italy's public debt (general government debt) as of the periods indicated:

Public Debt

	Year Ended 31 December						
	1996	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*[(2)]
			(millions of euro)				
Medium and long term debt	840,304	902,241	940,501	968,778	1,005,119	1,027,277	1,071,245
Short term debt . .	197,956	155,725	137,459	119,777	102,074	113,570	134,340
Other debts[(1)]. . . .	167,251	175,760	170,555	180,693	180,326	187,846	195,230
Total public debt. .	1,205,512	1,233,726	1,248,514	1,269,248	1,286,942	1,335,430	1,400,816
of which:							
External debt	65,462	73,809	67,292	70,691	84,380	94,050	98,791
Debt with Bank of Italy	88,323	79,965	63,693	59,396	62,398	64,283	66,058

(1) Includes postal borrowing operations, debt with banks and other liabilities.
(2) 31 November: provisional data. Source: Bank of Italy (11 February 2003).
Source: Annual Report of Bank of Italy (May 2002).

Guaranteed Debt. In addition to its direct indebtedness, Italy is also a guarantor of certain third-party indebtedness, the guarantee of which may arise either by contract or by operation of law. Italy has issued formal contractual guarantees of certain indebtedness of partially state-owned entities. In addition, under Italian commercial laws the sole shareholder of a joint stock company is liable for the indebtedness of such company incurred while wholly-owned by such shareholder. Therefore, indebtedness of joint stock companies incurred during the period that such companies are or were wholly-owned by Italy is guaranteed by Italy by operation of law. In this Offering Circular, public debt does not include debt that is guaranteed by Italy, whether by contract or by operation of law. Total guaranteed debt as of 31 December 1997, 1998 and 1999 amounted to euro 19,926 million, euro 14,184 million and euro 13,192 million, respectively. The largest part of guaranteed debt is the debt of ENEL, which as of 31 December 2000 was estimated at euro 9,800 million.

External Debt. External debt is debt initially incurred or issued outside Italy, regardless of the currency of denomination. Total external public debt as of 30 June 2002, was euro 81,819 million, as compared to euro 91,572 million as of 31 December 2001. (Source: Registration Statement filed by the Republic of Italy under Schedule B of the Securities Act of 1933 (16 January 2003)).

The following table summarises the external public debt as of 31 December in each of the years 1997 through 2001.

External Public Debt

	Year Ended 31 December				
	1997	*1998*	*1999*	*2000*	*2001*
			(millions of euro)		
External Treasury Bonds	59,800	55,506	58,397	70,048	80,082
FS Bonds[(1)]	7,870	1,981	1,862	1,683	1,741
ANAS Bonds[(2)]	809	789	782	519	516
Other State sector entities	717	1,623	1,083	672	296

Source: Registration Statement filed by the Republic of Italy under Schedule B of the Securities Act of 1933 (January 16, 2003).

(1) Securities issued by FS.

(2) Securities issued by ANAS.

The following table sets forth a breakdown of the external public debt, excluding external public debt of other State sector entities and other general government entities, by currency, as of 31 December in each of the years 1997 through 2001.

	Year Ended 31 December				
	1997	*1998*	*1999*	*2000*	*2001*
			(millions)		
EMU currencies (including ECU)	40,939	31,103	20,770	21,496	25,310
USD	24,036	26,532	24,692	29,074	30,866
Swiss Francs	1,300	2,300	3,800	5,800	6,800
Japanese Yen	1,850,000	1,650,000	1,475,000	1,675,000	1,475,000
GBP	400	700	700	1,305	2,505
Greek Drachmas[(1)]	—	20,000	100,000	—	—
Total in euro	77,162	68,500	63,503	74,306	81,825

Source: Registration Statement filed by the Republic of Italy under Schedule B of the Securities Act 1933 (January 16, 2003).

(1) Greece joined the EMU on 1 January 2001.

Debt Service. The aggregate amount of scheduled repayments in respect of the principal amount on Treasury securities constituting external debt outstanding as of 31 December 2001 was as follows:

	Year Ended 31 December			
	2002	*2003*	*2004-2009*	*2010 and after*
		(millions)		
EMU currencies (including ECU)	3,956	2,075	8,772	10,505
USD	2,575	6,366	12,675	9,250
Japanese Yen	100,000	150,000	675,000	550,000
GBP	500	0	105	1,900
Swiss Francs	0	1,000	4,300	1,500
Total in euro	8,567	11,274	32,079	29,904

Source: Registration Statement filed by the Republic of Italy under Schedule B of the Securities Act 1933 (16 January 2003).

Debt Record. Since its foundation in 1946, the Republic of Italy has never defaulted on the payment of principal on interest on any of its internal or external indebtedness.

Exchange Controls

The following discussion of exchange controls in Italy summarises relevant Italian laws in force at the date hereof, but may not contain all of the exchange control considerations that may be relevant to an investor in deciding whether to invest in the Notes.

There are no exchange controls as such in Italy restricting rights deriving from the ownership of the Notes. Residents and non-residents of Italy may effect any investments, divestments and other transactions relating to transfers of assets to or from Italy, subject only to the reporting, record-keeping and disclosure requirements described below. Residents of Italy may hold foreign currency and foreign securities of any kind, within or outside of Italy. Non-residents of Italy may invest in Italian securities without restriction and may export funds, instruments of credit or payment and securities from Italy, whether in foreign currency or lire, representing interest, dividends, other asset distributions and the proceeds of dispositions.

Certain procedural requirements, however, are imposed by law. Italian residents, as well as non-resident investors who transfer, directly or indirectly (through banks or other intermediaries) into or out of Italy, cash, investments of credit or other securities in excess of euro 10,329 must report all such transfers to the Italian Exchange Office (*Ufficio Italiano dei Cambi* or "***UIC***"). In case of indirect transfers, banks or other intermediaries are required to maintain records of all such transfers for five years (for inspection, *inter alia*, by Italian tax and judicial authorities). Non-compliance with these reporting and record-keeping requirements may result in administrative fines or, in the case of false reporting or in certain cases of incomplete reporting, criminal penalties. The UIC is required to maintain reports for a period of ten years and may use such reports, directly or through other government offices, to police money laundering, tax evasion and any other crime or violation.

Individuals, non-profit entities and informal partnerships that are residents of Italy must disclose on their annual tax returns all investments and financial assets held outside Italy, as well as the total amount of transfers to, from, within and between countries other than Italy relating to such foreign investments or financial assets, even if at the end of the taxable period such persons no longer own foreign investments or financial assets. No such tax disclosure is required if: (i) such foreign investments or financial assets are exempt from income tax; or (ii) the total value of such foreign investments of financial assets at the end of the taxable period of the total amount of the transfers effected during the fiscal year does not exceed euro 10,329. Corporate residents of Italy are exempt from such tax disclosure requirements with respect to their annual tax returns because this information is required to be discussed in their financial statements.

There can be no assurance that the present regulatory environment in or outside Italy will stay intact or that particular policies presently in effect will be maintained, although Italy is required to maintain certain regulations and policies by virtue of its membership in the European Union and other international organisations and its adherence to various bilateral and multilateral international agreements.

THE ORIGINATOR

The Originator was duly incorporated under the laws of the Republic of Italy under the name of SAN.IM. S.p.A. on 3 June 2002.

The Originator is registered as a joint stock limited liability company (*società per azioni*) with the Register of Enterprises of Rome under No. 07105781004 and is also registered in the general list held by UIC under No. 34085 pursuant to Article 106 of the Italian Banking Act.

The Originator was established pursuant to Article 8, first paragraph, of Regional Law 16/2001 with a view to injecting liquidity into the healthcare system and partially reorganising and covering the deficit accrued in healthcare management.

The Originator is a company wholly owned and controlled by the Region of Lazio. Pursuant to Article 8, second paragraph, letter (a) of Regional Law 16/2001 the Region of Lazio shall hold at least 99 per cent. of the shares in the Originator's capital and such participation shall be maintained also in the event of capital increase.

The Originator has its registered office at Via Vincenzo Bellini 22, 00198 Rome, Italy.

The Originator is managed by a sole director, Enrico Alberto Pedretti.

Members of the board of statutory auditors are the following:

- Giovanni Caravetta (president)
- Diego Maria Berruti (effective member)
- Ernesto Petti (effective member)
- Leonardo Maria Caputo (alternate member)

Pursuant to Article 8, second paragraph, letter (d) of Regional Law 16/2001 and Clauses 11 and 15 of the Originator's articles of association, the Region of Lazio is entitled, in accordance with Articles 2458 and 2459 of the Italian Civil Code, to appoint the sole director of the company as well as the majority of the members of the board of statutory auditors.

The sole object of the Originator, as set forth in Clause 4 of its articles of association and in compliance with Article 8, second paragraph, letter (b) of Regional Law 16/2001, is to engage in the purchase of the Real Estate Assets from the Healthcare Entities, the simultaneous leasing of the Real Estate Assets back to the Healthcare Entities and the assignment of the Receivables payable under the Lease Contracts to the Issuer.

No dividends have been paid and no indebtedness, other than the Originator's costs and expenses of incorporation, the recent amendment to its by-laws and the payment of dues, has been incurred by the Originator and the Originator has no employees.

THE ISSUER

The Issuer was duly incorporated under the laws of the Republic of Italy under the name of Cartesio S.r.l. on 9 February 2000.

The Issuer, a special purpose vehicle, is registered as a limited liability company (*società a responsabilità limitata*) with the Register of Enterprises of Milan under No. 06000391000 and was authorised by the Ministry of the Economy and Finance through UIC on 29 March 2000 to carry out securitisation transactions and registered in the general list of financial intermediaries held by UIC under number 31422, pursuant to Article 3 of the Securitisation Law and Article 106 of the Italian Banking Act, tax code 06000391000 and has been registered in the special register held by the Bank of Italy pursuant to Article 107 of the Italian Banking Act under number 323980.

The Issuer has its registered office at Via Pontaccio 10, 20121 Milan, Italy.

The Issuer's capital is divided in two equal quotas owned by:

- Stichting Caravaggio, with registered office at Amsteldijk 166, 1079 LH Amsterdam and registered with the Register of Enterprises of Amsterdam under No. 34136060; and
- Stichting Tiepolo, with registered office at Amsteldijk 166, 1079 LH Amsterdam and registered with the Register of Enterprises of Amsterdam under No. 34136062.

The Issuer is managed by three directors whose names are:

- Martin McDermott
- Luca Mercaldo
- Alessandro Furlan

The principal activities performed by the Directors when not acting as such in relation to the Issuer are those of directors of other companies.

The sole object of the Issuer, as set forth in Clause 3 of its articles of association and in compliance with Article 3, first paragraph, of the Securitisation Law, is to perform securitisation transactions (*operazioni di cartolarizzazione*). The Issuer has been established as a multi-purpose vehicle and, accordingly, may engage in other securitisation transactions in addition to that contemplated in this Offering Circular and at the date hereof has engaged in two other securitisation transactions. These transactions are segregated, and distinct from, and are not part of the Programme.

The first such transaction was a medium term note programme issue, Series 2001-1, euro1,000,000,000 Asset Backed Euro Medium Term Note Programme, pursuant to which the Issuer has issued three tranches of notes, payments of interest and repayments of principal on which are sourced from collections made in respect of a euro 1,000,000,000 credit facility agreement between, *inter alia*, Merrill Lynch Capital Markets Bank Limited, Milan branch as lender, Treno Alta Velocità - TAV S.p.A., as borrower, and Ferrovie dello Stato S.p.A.. The repayment obligations of TAV are supported by (i) an irrevocable undertaking pursuant to article 1273 *et seq.* of the Italian Civil Code by Ferrovie dello Stato S.p.A. to assume the indebtedness of TAV and pay directly to the lender under the credit facility agreement all amounts due under it, and (ii) a guarantee of the Republic of Italy. The final tranche under this programme matures in 2026. The notes issued under this programme were offered and sold outside the United States in accordance with Regulation S of the Securities Act and, therefore, did not give rise to a requirement of the registration of the Issuer under the Investment Company Act. Further details of this programme can be found in the Offering Circular prepared by the Issuer dated 24 January 2001 and the related supplements.

The second such transaction was an asset-backed note issue, Series 2001-2, pursuant to which the Issuer issued Tranche 1 euro 250,000,000 asset-backed floating rate notes due August 2002 and Tranche 2 euro 250,000,000 asset-backed floating rate notes due February 2004. Tranche 1 of this transaction has been redeemed in full and Tranche 2 is as of the date of this Offering Circular fully cash-collateralised. Payments of interest and repayments of principal under the notes are sourced from collections made on a loan advanced to the Region of Lazio by the Issuer. The notes issued under this programme were offered and sold outside the United States in accordance with Regulation S of the Securities Act and, therefore, did not give rise to a requirement of the registration of the Issuer under the Investment Company Act. Further details of this issue can be found in the Offering Circular prepared by the Issuer dated 21 February 2001.

All conditions required under the relevant terms and conditions of the notes of the Prior Securitisations have been satisfied for the Issuer to enter into the Programme.

Pursuant to Article 3 of the Securitisation Law, the assets relating to a particular securitisation transaction will not be made available to the holders of the Notes issued to finance any other securitisation transaction or to the general creditors of the Issuer. The Issuer will covenant to observe, *inter alia*, the restrictions which are set out in Condition 4 of the Notes in relation to its activities and any future securitisation transactions that it may undertake.

No dividends have been paid and no indebtedness, other than the Issuer's costs and expenses of incorporation, the recent amendment to its by-laws and the payment of dues, has been incurred by the Issuer and the Issuer has no employees.

Capitalisation and Indebtedness Statement

The capitalisation and indebtedness of the Issuer as at 31 December 2002 is as follows:

Capital

Equity capital issued and fully paid-up	€10,000

Indebtedness

The prospectus below shows the borrowings relative to the previous transactions in which the Issuer has entered.

The indebtedness will be reported in the *Nota Integrativa* of the Issuer as an off-balance sheet liability in relation to the Notes to be issued.

Indebtedness

Series 2001-1 Tranche 1 Asset Backed Floating Rate Notes due 2026	€400,000,000
Series 2001-1 Tranche 2 Asset Backed Floating Rate Notes due 2026	€200,000,000
Series 2001-1 Tranche 3 Asset Backed Floating Rate Notes due 2026	€400,000,000
Series 2001-2 Asset Backed Floating Rate Notes due February 2004	€250,000,000
Total indebtedness of the Issuer at the date hereof:	€1,250,000,000

Save for the foregoing, at the date of this Offering Circular the Issuer has no borrowing 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. As of 31 December 2002, there has been no material change in the capitalisation table of the Issuer.

The following is the text of a letter received by the Issuer from Deloitte & Touche S.p.A., who have acted as independent auditors of the Issuer.

"Cartesio S.r.l.
Via Pontaccio, 10
20121 Milan

Dear Sirs,

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the Offering Circular dated 4 March 2003 of the Issuer.

Basis of preparation

The financial information set out below is based on non-statutory and non-audited financial statements of the Issuer for the period running from 1 January 2002 to 31 December 2002 to which no adjustments were considered necessary.

The non-statutory and non-audited financial statements of the Issuer for the period ending on 31 December 2002 were prepared for the purposes of the Offering Circular.

The Statutory Annual Report will be prepared and submitted to the quotaholders for approval by 30 April 2003 in accordance with Italian Law and it will then be audited.

Responsibility

Such non-statutory and non-audited financial statements are the responsibility of the directors of the Issuer.

The Issuer is responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report on the basis of non-statutory and non-audited financial statements, to form an opinion on the financial information and to report our conclusions to you.

BASIS OF OPINION

We conducted our review in accordance with the Generally Accepted Italian Principles and the reporting practices. Our review included an assessment of evidence relevant to the amounts and disclosures in the financial information. We also made assessments of the significant estimates and judgements made by those responsible for preparing the non-statutory financial statements that underlie the financial information. Furthermore, we verified that the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

OPINION

In our opinion, the financial information gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Issuer as at the date stated.

Financial Information Year 2002

Balance Sheet at 31 December 2002	*Euro*
Assets	
Cash at banks	1,854.65
Other receivables	26,336.22
Intangible Assets (start-up expenses), net	1,431.61
Total assets	29,622.48
Liabilities and quotaholders' equity	
Equity Capital	10,000.00
Reserve	329.14
Other Liabilities	15,000.00
Accruals	4,293.34
Total liabilities and quotaholders' equity	29,622.48

Profit and Loss Account at 31 December 2002	*Euro*
Expenses	
Financial Expenses	80.01
Administrative Expenses	32,611.76
Amortization of Intangible Assets	477.21
Extraordinary Charges, net	13,208.70
Total Expenses	46,377.68
Revenues	
Financial Income	1.19
Expenses charged to portfolio	46,376.49
Total Revenues	46,377.68
Income (Loss) of period	00.00

NOTES TO THE FINANCIAL INFORMATION

1. Accounting Policies

Basis of preparation

The financial information has been prepared under the historical cost convention and in accordance with accounting standards currently applicable in Italy.

The notes issued by the Issuer and the acquisition of the related Receivables have been treated as off balance sheet transactions in accordance with Italian accounting purposes and the proceeds of the issue of the Notes have not therefore been shown as borrowings in the financial statements of the Issuer. We have not reported on the off balance sheet transactions.

2. Trading

The Issuer was incorporated on 9 February 2000 with the sole object to perform one or more securitisation transactions. As of the date of this letter it has already engaged in two transactions.

The first was a medium term note programme issue, Series 2001-1, euro 1,000,000,000 Asset Backed Euro Medium Term Note Programme, pursuant to which the Issuer has issued three tranches of notes, which were offered and sold outside the United States.

The second transaction was an asset-backed note issue, Series 2001-2 pursuant to which the Issuer issued Tranche 1 euro 250,000,000 asset backed floating rates notes due August 2002 totally reimbursed and Tranche 2 euro 250,000,000 asset backed floating rates notes due February 2004.

All administrative and start-up expenses that the Issuer has incurred up to the end of 2002 have been charged to the portfolio of the above mentioned transactions. It has no employees.

3. Equity Capital

The Issuer has as its sole corporate object the carrying out of one or more securitisation transactions.

The authorised equity capital of the Issuer is euro 10,000 divided into 2 quotas; one with a nominal value of euro 5,000 held by Stichting Caravaggio, and another with a nominal value of euro 5,000 held by Stichting Tiepolo. The equity capital is fully paid in.

4. Commitments

The Issuer has entered into agreements that relate to the above mentioned transactions and now into those relating to the purchase of the Portfolio of the third transaction.

5. Registration

The Issuer has obtained registrations as follows:

- Companies' Register of Milan number 06000391000
- The Italian Exchange Office (*Ufficio Italiano Cambi*) pursuant to Article 106 of the Italian Legislative Decree n. 385 1 September 1993, with the number 31422 on 29 March 2000.
- The Bank of Italy pursuant to the article 107 of the Italian Legislative Decree n. 385 1 September 1993, number 323980 on 20 September 2001.

6. Subsequent events

The Issuer intends to establish a euro 2,000,000,000 Asset Backed Euro Medium Note Programme (see further the sections headed "*The Issuer*" and "*General Information*" of the Offering Circular), under which it may from time to time issue asset backed notes denominated in USD, GBP or euro or such other currency as may be agreed to finance the purchase of receivables in accordance with Law 130/1999.

Yours faithfully,

Deloitte & Touche S.p.A.

Milan, 4 March 2003"

USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Notes will be used to purchase the corresponding Portfolio from the Originator pursuant to the relevant Receivables Purchase Agreement as further specified in the applicable Pricing Supplement.

The purchase price owed to the Originator by the Issuer under the relevant Receivables Purchase Agreement will be paid to the relevant Healthcare Entities by the Issuer on behalf of the Originator, therefore discharging the Originator's payment obligation towards the relevant Healthcare Entities under the Real Estate Purchase Agreement.

PURCHASE OF THE PORTFOLIO

The following section relating to the purchase of the Portfolio is a summary of certain provisions contained in each Receivables Purchase Agreement and the Warranty and Indemnity Deed and is qualified by reference to the detailed provisions of the terms and conditions of each Receivables Purchase Agreement and the Warranty and Indemnity Deed. Prospective Noteholders may inspect a copy of each Receivables Purchase Agreement and the Warranty and Indemnity Deed upon request at the specified office of the Luxembourg Agent.

In this section, references to "relevant Portfolio" are intended to refer to all the Receivables assigned to the Issuer in connection with the issue of any Tranche of Notes. However, as outlined in "*Summary of the Programme*", there is no segregation between any of the Receivables assigned to the Issuer pursuant to the Programme and the Portfolio available to each of the Noteholders comprises all Receivables assigned to the Issuer from time to time.

The Receivables Purchase Agreements

The Issuer and the Originator will enter into a Receivables Purchase Agreement in respect of each relevant Portfolio which comprises Receivables arising from Lease Contracts between the Originator and the Healthcare Entities, as indicated in each applicable Pricing Supplement. The sale of each Portfolio to the Issuer shall be without recourse (*pro soluto*) in accordance with Articles 1 and 4 of the Securitisation Law. Each such Receivables Purchase Agreement will be entered by way of private notarial deed (*scrittura privata autenticata*) pursuant to which the relevant Receivables will be transferred to the Issuer under Italian law in accordance with Art. 69 and 70 of Royal Decree No. 2440. The Receivables Purchase Agreement in relation to the Initial Portfolio will be entered into on or around the Closing Date.

The transfer of each relevant Portfolio from the Originator to the Issuer will be effective as between the Originator and the Issuer from (and including) each relevant Effective Date and the Issuer will be entitled to all rights, title and interest in and to the relevant Portfolio (including all Collections thereof) from (and including) such Effective Date.

Transfer under Securitisation Law

The Receivables comprised in the Portfolio have been selected by the Originator on the basis of a specific set of portfolio identification criteria set out in each Receivables Purchase Agreement.

The Region of Lazio and the relevant Healthcare Entities shall expressly accept the transfer of the Initial Portfolio and each Subsequent Portfolio, by way of signature of each relevant Receivables Purchase Agreement. Such signature shall be certified by a Notary Public so that such acceptance shall be provided with a date certain at law.

Warranty and Indemnity Deed

Representations and Warranties

On the Closing Date, the Issuer, the Originator, the Security Trustee and the Region will enter into the Warranty and Indemnity Deed under which the Originator will acknowledge that the Issuer will enter into the Transaction Documents and will issue the Notes, in each case, in full reliance upon the representations, warranties, indemnities and covenants given by the Originator and the Region under the Warranty and Indemnity Deed.

The Originator

The Originator will represent and warrant as of the Initial Effective Date, and will be deemed to have so represented and warranted as of each Subsequent Effective Date, with regard to itself as to, *inter alia*, its due incorporation, its compliance with Transaction Documents, its ability to enter into each of the Transaction Documents to which it is a party, its solvency and the accuracy of certain information provided by the Originator to the Issuer. Further it will make, or will be deemed to make, as the case may be as of each relevant Effective Date, *inter alia*, the following representations and warranties in respect of each Relevant Portfolio:

The Transfer of the Receivables contained in the Relevant Portfolio

(a) as to the accuracy of certain information provided by it in relation to each Lease Contract and the Programme including information contained herein for which it is expressed to be responsible;

(b) the transfer of the Receivables to the Issuer complies with the Securitisation Law, the Receivables are capable of being identified as a pool (*un insieme di crediti pecuniari individuabili in blocco*) within the meaning and for the purposes of the Securitisation Law and that, save as expressly provided by each Receivables Purchase Agreement, no authorisation of any nature is necessary or desirable in connection with the assignment and/or transfer of the Receivables;

The Relevant Portfolio

(a) each Lease Contract is in the possession of the Originator and is valid and effective and constitutes valid, legal and binding obligations of each party thereto enforceable in accordance with its terms and complies in all respects with applicable Italian laws and regulations in force;

(b) each authorisation of any nature which is necessary and any action which it is necessary to take, to ensure:

   (i) the validity, legality, enforceability or priority of the rights and obligations of the relevant parties to each Lease Contract; and

   (ii) the transfer and assignment by the Originator to the Issuer of the Receivables,

   has been duly obtained (with the exception of those which the Issuer is required to make or take, as the case may be in connection with each Receivables Purchase Agreement and any Transaction Documents and the publication of the required notice or notices in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale*) which will be requested within the period prescribed under each Receivables Purchase Agreement), and each such authorisation of whatever nature is not subject to conditions or to conditions precedent;

(c) each duty or tax of any kind which was payable prior to the Effective Date and which was required to be paid to ensure the validity, legality, enforceability or priority of the rights and obligations of the relevant parties to the Real Estate Purchase Agreement relating to each Lease Contract has been duly and unconditionally paid on the basis of the ruling given by the *Agenzia delle Entrate* dated 28 June 2002;

(d) each Lease Contract was entered into without any fraud (*frode*) or wilful misrepresentation (*dolo*) or undue influence by or on behalf of the Originator or any of its respective directors (*amministratori*);

(e) the Originator has maintained complete records relating to the Lease Contracts and all amounts paid thereunder and all such records are kept in the Originator's possession or held to its order;

(f) the Receivables comprised in the Portfolio are valid and existing in the amount set out in each Receivables Purchase Agreement as of each relevant Issue Date;

(g) each Receivable is governed by Italian law, is denominated in euro and may not be redenominated and is, upon transfer, fully owned by and available to the Originator and is not subject to any lien (*pignoramento*), seizure (*sequestro*), pledge (*pegno*) or other charge or right in favour of any third party;

(h) each Lease Contract was entered into in compliance, and is in compliance, with all applicable Italian laws and the granting by the Originator of its rights in respect of, and title to, the related Receivables was at all relevant times in compliance with all applicable laws;

(i) as of the relevant Effective Date, all conditions in any Lease Contract or in any other agreement to the transfer of the Receivables have been satisfied. The transfer of the Receivables to the Issuer pursuant to each Receivables Purchase Agreement shall not affect in any manner whatsoever the obligation of the relevant Lessee and of any other obligor towards the Originator;

(j) no provision in any Lease Contract (other than any provision which has been incorporated or deemed to be incorporated in that Lease Contract by, or pursuant to, any applicable, mandatory provision of Italian law):

   (i) imposes any obligation on the Originator or on the Issuer (in its capacity as owner of the Receivables) other than any obligation to release or discharge the relevant Lessee from its obligations, or entitles any relevant Lessee to any cancellation or reduction of the relevant Lease Contract subject to payment in full by the Lessee of all amounts outstanding under such Lease Contract save to the extent required by any applicable Italian law, the failure to perform which would affect the recoverability of the relevant Receivable or the enforceability of the related Lease Contract; or

(ii) adversely affects the ability of the Servicer or any successor servicer appointed in respect of the Receivables to collect and recover amounts in relation to the relevant Lease Contract;

(k) the Originator has not relieved or discharged any Lessee, or subordinated its rights to Receivables to those of other creditors thereof, or waived any rights;

(l) each Lease Contract and any other document relating thereto has been duly executed by the parties thereto;

(m) as at the relevant Issue Date, in respect of the relevant Receivables comprised in the Portfolio, all required consents have been or, as at the relevant Issue Date, will have been obtained by the Originator save for the publication of the assignment notice in the Official Gazette;

(n) as at the relevant Effective Date, the Originator had not been notified and was not aware of any event of default which has occurred under a Lease Contract or any event which would, whether or not continuing, cause the obligations of the Region as Obligor with respect thereto to cease or be revoked or affected in a manner that would be adverse to the interests of the Originator as Lessor with respect to such Lease Contract or, following the transfer thereof to the Issuer in accordance with the relevant Receivables Purchase Agreement, the Issuer;

(o) the Originator has not instituted and is not a party to any legal proceedings or Insolvency Proceedings or, with respect to the Region, any proceedings which would materially adversely affect its ability to make payments under the Payment Delegation with respect to any of the Issuer, the Region or Lessee in each case relating to a Receivable and, to the best of its knowledge, is not aware of any such Insolvency Proceedings initiated by any third party prior to the Effective Date or the appointment of any Insolvency Practitioner in respect thereof;

(p) with respect to each Lease Contract relating to a Receivable comprised in the Relevant Portfolio, as at the Effective Date or the Issue Date, no Lessee nor the Region has any claim in respect of which it has asserted any right of rescission to, or in respect of, any such Lease Contract or the operation thereof or any related agreement or in respect of any amount payable or repayable thereunder or that would render any such Lease Contract unenforceable, in whole or in part, or subject to any right of rescission; and

(q) without a change of law in Italy, no Lessee or the Obligor with respect to a Receivable comprised in the Portfolio is entitled as at the Effective Date or the Issue Date, or has threatened in writing, to repudiate, stay, limit or modify (other than with the prior consent of the Issuer) any of its obligations under or in respect of any such Lease Contract or in respect of the relevant Receivable arising thereunder.

The Region

The Region has represented and warranted as of the Initial Effective Date, and will be deemed to so represent and warrant as of each Subsequent Effective Date in respect of itself, in the terms specified in the Warranty and Indemnity Deed, and those representations and warranties include:

Status and general matters relating to the Region

(a) general warranties in respect of itself, its ability to enter into each of the Transaction Documents to which it is a party and the legal, valid and binding nature thereof, its solvency and the accuracy of certain information provided by the Region to the Issuer;

(b) the Payment Delegation under which the Region has an obligation to pay the Initial Lease Payments and the Lease Instalments due under the Lease Contracts as primary and joint-obligor in addition (without double counting) to the obligation of the Healthcare Entities is legal, valid and binding; and

(c) all the administrative proceedings relating to the entering into of the Lease Contracts and all the Transaction Documents to which the Region is a party including the adoption of any resolution relating to such contracts and the approval of the overall securitisation transaction, have been timely, validly, duly and properly carried out in accordance with all applicable laws and constitute valid and binding obligations of the Region enforceable in accordance with their terms.

Indemnity Provisions

Without prejudice to any other right arising in favour of the Issuer under any Transaction Document, each of the Originator and the Region has, on a several basis, irrevocably undertaken in the Warranty and Indemnity Deed to indemnify the Issuer and certain other persons against any and all documented damages, losses, claims (other than claims which the parties agree in good faith to be wholly vexatious), costs and expenses which arise out of or result from, *inter alia*:

(a) a default by it in the performance of any of its obligations under any Transaction Document to which it is or will become a party and any of the transactions contemplated therein or any warranty given by it under or pursuant to Clause 2 of the Warranty and Indemnity Deed (as summarised above) being misleading, untrue, incomplete or incorrect;

(b) any liability or claim raised by any third party against the Issuer, as owner of the Portfolio, and which arises out of any negligent act or omission by it relating to the Portfolio or from any failure by it to perform its obligations under any of the Transaction Documents to which it is or will become a party;

(c) the termination, avoidance or rescission of any Lease Contract (including the Payment Delegation) either by the Originator or any receiver thereof;

(d) the termination of any Swap Agreement or Swap Transaction caused by, or attributable to, the Region;

(e) the non-existence, invalidity or ineffectiveness of any Lease Contract and/or rights and/or obligations thereunder, or the non-enforceability thereof against third parties or in court;

(f) the existence of any lien (*pignoramento*), seizure (*sequestro*), pledge (*pegni*) or other encumbrance or third party right over and in respect of any of the Receivables prior to the date of publication of the notice of assignment in the Official Gazette of the Republic of Italy; and

(g) those Issuer Events of Default caused by, or attributable to, a breach by the Region of the Transaction Documents to which the Region is a party.

The indemnity obligations of the Region with regard to items (c), (e) and (f) will not exceed, in the aggregate in respect of all such claims, an amount sufficient to permit the Issuer to discharge all of its outstanding liabilities in respect of the Notes outstanding, as of the date of any such claim by the Issuer.

Covenants

The Originator has further covenanted, *inter alia*, to perform the Lease Contracts in accordance with their terms and not, in any circumstance, to terminate them or exercise any set-off or counterclaim thereunder. The Region has covenanted, *inter alia*, to comply with and perform its obligations under the Payment Delegation and to perform all such administrative acts necessary for the implementation and performance of the Transaction Documents and not to exercise any set-off or counterclaim under the Lease Contracts.

CREDIT STRUCTURE

The Notes will be obligations solely of the Issuer. In particular, the Notes will not be obligations or responsibilities of, or guaranteed by, any of the Note Trustee, the Security Trustee, the Principal Paying Agent, the Italian Agent, the Luxembourg Agent, the Transfer Agent, the Registrar, the Cash Manager, the Servicer, the Calculation Agent, the Italian Operating Bank, the English Operating Bank, any Swap Counterparty, the Servicer, the Originator, the Region of Lazio, the Corporate Servicer, the Management Services Provider, the Arrangers and Global Coordinators or the Bookrunners. Furthermore, none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

The rating of each Tranche, is linked *inter alia* to the rating of the Region of Lazio and therefore may change from time to time. The Notes issued on or around the date hereof are expected, upon issue, to be rated Aa3 by Moody's and A+ by S&P. However, each applicable Pricing Supplement will contain the rating of the Notes of each Tranche upon issue thereof. The rating of the Notes issued under the Programme is linked to the rating of the Region of Lazio, and may change from time to time and the debt obligations of the Region on or around the Closing Date are Aa3 (which rating has a negative outlook) from Moody's and A+ (which rating has a negative outlook) from S&P.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the Rating Agencies.

Subordination of Notes

All the Notes form a single class ranking *pari passu* among themselves. The Issuer will not issue any other class of notes under the Programme other than the Notes, although the Issuer may enter into Further Securitisations and has entered into two Prior Securitisations (see the section entitled "*The Issuer*").

The Issuer and the other parties to the Transaction Documents will enter into the Security and Intercreditor Deed on or before the Closing Date pursuant to which the parties will agree, *inter alia*, to subordinate their claims with respect to the Issuer and its assets in accordance with the applicable Priority of Payments.

The Conditions and the Security and Intercreditor Deed will provide that, except for certain items specified in the Priority of Payments to rank below the payments of principal and interest under the Notes, both before and after the service of an Issuer Enforcement Notice, payments by the Issuer in respect of amounts required to ensure the credit balance of Expenses Account is equal to the Target Amount, Issuer On-Balance Sheet Expenses and to Related Third Party Creditors, the Security Trustee and the Note Trustee will rank in priority to payments of both interest and principal under the Notes. The expenses and fees of the other Issuer Secured Creditors will rank *pari passu* with payments to the Noteholders.

Swap Agreement

The Lease Contracts pay on a fixed interest rate basis, where as a result of issuing Notes bearing a floating rate of interest, or the issuance of Notes the Agreed Currency of which is not euro, the Issuer is exposed to interest rate risk or exchange rate risk, respectively, the Issuer shall enter into one or more Swap Transactions in order to hedge such risk. Each such Swap Transaction will be entered into with a Swap Counterparty as specified in the applicable Pricing Supplement in accordance with and subject to the terms of a Swap Agreement entered into between the Issuer and a Swap Counterparty on or before the relevant Issue Date which, unless specified otherwise in the applicable Pricing Supplement will contain substantially the provisions set out below.

Interest Rate Swap Transaction

Where the Issuer enters into an Interest Rate Swap Transaction with a Swap Counterparty, the aggregate notional amount thereof will be equal to the amount specified and subject to any reductions as may be specified in the applicable Pricing Supplement.

The Issuer will pay a fixed amount calculated for each relevant Interest Period as specified in the applicable Pricing Supplement. In each case, such Swap Counterparty will pay a floating amount calculated by reference to the relevant six month Reference Rate applicable to the relevant Tranche of Notes for the relevant calculation period, as specified in the applicable Pricing Supplement.

Currency Swap Transaction

Where the Issuer enters into a Currency Swap Transaction with a Swap Counterparty in relation to a Tranche the Issuer will make periodic payments in euro and such Swap Counterparty will make periodic payments in the relevant Agreed Currency in which the relevant Tranche of Notes is denominated. Specific details of the payments to be made by each party shall be specified in the applicable Pricing Supplement.

Swap Agreement

Unless otherwise specified in an applicable Pricing Supplement each Swap Agreement will be subject to English law and will be drafted on the basis of the standard 1992 multicurrency cross border ISDA Master Agreement, Schedule and Cross-Currency Rate Swap Confirmation and the ISDA 2000 Definitions. Each Swap Transaction will be entered into pursuant to a Swap Agreement substantially in the form set out below. The applicable Pricing Supplement will set out any arrangements which differ from those set out below.

Payments under each Swap Agreement will be made on each Payment Date or Swap Payment Date, (if different, which will be specified in the applicable Pricing Supplement).

Neither the Issuer will nor any Swap Counterparty will be obliged to gross up any payment under any Swap Agreement from which any withholding or deduction is required to be made for tax (as defined in a Swap Agreement). Subject to the terms of the Swap Agreement, such Swap Counterparty will be entitled to terminate the swap if any withholding or deduction is applied to the amount payable to it or if it is obliged to gross up the amount of any payment to the Issuer as a result, *inter alia*, of certain changes of law or of interpretation of applicable tax law, subject to its obligations under Section 6(b)(ii) of the ISDA Master Agreement to make reasonable efforts to transfer the Swap Agreement to another office or affiliate located in a jurisdiction in respect of which such tax would no longer apply.

Unless the Swap Agreement has been previously terminated in accordance with its terms (such date being the "***Swap Termination Date***"), each Swap Agreement in respect of a Tranche will terminate on the earlier of (i) the service of an Issuer Enforcement Notice; (ii) the Payment Date being the Maturity Date for the relevant Tranche; and (iii) the redemption in full of the Notes of the relevant Tranche.

In the event that the short-term unsecured, unsubordinated and unguaranteed credit rating of a Swap Counterparty or its credit support provider is downgraded below P-1 by Moody's or the short-term unsecured, unsubordinated and unguaranteed credit rating of a Swap Counterparty or its credit support provider is downgraded below A-1 by S&P (each a "***Minimum Swap Counterparty Rating***"), such Swap Counterparty will, if the rating of the notes could be prejudiced in Moody's and S&P's opinion by such loss of the Minimum Swap Counterparty Rating, within 30 Business Days of the occurrence of the relevant event do the following, either at its option: (i) transfer all of its rights and obligations under the relevant Swap Agreement to an entity whose short-term ratings are sufficient to maintain the ratings of the Notes at the level (the "***Pre-Downgrade Ratings Level***") no lower than it would have been if such downgrade had not occurred; (ii) procure a guarantee of its obligations from an entity whose ratings are sufficient to maintain the ratings of the Notes at the Pre-Downgrade Ratings Level; or (iii) put in place appropriate mark-to-market collateral arrangements in support of its obligations under the Swap Agreement in the form and amount indicated by Moody's and S&P to be sufficient to maintain the Pre-Downgrade Ratings Level for the Notes. In each case, following the implementation of item (iii) the Swap Counterparty must continue to seek a replacement Swap Counterparty or a guarantor of its obligations in accordance with (i) and (ii) above, or take such other action as may be agreed with the Rating Agencies. The cost of putting in place each of the arrangements described in items (i), (ii) and (iii) shall be borne by the Swap Counterparty in each case. If at any time (i) the short-term unguaranteed, unsecured and unsubordinated debt obligations of the Swap Counterparty or its credit support provider cease to be rated at least P-2 by Moody's or the long-term unguaranteed, unsecured and unsubordinated debt obligations of the Swap Counterparty or its credit support provider cease to be rated at least Baa2 by Moody's, (the loss of any such rating being a "***Second Moody's Downgrade***") and, upon the prior loss of the Minimum Swap Counterparty Ratings the Swap Counterparty had posted collateral as set out above, then the Swap Counterparty will, on the next Business Day, increase the amount of collateral to a level equal to the form and amount indicated by Moody's and S&P to be sufficient to maintain the Pre-Downgrade Ratings Level for the Notes and within 30 days of the occurrence of such Second Moody's Downgrade such Swap Counterparty will use reasonable efforts, at its own cost to: (1) procure the transfer of its rights and obligations to a replacement third party with the Minimum Swap Counterparty Rating plus a rating from Moody's in respect of its long-term unguaranteed, unsecured and unsubordinated debt of at least A2, or such other rating as may be agreed with the Rating Agencies; or (2) procure another person with the Minimum Swap Counterparty Rating plus a rating from Moody's in respect of its long-term unguaranteed, unsecured and unsubordinated debt of at least A2, or such other rating as may be agreed with the Rating Agencies, to become co-obligor in respect of the obligations of the Swap Counterparty.

If a Swap Counterparty fails to take any of the measures described above within 30 Business Days of the downgrade of its credit rating below the Minimum Swap Counterparty Rating, or the occurence of a second Moody's Downgrade, as the case may be, such failure shall constitute a Termination Event (as defined in the Swap Agreement), pursuant to the terms of the Swap Agreement with respect to such Swap Counterparty, and the Issuer may therefore terminate the Swap Agreement following the occurrence of such an event subject to the prior written consent of the Note Trustee.

If a Swap Counterparty under any Swap Agreement defaults in such of its obligations as to cause the termination thereof, the Issuer shall be obliged to use its reasonable endeavours to enter into a replacement Swap Agreement within an appropriately rated entity within 30 Business Days of such default. Each such Swap Counterparty will be obliged to accede to the Security and Intercreditor Deed.

The Swap Counterparty shall be entitled to terminate a Swap Agreement following the redemption of all outstanding Notes of the relevant Tranche, the service of an Issuer Enforcement Notice or failure to pay by the Issuer. The Issuer shall only be entitled to terminate a Swap Agreement with the prior consent of the Security Trustee, to be given within two Business Days of the Termination Event.

DESCRIPTION OF THE MAIN TRANSACTION DOCUMENTS

This section contains a summary of certain provisions contained in the following Transaction Documents and is qualified by reference to the detailed provisions of the terms and conditions of those Transaction Documents. Prospective Noteholders may inspect a copy of the Transaction Documents upon request at the specified office of the Luxembourg Agent.

Servicing Agreement

Banca di Roma S.p.A. – Gruppo Bancario Capitalia will be appointed by the Issuer as the Servicer pursuant to the Servicing Agreement to be entered into on or around the Closing Date between the Issuer, Banca di Roma and SAN.IM..

The Servicer has undertaken to administer the Portfolio pursuant to the Servicing Agreement and to perform its duties thereunder in accordance with all applicable laws and regulations and pursuant to specific instructions that may be given to it by the Issuer from time to time. The Servicer has agreed to manage the Portfolio with the same diligence and care as if it were the owner of the Receivables. In return for these services, the Servicer shall be paid by the Issuer a Servicing Fee payable semi-annually in arrear subject to the relevant Priority of Payments.

Servicer Termination Events

The Issuer may terminate the appointment of the Servicer by the giving of notice on the occurrence of, *inter alia*, the following events:

(a) insolvency, dissolution, winding-up, the appointment of an administrator, liquidator or receiver or similar proceedings;

(b) any of the representations and warranties made by the Servicer being untrue or misleading in any material respect;

(c) failure by the Servicer to observe or perform any of its obligations under the Servicing Agreement or any other Transaction Document to which it is a party;

(d) determination by the Rating Agencies that the Servicer's performance of its obligations under the Servicing Agreement may cause a downgrading of the Notes; or

(e) failure by the Servicer to maintain all appropriate licences, consents, approvals, authorisations and exemptions required by it to perform its obligations under the Servicing Agreement.

Any termination will come into effect if the Issuer and the Note Trustee receive the acceptance of a successor servicer which undertakes to act as servicer under the Servicing Agreement.

The Servicer may resign as Servicer by giving six months' prior written notice to the other parties to the Servicing Agreement. Any resignation will become effective only upon acceptance of the appointment by the successor servicer under the Servicing Agreement.

The Servicer will delegate some of its functions in respect of the Collections, the Receivables and the sums which will be from time to time deposited in the Collection Account. Such functions will be undertaken by a sub-servicer (the "***Sub-Servicer***") which at the Closing Date is SAN.IM..

The Issuer will bear all documented costs and expenses properly incurred by the parties in connection with the Servicing Agreement or its preservation or enforcement.

The Servicing Agreement will be governed by the laws of the Republic of Italy.

Cash Management Agreement

Pursuant to the Cash Management Agreement, *inter alia*:

(a) the Italian Operating Bank and the English Operating Bank will agree to provide the Issuer with certain account holding services in relation to the Issuer Accounts;

(b) the Cash Manager will agree to provide the Issuer with certain cash management and investment services; and

(c) the Calculation Agent will agree to provide the Issuer with certain calculation, notification and reporting services (for further detail in relation to each please see below).

In consideration of the services so provided, each of the Operating Banks, the Cash Manager and the Calculation Agent will receive a fee payable semi-annually in arrear on each Payment Date from the Issuer, subject to the relevant Priority of Payments.

The Issuer may terminate the appointment of an Operating Bank, the Cash Manager or the Calculation Agent following the occurrence of any of the termination events specified in the Cash Management Agreement, subject to the prior consent of the Note Trustee. Any of the Operating Banks, the Cash Manager or the Calculation Agent may resign on giving 30 days' written notice to the Issuer in accordance with the Cash Management Agreement, provided that no such resignation shall be effective until a replacement has been appointed by the Issuer. The appointment of any replacement shall be subject to the prior approval of the Note Trustee (not to be unreasonably withheld or delayed).

Operating Banks and Issuer Accounts

From the Issue Date, the Issuer is required at all times, pursuant to the Security and Intercreditor Deed, to maintain the Collection Account, the Issuer Payments Account and the Securities Account which are euro-denominated accounts in its name with an Eligible Institution in England (being, as at the Issue Date, the English Operating Bank). In addition, the Issuer will maintain with an Eligible Institution in England (being, as at the Issue Date, the English Operating Bank) a Tranche Payment Account in respect of each Tranche (together with the Issuer Payments Account, the "***Payments Accounts***"), as further specified in the applicable Pricing Supplement. The Issuer has also undertaken to maintain the Expenses Account in its name with an Eligible Institution in Italy (being, as at the Issue Date, the Italian Operating Bank).

Amounts standing to the credit of each of the Issuer Accounts will bear interest which will be credited respectively by the Italian Operating Bank and the English Operating Bank to the relevant account on the first Business Day of each calendar month in accordance with their standard practice. Each Operating Bank has waived any set-off, retention and other rights in respect of the accounts of the Issuer held by it.

If at any time an Operating Bank ceases to be an Eligible Institution, the Cash Manager on behalf of the Issuer will, within 30 days of such downgrade, transfer the relevant accounts held by such bank to another Eligible Institution. Any such replacement Operating Bank shall agree to be bound by the terms of the Security and Intercreditor Deed.

Cash Manager: Cash Management and Eligible Investments

Under the terms of the Cash Management Agreement, the Cash Manager will be appointed by the Issuer to operate the Issuer Accounts, instruct the Operating Banks in relation to payments into and out of the Issuer Accounts, to reinvest on behalf of the Issuer amounts standing to the credit of the Collection Account in Eligible Investments (following investment such securities or deposits shall be known as "***Collection Account Investments***") and to perform such other ancillary duties as may be specified in the Transaction Documents.

The Cash Manager will ensure that (except for deposits with Eligible Institutions) all Collection Account Investments are deposited in the Securities Account and that on each Calculation Date the amounts realised from the relevant investments are re-credited to the respective accounts of the Issuer from which such investments were purchased. The Cash Manager will undertake to keep records of all Collection Account Investments made by it on behalf of the Issuer.

The Cash Manager warrants and undertakes on the Issue Date that, *inter alia*, it is duly authorised under all applicable laws and regulations to perform its obligations and to provide the services contemplated under the Transaction Documents and will remain so authorised for as long as the Notes are outstanding.

Calculation Agent, Payments Report and Investor Report

Under the terms of the Cash Management Agreement, the Calculation Agent will be appointed by the Issuer, and will undertake, *inter alia*:

(a) to prepare, in respect of each Calculation Date, the Payments Report (to be delivered to the Issuer, the Cash Manager, the Servicer, the Originator, the Region, the Arrangers and Global Coordinators, the Corporate Servicer, the Operating Banks, each Swap Counterparty, the Agents, the Security Trustee and the Note Trustee not later than one Business Day thereafter);

(b) to prepare, in respect of each Payment Date, the Investor Report (to be delivered to the Issuer, the Corporate Servicer, the Management Services Provider, the Region, the Arrangers and Global Coordinators, the Bookrunners, the Rating Agencies, the Operating Banks, any Swap Counterparty, the Cash Manager, the Servicer, the Agents, the Originator, the Region, the Security Trustee and the Note Trustee not later than the tenth Business Day thereafter);

(c) to maintain certain books and records on behalf of the Issuer; and

(d) to provide certain other incidental calculation services to the Issuer, the Security Trustee and the Note Trustee specified under the Transaction Documents.

Subject to the receipt by the Calculation Agent of the relevant information from the other parties to the Programme, the Payments Report will contain, *inter alia*, details of the calculation of the Principal Amount Outstanding under the Notes, the interest due and payable on the succeeding Payment Date, the Issuer Available Funds and Receipts as at the preceding Calculation Date and the Collection Account Investments made in the Calculation Period immediately preceding the relevant Calculation Date, the balance of each of the Issuer Accounts and the payments or provisions to be made in respect thereof on the succeeding Payment Date in respect of the items under the Priority of Payments or which have been made during the preceding Interest Period.

The Investor Report will contain the same information as the Payments Report but will refer to payments made, balances available and funds received as of the Payment Date preceding the date of delivery of the Investor Report.

Flow of Funds

Pursuant to the Security and Intercreditor Deed and the Cash Management Agreement the Issuer will only be permitted to pay moneys to and to withdraw moneys from the Issuer Accounts for the purpose of applying such moneys in accordance with the provisions of the Security and Intercreditor Deed (see "*Description of the Main Transaction Documents – Security and Intercreditor Deed*") and the other Transaction Documents.

The Cash Management Agreement provides as follows:

(i) all Collections will be directly credited semi-annually by or on behalf of the Region into the Collection Account on each Calculation Date. Funds from the Collection Account may be used to make Eligible Investments, which, following purchase thereof, are Collection Account Investments. Such investments and their proceeds will be deposited in the Securities Account and will be liquidated at least 3 Business Days before each Payment Date;

(ii) on the Closing Date and on each Payment Date, sufficient funds will be deposited in the Expenses Account in accordance with the applicable Priority of Payments so that its credit balance after such deposit equals the Target Amount. Amounts may be transferred out of the Expenses Account to pay the Issuer On-Balance Sheet Expenses; and

(iii) funds required for making payments to Issuer Secured Creditors (including under Swap Agreements), in accordance with the applicable Priority of Payments, will be transferred into the Issuer Payments Account from the Collections Account (or the Securities Account, as the case may be) one Business Day prior to each Payment Date. Funds required for making payments to Noteholders will be paid into the applicable Tranche Payment Account one Business Day prior to the Payment Date by the relevant Swap Counterparty or Swap Counterparties pursuant to the relevant Currency Swap Transaction(s). Payments will be made from the Issuer Payments Account and each Tranche Payment Account on each Payment Date in accordance with the applicable Priority of Payments.

Agency Agreement

Pursuant to an agreement to be entered into on or around the Closing Date between the Agents, the Note Trustee, the Security Trustee and the Issuer (the "***Agency Agreement***"), the Principal Paying Agent the Italian Agent, the Luxembourg Agent, the Transfer Agent and the Registrar will agree to provide the Issuer with, among other services (as more fully set out in the Agency Agreement), in the case of the Principal Paying Agent, the completion, authentication and delivery of Global Notes and (if required) the authentication and delivery of definitive Registered Notes, the exchange of Global Notes for definitive Registered Notes in accordance with the terms of Global Notes and making all notations on Global Notes required by their terms, the payment of sums due on Global Notes, definitive Registered Notes and (unless otherwise specified in the applicable Supplement) determining the interest and/or other amounts payable in respect of the Notes in accordance with the Conditions; in the case of the Italian Agent, with certain agency and payments services in relation to the payments to be effected in favour of the Noteholders; and in the case of the Luxembourg Agent, with certain agency services in relation to the listing of the Notes on the Luxembourg Stock Exchange.

Programme Agreement

Under the Programme Agreement, the issue of any Tranche of Notes is subject to satisfaction of certain conditions precedent including, but not limited to:

(a) the Luxembourg Stock Exchange, authority or authorities having agreed to list the Notes being issued, subject only to the issue of such Notes;

(b) Moody's and S&P having agreed to rate the Notes being issued, subject only to the issue of such Notes;

(c) there having been no Issuer Event of Default at the Issue Date, and no event which would constitute an Event of Default after the Issue Date, in relation to any outstanding Note;

(d) there having been no termination of any Lease Contract or revocation of the Payment Delegation;

(e) the Payment Delegation remaining in full force and effect; and

(f) the delivery by the Issuer and the Region of Lazio of no material adverse change certificates;

The Programme Agreement sets out the procedure for the appointment of Bookrunners by the Issuer, and the termination of the appointment of Bookrunners by the Issuer or by the relevant Bookrunner itself. The appointment may be made by the execution of a Subscription Agreement substantially in the form attached to the Programme Agreement. New Bookrunners may be appointed at any time during the duration of the Programme or solely for the purposes of a particular Tranche in each case as will be further described in the applicable Pricing Supplement.

The Programme Agreement provides that any Bookrunner, as specified, may stabilise the market price of the Notes. Such Bookrunner in relation to any Tranche will be as specified in the applicable Pricing Supplement in relation to that Tranche.

Under the Programme Agreement, the Issuer, the Originator and the Region of Lazio undertake certain indemnity obligations in favour of the Bookrunners, including in respect of any untrue or misleading statement in, or any omission from, (i) the Offering Circular or (ii) other written information provided by the Issuer, the Originator on the Region of Lazio to the Bookrunners.

Certain of the representations, warranties and covenants given by the Bookrunners are described in the section "*Subscription and Sale*", below.

Security and Intercreditor Deed

Security and Segregation of the Portfolio

By operation of Italian law, the Issuer's right, title and interest in and to the Portfolio will be segregated from all other assets of the Issuer and amounts deriving therefrom will only be available, both prior to and following, a winding up of the Issuer, to satisfy the obligations of the Issuer to the holders of the Notes then outstanding and to the other Issuer Secured Creditors and Related Third Party Creditors. The Noteholders (and following redemption of the Notes, the other Issuer Secured Creditors) may instruct the Security Trustee to sell the Portfolio upon the service of an Issuer Enforcement Notice, and to apply the proceeds of such a sale toward the satisfaction of the Issuer's obligations under the Notes and the other Transaction Documents. The Issuer will not create any Security Interest over its right, title and interest in and to the Portfolio or its rights under the Transaction Documents other than as contemplated by the Transaction Documents.

On or about the Issue Date, the Issuer, the Originator, the Security Trustee (for itself and on behalf of the Issuer Secured Creditors), the Note Trustee (for itself and as Note Trustee), the Servicer, the Cash Manager, the Calculation Agent, the Italian Operating Bank, the English Operating Bank, the Agents, the Corporate Servicer, the Management Services Provider, each Swap Counterparty, each Bookrunner and the Arrangers and Global Coordinators will enter into a Security and Intercreditor Deed pursuant to which the parties thereof shall agree on the cash flow allocation of the proceeds in respect of the Portfolio and the other Issuer Available Funds and on the Priority of Payments and the Security Trustee, for itself and on behalf of the Noteholders and other Issuer Secured Creditors, shall be granted certain rights in relation to the Portfolio.

Pursuant to the Security and Intercreditor Deed, the Issuer will grant to the Security Trustee (for itself and/or on behalf of the Issuer Secured Creditors) the English Issuer Security and pursuant to each Pledge Agreement the Issuer will grant to the Security Trustee (for itself and/or on behalf of the Issuer Secured Creditors) the Italian Issuer Security. See further, "*Summary of Terms and Conditions of the Notes*". The Issuer Security will become enforceable after the service of an Issuer Enforcement Notice following the occurrence of an Issuer Event of Default.

Negative Pledge

The Issuer covenants in Condition 4 of the Notes and in the Security and Intercreditor Deed that, for so long as any amount remains outstanding in respect of the Notes, save with the prior written consent of the Note Trustee, or as expressly provided in any of the Transaction Documents, it shall not, nor shall it to the extent permitted by Italian law, call quotaholders' meetings to, create or permit to subsist, any Security Interest whatsoever over the Programme Assets or sell, lend or otherwise dispose of all or any part of the Programme Assets.

Except as expressly provided for under the terms of any Transaction Document, no Issuer Secured Creditor may exercise, take or permit to subsist any Security Interest (howsoever arising) over the Issuer's assets securing the obligations owed to it by the Issuer.

Pre-Enforcement Priority of Payments

Prior to the service of an Issuer Enforcement Notice, the Issuer will, on each Payment Date, apply all Issuer Available Funds to the items and in the order of priority set out in the Pre-Enforcement Priority of Payments. See further, "*Summary of the Programme – Pre-Enforcement Priority of Payments*".

The amounts to be paid under each individual item in the Pre-Enforcement Priority of Payments on any Payment Date will be determined by the Calculation Agent on each Calculation Date falling two Business Days prior to each such Payment Date. See further, "*Cash Management Agreement – Calculation Agent, Payments Report and Investor Report*".

Enforcement Priority of Payments

Following the service on the Issuer of an Issuer Enforcement Notice, the Issuer will apply all amounts received by it and/or the Security Trustee or the Note Trustee in respect of the Portfolio and the Issuer Security, respectively, to the items and in the order of priority set out in the Enforcement Priority of Payments at Condition 6.3. The Note Trustee may serve an Issuer Enforcement Notice following the occurrence of an Issuer Event of Default and shall do so if requested by any one Noteholder. Any one Noteholder may also require the Note Trustee to instruct the Security Trustee, subject to it being indemnified to its satisfaction, to proceed directly against the Region in respect of any obligations owed by it to the Issuer, Security Trustee or Issuer Secured Creditors following the service of an Issuer Enforcement Notice.

Related Third Party Creditors and Issuer On-Balance Sheet Expenses

Under the Security and Intercreditor Deed, the Issuer (or, as the case may be, the Cash Manager acting on its behalf) may at any time liquidate the Collection Account Investments and/or apply any Receipts and/or the amounts standing to the credit of the Collection Account or the Payments Accounts in priority to or *pari passu* with any item set out in the Pre-Enforcement Priority of Payments in order to pay, when required by applicable law, any amount payable (but not provided for) under item (a) of the Pre-Enforcement Priority of Payments to Related Third Party Creditors and in respect of Issuer On-Balance Sheet Expenses.

The Corporate Servicer, the Management Services Provider and the Issuer undertake in the Security and Intercreditor Deed to pay the Issuer On-Balance Sheet Expenses exclusively out of the Expenses Account and are permitted under the Security and Intercreditor Deed to make withdrawals from the Expenses Account for this purpose. The Expenses Account will be funded on the Closing Date out of the proceeds of the issue of the Notes with the Target Amount. On each Payment Date the balance of the Expenses Account will be replenished out of Issuer Available Funds up to the Target Amount, in accordance with the relevant Priority of Payments.

Settlement of the Purchase of Portfolio

The Issuer will be permitted under the Security and Intercreditor Deed to apply funds standing to the credit of the Collection Account and/or the Issuer Payments Account in making payments to settle the purchase price of the relevant Portfolio on each relevant Issue Date.

Covenants of the Issuer

Under the Security and Intercreditor Deed, the Issuer will undertake to pay and discharge duly and punctually its obligations to the Noteholders under the Notes and its obligations to the other Issuer Secured Creditors under the Transaction Documents in accordance with the terms thereof. As a separate and independent covenant, the Issuer covenants to the Security Trustee pursuant to the Security and Intercreditor Deed that if it fails to pay or to discharge duly and punctually any such obligation, following the service of an Issuer Enforcement Notice, it will pay an amount equal to the amount of such obligation to the Security Trustee or to its order, and such payment shall, to the extent of the amount irrevocably and unconditionally paid, reduce and/or discharge *pro tanto* an amount owed by the Issuer with respect to such obligation. Any such reduction or discharge of any amount owed by the Issuer with respect to any such obligation shall be deemed subject to the condition that it will be void if any payment made to the Security Trustee is set aside under any applicable law or proves for any reason invalid or void.

In addition to covenanting to the Issuer Secured Creditors in the same terms as in Condition 4 of the Notes, the Issuer will undertake in the Security and Intercreditor Deed (in summary) to preserve and maintain the legality, validity, enforceability and priority of the Issuer Security and to ensure that the Security Trustee (as agent of the Issuer Secured Creditors) is granted a first ranking fixed security interest over all Collection Account Investments as security for the Issuer's obligations under the Transaction Documents and the Notes to the Issuer Secured Creditors as more particularly described in the Security and Intercreditor Deed.

No other Enforcement Rights

The Security Trustee may, in the name and on behalf and also in the interest of the Issuer Secured Creditors and for the benefit of the Noteholders, *inter alia*, enter into each Pledge Agreement the Security and Intercreditor Deed and any further security required to be entered into in connection with any relevant Portfolio. With effect from the date when the Notes have become due and payable, the Security Trustee may exercise all of the Issuer Secured Creditors' right, title and interest in and to and in respect of the assets charged under each Pledge Agreement and the Security and Intercreditor Deed and do any act, matter or thing which it considers necessary for the protection of the Issuer Secured Creditors' rights under any of the Transaction Documents including the power to receive from the Issuer any and all monies payable by the Issuer to any Issuer Secured Creditor and seek legal proceedings against the Issuer. The acts of the Security Trustee will be binding upon the Issuer Secured Creditors.

Non-Petition

Each of the Issuer Secured Creditors (including the Noteholders) will agree that, unless one year has elapsed from the full redemption of all of the Notes and of any notes issued in relation to any Further Securitisation or Prior Securitisation it shall not commence Insolvency Proceedings against it. At any time after the Notes shall have become due and repayable and the security created by or pursuant to each Pledge Agreement and the Security and Intercreditor Deed shall have become enforceable, none of the Noteholders nor any Issuer Secured Creditor will be entitled to proceed directly against the Issuer unless the Security Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.

Each of the Issuer Secured Creditors has further acknowledged and agreed that it shall not at any time exercise any right of set-off in respect of its obligations against the Issuer pursuant to the Transaction Documents.

Limited Recourse

Under the Security and Intercreditor Deed, each of the Issuer Secured Creditors and, pursuant to the Conditions, the Noteholders, will agree and acknowledge that its claims in respect of the obligations owed by the Issuer shall (whether before or after the service of an Issuer Enforcement Notice and the occurrence of an Issuer Event of Default) be subordinated to the claims of those creditors whose claims rank or are expressed to rank in priority to the claims of such Issuer Secured Creditor or Noteholders pursuant to the terms of the Security and Intercreditor Deed, the Conditions or by operation of law. Each Issuer Secured Creditor and each Noteholder will further agree and acknowledge that the obligation of the Issuer to make payments to the Issuer Secured Creditors and the Noteholders under the Transaction Documents will be limited to the amounts received by the Issuer in respect of the Portfolio, the Issuer Security and the Transaction Documents.

English Law Security

As security for its obligations to the Noteholders and the other Issuer Secured Creditors under the Notes and the other Transaction Documents, the Issuer will grant a first fixed charge in favour of the Security Trustee for itself and on behalf of the Issuer Secured Creditors over certain of its assets, other than the Portfolio, including the Collection Account, the Securities Account, each Payment Account and all Collection Account Investments.

The Issuer will also assign by way of security to the Security Trustee all its right, title, interest and benefit, present and future in the following Transaction Documents (the "***Issuer English Assigned Agreements***"):

(a) the Cash Management Agreement;

(b) each Swap Agreement;

(c) each Swap Transaction;

(d) the Master Definitions and Framework Deed;

(e) the Programme Agreement and each Subscription Agreement entered into pursuant thereto;

(f) the Agency Agreement;

(g) the Warranty and Indemnity Deed; and

(h) certain other English law governed contracts, agreements, deeds and documents, present and future, to which the Issuer is or may become a party or in respect of which it has or may have any rights, including any Swap Security.

Further, the Issuer will grant a floating charge over all its assets relating to the Programme excluding the Portfolio, such assets as are otherwise secured as described above and such assets as are located in a jurisdiction where such security is not lawful.

The English Issuer Security will become enforceable following the service of an Issuer Enforcement Notice. The Security Trustee will hold the benefit of the English Issuer Security referred to above, together with the covenants given to it as Security Trustee under the Transaction Documents for the benefit of the Issuer Secured Creditors to secure the Issuer's obligations.

The Security and Intercreditor Deed will be governed by, and construed in accordance with, English law. The Courts of England will have exclusive jurisdiction in relation to any disputes arising in connection with the Security and Intercreditor Deed.

Italian Issuer Security – Pledge Agreement

As security for the covenant by the Issuer to perform its obligations under the Notes and other Transaction Documents, under the terms of each Pledge Agreement, the Issuer will grant in favour of the Noteholders and the other Issuer Secured Creditors an Italian law pledge over all the Issuer's rights under, (i) in the case of the First Pledge Agreement, the Receivables Purchase Agreement entered into on the Closing Date (other than the Portfolio and the relevant Collections) and the Servicing Agreement and, (ii) in the case of any further Pledge Agreement, the relevant Receivables Purchase Agreement (other than the relevant Receivables and the relevant Collections) entered into in respect of the relevant further Tranche, all as more particularly described in each Pledge Agreement.

In case of breach by the Issuer of any of its obligations under the Notes and/or any of the Transaction Documents, the Italian Issuer Security will become enforceable if the Issuer has not performed any such obligations within five Business Days following the service of the relevant Issuer Enforcement Notice.

Each Pledge Agreement will be governed by, and construed in accordance with, Italian law. The Courts of Rome will have exclusive jurisdiction in relation to any disputes arising in connection with each Pledge Agreement.

Each Pledge Agreement will be in English and will provide that the version of each Pledge Agreement in English will prevail in the case of any conflict between it and any Italian translation thereof.

NOTICE TO INVESTORS

Offers and Sales by the Purchasers

As noted under "*Subscription and Sale – United States*", the Issuer has not been and will not be registered under the Investment Company Act and the Notes have not been and will not be registered under the Securities Act. The Issuer is not required to register under the Investment Company Act by virtue of Section 3(c)(7) of the Investment Company Act which, in general, excludes from the definition of an investment company any issuer whose outstanding securities are owned exclusively by persons who are Qualified Purchasers (as such term is defined in the Investment Company Act) and that has not made a public offering of its securities. Consequently, the Notes may only be offered, sold, resold, delivered or transferred (A) within the United States or to, or for the account or benefit of, U.S. persons, in a transaction made in compliance with Rule 144A under the Securities Act to persons that are both QIBs and Qualified Purchasers or (B) outside the United States to persons that are not U.S. persons in offshore transactions in reliance on Rule 903 or 904 of Regulation S.

By its purchase of the Notes, each purchaser of the Notes (each initial purchaser, together with each subsequent transferee are referred to herein as the "***Purchaser***") will be deemed to have represented and agreed to the following (undefined terms used in this section that are defined in Rule 144A or in Regulation S are used herein as defined therein):

1. **Purchaser Requirements**. The Purchaser: (i)(A) is an Eligible Investor (as defined below), (B) will hold at least the minimum denomination of the Agreed Currency as set out in the relevant Pricing Supplement, (C) will provide notice of applicable transfer restrictions to any subsequent transferee, and (D) is purchasing for its own account or for the accounts of one or more other persons each of whom meets all of the requirements of clauses (A) through (D), or (ii) is not a U.S. person and is acquiring the Notes pursuant to Rule 903 or 904 of Regulation S. "Eligible Investors" are defined for the purposes hereof as persons who are QIBs and Qualified Purchasers acting for their own account or for the account of other QIBs and Qualified Purchasers and excludes therefrom: (i) QIBs that are broker dealers that own and invest on a discretionary basis less than USD 25 million in "securities" as such term is defined under Rule 144A, (ii) a partnership, common trust fund, special trust, pension fund, retirement plan or other entity in which the partners, beneficiaries or participants, as the case may be, may designate the particular investments to be made, or the allocation thereof unless all such partners, beneficiaries or participants are Qualified Purchasers for the purposes of the Investment Company Act, (iii) an entity that was formed, reformed or recapitalised for the specific purpose of investing in the Notes, (iv) any investment company excepted from the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof and formed prior to 30 April, 1996, that has not received the consent of its beneficial owners with respect to the treatment of such entity as a qualified purchaser in the manner required by Section 2(a)(51)(C) of the Investment Company Act and rules thereunder and (v) any entity that will have invested more than 40 per cent. of its assets in the securities of the Issuer subsequent to any purchase of the Notes. The Purchaser acknowledges that each of the Issuer and the Note Trustee reserves the right prior to any sale or other transfer to require the delivery of such certifications, legal opinions and other information as the Issuer or the Note Trustee may reasonably require to confirm that the proposed sale or other transfer complies with the foregoing restrictions.

2. **Notice of Transfer Restrictions.** Each Purchaser acknowledges and agrees that (A) the Notes have not been and will not be registered under the Securities Act and the Issuer has not been registered as an "investment company" under the Investment Company Act, (B) neither the Notes nor any beneficial interest therein may be re-offered, resold, pledged or otherwise transferred except in accordance with the provisions set forth herein and (C) the Purchaser will notify any transferee of such transfer restrictions and that each subsequent holder will be required to notify any subsequent transferee of such Notes of such transfer restrictions.

3. **Mandatory Transfer/Redemption in the event of Violation of Transfer Restrictions.** Each Purchaser acknowledges and agrees that in the event that at any time the Issuer determines (or is notified by a person acting on behalf of the Issuer) that such Purchaser was in breach, at the time given or deemed to be given, of any of the representations or agreements set forth herein or otherwise determines that any transfer or other disposition of any Notes would, in the sole determination of the Issuer or the

Note Trustee acting on behalf of the Issuer, require the Issuer to register as an "investment company" under the provisions of the Investment Company Act, such purchase or other transfer will be void ab initio and will not be honoured by the Note Trustee. Accordingly, any such purported transferee or other holder will not be entitled to any rights as a Noteholder and the Issuer shall have the right to force the transfer of, or redeem, any such Notes.

4. **Legends on the Notes.** Each Purchaser acknowledges that each of the Notes will bear legends substantially to the effect set forth below and that the Issuer has covenanted in the Master Trust Deed not to remove either such legend so long as it shall be necessary for the Issuer to rely on the exemption from the Investment Company Act set forth in Section 3(c)(7) thereof.

5. **Regulation S Transfers.** If the Purchaser has acquired the Notes in a sale or other transfer being made in reliance upon Regulation S, the Purchaser agrees that it will not offer, resell, pledge or otherwise transfer such Notes to or for the account or benefit of any U.S. person other than to a person meeting the requirements set forth above and in the legend set forth below appearing on the Regulation S Global Notes.

6. **Rule 144A Information.** Each Purchaser of Notes offered and sold in the United States under Rule 144A is hereby notified that the offer and sale of such Notes to it is being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A. The Issuer has agreed to furnish to investors upon request such information as may be required by Rule 144A.

7. **ERISA.** If the Purchaser is a U.S. person purchasing an interest in a Rule 144A Global Note or Definitive Registered Rule 144A Note, (1) no part of the assets used to purchase such Notes constitutes assets of any person who is or while the Notes are held will be an employee benefit plan subject to Title I of ERISA or plan subject to Section 4975 of the Code (or any other employee benefit plan subject to any federal, state, local or foreign law substantially similar to Section 406 of ERISA or Section 4975 of the Code) (a "***Plan***"), or (2) part or all of the assets used to purchase such Note constitutes assets of a Plan and the purchase and holding of such Note will not constitute or result in a non-exempt prohibited transaction.

8. **Amendments.** Each Purchaser acknowledges that the Notes and related documentation may be amended or supplemented from time to time to modify the restrictions on and procedures for resales and other transfers of the Notes to reflect any change in applicable law or regulation (or the interpretation thereof) or in practices relating to the resales or transfer of securities such as the Notes generally, and that it will be deemed, by its acceptance of such Notes, to have agreed to any such amendment or supplement.

9. **Representations and Warranties.** Each Purchaser agrees that it will promptly (i) inform the Issuer if, during any time it holds a Note, there shall be any change in the representations and warranties contained above or if they shall become false for any reason (other than the representations that the purchaser is both a Qualified Purchaser and a Qualified Institutional Buyer, which representations need be accurate only on the date of the acquisition of a Note) and (ii) deliver to the Issuer such other representations, warranties and agreements as to such matters as the Issuer may, in the future, request in order to comply with applicable law and the availability of any exemption therefrom (including, if deemed necessary by the Issuer, a reaffirmation of its status as both a Qualified Purchaser and a Qualified Institutional Buyer).

10. **Disclosure of participants' identities.** Each Purchaser understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries, and that those participants may further disclose to the Issuer the names and positions of holders of its securities.

11. **Submission to jurisdiction of the Courts of the State of New York**. Each Purchaser of a Rule 144A Global Note or Definitive Registered Rule 144A Note agrees to submit to the jurisdiction of the Courts of the State of New York.

12. **Legend on Rule 144A Global Notes and Definitive Registered Rule 144A Notes.** Each Note will bear a legend substantially to the following effect:

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS AND THE

ISSUER (AS DEFINED IN THE MASTER TRUST DEED) HAS NOT BEEN REGISTERED AS AN "INVESTMENT COMPANY" UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT").

BY PURCHASING THE NOTES, EACH HOLDER OF ANY BENEFICIAL INTEREST HEREIN WILL BE DEEMED TO HAVE REPRESENTED FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE NOTES THAT IT (I)(A) IS AN "ELIGIBLE INVESTOR" (AS DEFINED BELOW), (B) WILL HOLD AT LEAST THE MINIMUM DENOMINATION OF EURO 100,000, USD 100,000 OR GBP 100,000 AS THE CASE MAY BE, (C) WILL PROVIDE NOTICE OF APPLICABLE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREE, (D) IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNTS OF ONE OR MORE OTHER PERSONS EACH OF WHOM MEETS ALL OF THE PRECEDING REQUIREMENTS, (E) AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST HEREIN TO ANY PERSON EXCEPT TO A PERSON THAT MEETS ALL OF THE PRECEDING REQUIREMENTS AND AGREES NOT TO SUBSEQUENTLY TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST HEREIN EXCEPT IN ACCORDANCE WITH THIS CLAUSE (E) OR (II) IS NOT A U.S. PERSON AND IS ACQUIRING THE NOTES PURSUANT TO RULE 903 OR 904 OF REGULATION S. IN THE EVENT OF ANY TRANSFER PURSUANT TO THE PRECEDING CLAUSE (II), (1) THE TRANSFEREE WILL BE REQUIRED TO HAVE THE NOTES SO TRANSFERRED TO BE REPRESENTED BY AN INTEREST IN THE REGULATION S GLOBAL NOTE (AS DEFINED IN THE MASTER TRUST DEED); (2) THE TRANSFEROR WILL BE REQUIRED TO DELIVER A REGULATION S TRANSFER CERTIFICATE (THE FORM OF WHICH IS AVAILABLE FROM THE REGISTRAR), AND (3) THE TRANSFEREE WILL BE REQUIRED TO CERTIFY AS TO ITS STATUS AS A NON-U.S. PERSON.

"ELIGIBLE INVESTORS" ARE DEFINED FOR THE PURPOSES HEREOF AS PERSONS WHO ARE QIBS AND QUALIFIED PURCHASERS ACTING FOR THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF OTHER QIBS AND QUALIFIED PURCHASERS AND EXCLUDES THEREFROM: (I) QIBS THAT ARE BROKER DEALERS THAT OWN AND INVEST ON A DISCRETIONARY BASIS LESS THAN USD 25 MILLION IN "SECURITIES" AS SUCH TERM IS DEFINED UNDER RULE 144A, (II) A PARTNERSHIP, COMMON TRUST FUND, SPECIAL TRUST, PENSION FUND, RETIREMENT PLAN OR OTHER ENTITY IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS THE CASE MAY BE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE OR THE ALLOCATION THEREOF, UNLESS SUCH PARTNERS, BENEFICIARIES OR PARTICIPANTS ARE QUALIFIED PURCHASERS FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT (III) AN ENTITY THAT WAS FORMED, REFORMED OR RECAPITALISED FOR THE SPECIFIC PURPOSE OF INVESTING IN THE NOTES, (IV) ANY INVESTMENT COMPANY EXCEPTED FROM THE INVESTMENT COMPANY ACT PURSUANT TO SECTION 3(C)(1) OR SECTION 3(C)(7) THEREOF AND FORMED PRIOR TO 30 APRIL 1996, THAT HAS NOT RECEIVED THE CONSENT OF ITS BENEFICIAL OWNERS WITH RESPECT TO THE TREATMENT OF SUCH ENTITY AS A QUALIFIED PURCHASER IN THE MANNER REQUIRED BY SECTION 2(A)(51)(C) OF THE INVESTMENT COMPANY ACT AND RULES THEREUNDER AND (V) ANY ENTITY THAT WILL HAVE INVESTED MORE THAN 40 PER CENT. OF ITS ASSETS IN THE SECURITIES OF THE ISSUER SUBSEQUENT TO ANY PURCHASE OF THE NOTES.

THE PURCHASER ACKNOWLEDGES THAT EACH OF THE ISSUER AND THE NOTE TRUSTEE RESERVES THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER TO REQUIRE THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER OR THE NOTE TRUSTEE MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS. EACH HOLDER OF A BENEFICIAL INTEREST IN THIS NOTE ACKNOWLEDGES THAT IN THE EVENT THAT AT ANY TIME THE ISSUER DETERMINES OR IS NOTIFIED BY A PERSON ACTING ON BEHALF OF THE ISSUER THAT SUCH PURCHASER WAS IN BREACH, AT THE TIME GIVEN OR DEEMED TO BE

GIVEN, OF ANY OF THE REPRESENTATIONS OR AGREEMENTS SET FORTH IN THIS LEGEND OR OTHERWISE DETERMINES THAT ANY TRANSFER OR OTHER DISPOSITION OF ANY NOTES WOULD, IN THE SOLE DETERMINATION OF THE ISSUER OR A PERSON ACTING ON ITS BEHALF, REQUIRE THE ISSUER TO REGISTER AS AN "INVESTMENT COMPANY" UNDER THE PROVISIONS OF THE INVESTMENT COMPANY ACT, SUCH PURCHASE OR OTHER TRANSFER WILL BE VOID AB INITIO AND WILL NOT BE HONOURED BY THE NOTE TRUSTEE. ACCORDINGLY, ANY SUCH PURPORTED TRANSFEREE OR OTHER HOLDER WILL NOT BE ENTITLED TO ANY RIGHTS AS A NOTEHOLDER AND THE ISSUER SHALL HAVE THE RIGHT, IN ACCORDANCE WITH THE CONDITIONS OF THE NOTES, TO FORCE THE TRANSFER OF, OR REDEEM, ANY SUCH NOTES.

IF IT IS PURCHASING OR OTHERWISE ACQUIRING NOTES FROM A MANAGER, IT REPRESENTS AND WARRANTS THAT IT HAS RECEIVED THE OFFERING CIRCULAR DATED 4 MARCH 2003 RELATING TO THE NOTES (THE "OFFERING CIRCULAR") AND HAS HAD FULL OPPORTUNITY TO REQUEST, RECEIVE AND REVIEW ALL ADDITIONAL INFORMATION NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION INCLUDED OR INCORPORATED BY REFERENCE HEREIN THAT THE ISSUER OR THE MANAGERS COULD PROVIDE WITHOUT UNREASONABLE EFFORT OR EXPENSE.

THE PURCHASER AGREES THAT IT WILL PROMPTLY (I) INFORM THE ISSUER IF, DURING ANY TIME IT HOLDS A NOTE, THERE SHALL BE ANY CHANGE IN THE REPRESENTATIONS AND WARRANTIES CONTAINED ABOVE OR IF THEY SHALL BECOME FALSE FOR ANY REASON (OTHER THAN THE REPRESENTATIONS THAT THE PURCHASER IS BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER, WHICH REPRESENTATIONS NEED ONLY BE ACCURATE ON THE DATE OF THE ACQUISITION OF A NOTE) AND (II) DELIVER TO THE ISSUER SUCH OTHER REPRESENTATIONS, WARRANTIES AND AGREEMENTS AS TO SUCH MATTERS AS THE ISSUER MAY, IN THE FUTURE, REQUEST IN ORDER TO COMPLY WITH APPLICABLE LAW AND THE AVAILABILITY OF ANY EXEMPTION THEREFROM (INCLUDING, IF DEEMED NECESSARY BY THE ISSUER, A REAFFIRMATION OF ITS STATUS AS BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER).

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. TERMS WHICH ARE USED IN THIS LEGEND HAVE THE MEANINGS GIVEN TO THEM UNDER SUCH RULE.

11. **Legend on Regulation S Global Notes and Definitive Registered Regulation S Notes.** Each Regulation S Global Note and Definitive Registered Regulation S Note will bear a legend substantially to the following effect:

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS AND THE ISSUER (AS DEFINED IN THE MASTER TRUST DEED) HAS NOT BEEN REGISTERED AS AN "INVESTMENT COMPANY" UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). EACH HOLDER OF A BENEFICIAL INTEREST HEREIN SHALL BE DEEMED TO AGREE FOR THE BENEFIT OF THE ISSUER THAT, IF IT SHOULD DECIDE TO DISPOSE OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE, BENEFICIAL INTERESTS IN THIS GLOBAL NOTE MAY BE OFFERED, RESOLD OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND UNDER CIRCUMSTANCES WHICH WILL NOT REQUIRE THE ISSUER TO REGISTER AS AN "INVESTMENT COMPANY" UNDER THE INVESTMENT COMPANY ACT. ACCORDINGLY, ANY TRANSFERS OF THE NOTES MAY ONLY BE MADE: (A) TO A NON-U.S. PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (B) TO OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON (AS DEFINED IN REGULATION S) IN A TRANSACTION PURSUANT TO RULE 144A UNDER THE

SECURITIES ACT TO PERSONS WHO QUALIFY AS "ELIGIBLE INVESTORS" (AS DEFINED IN THE MASTER TRUST DEED). IN THE CASE OF ANY SUCH TRANSFER PURSUANT TO CLAUSE (B), (1) THE TRANSFEREE WILL BE REQUIRED TO HAVE THE NOTES SO TRANSFERRED TO BE REPRESENTED BY RULE 144A GLOBAL NOTES OR DEFINITIVE REGISTERED RULE 144A NOTES (AS DEFINED IN THE MASTER TRUST DEED); (2) THE TRANSFEROR WILL BE REQUIRED TO DELIVER A TRANSFER CERTIFICATE (THE FORM OF WHICH IS ATTACHED TO THE MASTER TRUST DEED AND IS AVAILABLE FROM THE REGISTRAR), AND (3) THE TRANSFEREE WILL BE REQUIRED TO EXECUTE AN INVESTMENT LETTER (THE FORM OF WHICH IS ALSO ATTACHED TO THE MASTER TRUST DEED AND AVAILABLE FROM THE REGISTRAR).

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes to be issued by the Issuer which will be incorporated by reference into each global Note and each definitive Note, in the latter case only if permitted by the Luxembourg Stock Exchange and any relevant authority and agreed by the Issuer and the relevant Bookrunner(s) at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed upon or attached thereto such Conditions. The applicable Pricing Supplement in relation to any Tranche (as defined below) of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Conditions, replace or modify the following Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to each global Note and definitive Note. Reference should be made to "Form of Pricing Supplement" for a description of the content of Pricing Supplements which will include the definitions of certain terms used in the following Conditions or specify which of such terms are to apply in relation to the relevant Notes.

Statements in italics contained herein do not form part of these Conditions.

This Note is one of a Tranche (as defined below) of medium term notes issued by Cartesio S.r.l. (the "***Issuer***") constituted by a master trust deed (as amended from time to time, the "***Master Trust Deed***") dated on or before 5 March 2003 (the "***Closing Date***") and made between the Issuer and Deutsche Trustee Company Limited (the "***Note Trustee***", which expression shall include any successor trustee). References herein to the "***Notes***" shall be references to the Notes of the relevant Tranche and shall mean (i) in relation to any Notes represented by a Global Note (a "***Global Note***"), units of the Authorised Denomination in the Agreed Currency, (ii) Definitive Registered Notes, including Definitive Registered 144A Notes as well as Definitive Registered Notes issued in exchange (or part exchange) for any Global Note and (iii) any Global Note. The Notes have the benefit of an Agency Agreement (as amended from time to time, the "***Agency Agreement***") dated on or before the Closing Date and made among the Issuer, Deutsche Bank AG London as issuing and Principal Paying Agent (the "***Principal Paying Agent***", which expression shall include any successor agent), Deutsche Bank S.p.A. Milan as Italian Agent (the "***Italian Agent***", which expression shall include any successor agent), Deutsche Bank Luxembourg S.A. as Luxembourg Agent, Transfer Agent and Registrar (the "***Luxembourg Agent***", "***Transfer Agent***" and "***Registrar***" which expressions shall include any successor), and, together with the Principal Paying Agent, and the Italian Agent and any other agents appointed or to be appointed therein, the "***Agents***") and Deutsche Trustee Company Limited as Note Trustee.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached hereto or endorsed hereon and supplements these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References herein to the "***applicable Pricing Supplement***" are to the Pricing Supplement (or the relevant provisions thereof) attached hereto or endorsed hereon.

Any reference herein to "***Noteholders***" shall mean the holders of the Notes, and shall, in relation to any Notes represented by a Global Note, be construed as provided below.

As used herein, "***Tranche***" means a tranche of Notes which will be identical in all respects (including as to listing) and will rank *pari passu* among themselves and will rank *pari passu* with the Notes of each other Tranche.

The Notes are expected, upon issue, to be rated Aa3 by Moody's Investor Services Inc. ("***Moody's***") and A+ by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("***S&P***"), however the rating of the Notes issued under the Programme is linked to the rating of the Region of Lazio, and may change from time to time.

Copies of the Master Trust Deed, the Agency Agreement, the applicable Pricing Supplement, the Issuer Security Documents and the other Transaction Documents are available for inspection during normal business hours at the specified office of each of the Principal Paying Agent and the other Agents save that, in relation to the Notes of any Tranche, such documents will only be available for inspection by a Noteholder holding one or more Notes of that Tranche and such Noteholder must produce evidence satisfactory to the relevant Agent as to identity. The Noteholders are bound by, deemed to have notice of, and entitled to the benefit of, all the provisions of the Master Trust Deed, the Agency Agreement, the applicable Pricing Supplement, the Issuer Security Documents, and the other Transaction Documents which are applicable to them and the conditions precedent (if any) to such documents.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents.

For the purposes of these Conditions:

Agents means the Principal Paying Agent, the Italian Agent, the Luxembourg Agent, the Transfer Agent and the Registrar and such additional Agents, if any, as are appointed from time to time in respect of the Notes;

Aggregate Nominal Amount with respect to a Tranche of Notes or all of the Notes means the aggregate of the Nominal Amount of all Notes of that Tranche or all Notes on their respective Issue Date, and as specified in the applicable Pricing Supplement;

Agreed Currencies means euro, USD, and GBP and/or such other currencies as may be specified by the Issuer in the applicable Pricing Supplement and ***Agreed Currency*** shall mean any one of them;

Amortisation Amount means, in respect of any Note, the semi-annual principal instalment repayable on such Note, if any, in accordance with the Pre-Enforcement Priority of Payments and Condition 8, in the amount specified in the applicable Pricing Supplement, together with any adjustment for any unpaid Amortisation Amount which has been retained in the Collection Account during the Initial Period;

AO means *azienda ospedaliera;*

applicable Pricing Supplement means the Pricing Supplement which sets out the details of any Tranche of Notes and any amendments to the terms and conditions applicable to such Tranche which are not contained in the Offering Circular;

Arrangers and Global Coordinators means MLI and MCC;

ASL means *azienda unità sanitaria locale;*

Available Capital Funds means, in respect of any Payment Date, the lower of (i) the product of (a) the amount, if any, by which the amount of the Issuer Available Funds exceeds such amount (if any) as will be required to be applied by the Issuer on such Payment Date in paying or making provision for the items ranking in priority to item (c)(iv) in the Pre-Enforcement Priority of Payments and (b) the fraction where (x) the Amortisation Amount due on that Payment Date in respect of the Notes of any Tranche is the numerator and (y) the amounts payable under item (c) in the Pre-Enforcement Priority of Payments is the denominator, and (ii) the Amortisation Amount due on that Payment Date in respect of the Notes of that Tranche;

Bookrunners means any entity which the Issuer may appoint as a Bookrunner and notice of whose appointment has been given to the Principal Paying Agent and the Note Trustee by the Issuer in accordance with the provisions of the Programme Agreement, and the details of which will be contained in any applicable Pricing Supplement but excluding any entity whose appointment has been terminated in accordance with the provisions of the Programme Agreement and notice of such termination has been given to the Principal Paying Agent and the Note Trustee by the Issuer in accordance with the provisions of the Programme Agreement and references to a "***relevant Bookrunner***" or the "***relevant Bookrunner(s)***" mean, in relation to any Tranche of Notes, the Bookrunner or Bookrunners with whom the Issuer has agreed the issue of the Notes of such Tranche and "***Bookrunner***" means any one of them;

Calculation Agent means the person appointed as calculation agent from time to time under the Cash Management Agreement, which at the Closing Date is Deutsche Bank AG London;

Calculation Date means the date falling 2 Business Days prior to any Payment Date;

Cash Management Agreement means the cash management agreement to be entered into on or about the Closing Date between the Issuer, the Operating Banks, the Cash Manager, the Calculation Agent, the Security Trustee and the Note Trustee as from time to time amended in accordance therewith;

Cash Manager means the person appointed as the Issuer's cash manager from time to time under the Cash Management Agreement, which at the Closing Date is Deutsche Bank AG London;

Closing Date means 5 March 2003;

Collection Account means the euro-denominated account in the name of the Issuer at the English Operating Bank into which all Collections are to be paid pursuant to the Security and Intercreditor Deed and the Cash Management Agreement and any replacement therefor;

Collection Account Investments means all investments made by or on behalf of the Issuer from the proceeds of the Collection Account (whether or not Eligible Investments as required under the Cash Management Agreement);

Collections (*Incassi*) means all cash amounts received by or on behalf of the Issuer in relation to the Receivables;

Conditions means the terms and conditions of the Notes in the form contained in a schedule to the Master Trust Deed as from time to time amended in accordance therewith and as set out herein;

Corporate Servicer means any person appointed from time to time as a corporate servicer by the Issuer pursuant to the Corporate Services Agreement which, at the Closing Date, is Deloitte Touche Tohmatsu Tax Services S.r.l.;

Corporate Services Agreement means the corporate services agreement to be entered into on or about the Closing Date between the Issuer and the Corporate Servicer relating to the provision of certain corporate management, administrative and accountancy services to the Issuer;

Currency Swap Transaction means any Currency Swap Transaction entered into by the Issuer with a Swap Counterparty pursuant to a Swap Agreement;

Definitive Registered Note means a Note in definitive registered form issued, or as the case may require, to be issued by the Issuer, in accordance with the provisions of the Programme Agreement, the Agency Agreement and the Master Trust Deed, in exchange for a Global Note, such Note in definitive form being in the form or substantially in the form set out in Parts C and D of the First Schedule to the Master Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent and the Note Trustee and having the Conditions endorsed thereon or, if permitted by the Luxembourg Stock Exchange, incorporating the Conditions by reference as indicated in the applicable Pricing Supplement and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Pricing Supplement endorsed thereon or attached thereto;

Early Redemption Amount means, on any date, in respect of a Note the amount specified in Condition 8(f) or as otherwise specified in the applicable Pricing Supplement;

Early Redemption Date means the date of redemption of any of the Notes following a redemption pursuant to Condition 8(d) or the service of an Issuer Enforcement Notice;

Effective Date means the date on which each Receivables Purchase Agreement becomes effective and ***Initial Effective Date*** and ***Subsequent Effective Date*** shall be construed accordingly in respect of the Initial Portfolio and the Subsequent Portfolio, respectively;

Eligible Institution means any bank with a short-term rating for its unsecured, unsubordinated and unguaranteed debt obligations equal to P-1 from Moody's and A-1 from S&P and a long-term rating for its unsecured, unsubordinated and unguaranteed debt obligations of Aa3 from Moody's and A-1 from S&P;

Enforcement Priority of Payments means the priority of payments included in the terms of the Security and Intercreditor Deed and set out in Condition 6.3;

English Issuer Security means the Security Interests created under the Security and Intercreditor Deed in favour of the Security Trustee;

English Law Transaction Documents means the Warranty and Indemnity Deed, the Cash Management Agreement, each Swap Transaction, each Swap Agreement, the Security and Intercreditor Deed, the Master Definitions and Framework Deed, the Master Trust Deed, the Agency Agreement, these Conditions, each Supplemental Trust Deed, the Programme Agreement, each Subscription Agreement, any Swap Security, each English law governed Issuer Security Document, and any further English Law Transaction Document as may be agreed between the Issuer and the Note Trustee designated as such in an applicable Pricing Supplement;

English Operating Bank means any Eligible Institution in England with which the Collection Account, the Issuer Payments Account, the Tranche Payment Account(s) and the Securities Account are maintained pursuant to the Cash Management Agreement, which at the Closing Date is Deutsche Bank AG London;

Expenses Account means the euro-denominated account in the name of the Issuer at the Italian Operating Bank which will be funded at the Issue Date up to the Target Amount and will be replenished up to the Target Amount on each Payment Date according to item (a)(i) of the Pre-Enforcement Priority of Payments, and any replacement therefor;

Extraordinary Resolution means:

(a) a resolution passed at a meeting of the Noteholders, duly convened and held in accordance with the Master Trust Deed by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-fourths of the votes cast on such poll; or

(b) a resolution in writing signed by or on behalf of all the Noteholders, which resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders;

Final Redemption Amount in relation to any Note, or Tranche of Notes, has the meaning given to it in the applicable Pricing Supplement;

First Pledge Agreement means the pledge agreement that will be entered into on the Closing Date between the Issuer as pledgor and the Security Trustee (acting on its own account and in the name and on behalf of the other Issuer Secured Creditors) as pledgee;

GBP means pounds sterling;

Global Note means any Regulation S Global Note or Rule 144A Global Note deposited with Euroclear and/or Clearstream, Luxembourg on behalf of beneficial owners, as set forth in the applicable Pricing Supplement;

Healthcare Entity means any ASL or AO;

Initial Lease Payment means the initial payment to be made by the Lessees with reference to the period starting on and including the Effective Date of the relevant Lease Contract and ending on and excluding the relevant Issue Date, and calculated as an amount equal to 0.2 per one thousand per annum of the purchase price of the Real Estate Assets as provided in the Real Estate Purchase Agreement as the initial lease payment with reference to the period starting on and including the Effective Date of the Real Estate Purchase Agreement and ending on but excluding the Issue Date;

Initial Period means in relation to any Tranche the period commencing on (and including) the relevant Issue Date in respect of such Tranche to be issued under the Programme and ending on (but excluding) the date falling 18 calendar months after such date;

Insolvency Proceedings (*Procedure Concorsuali*) means bankruptcy (*fallimento*) or any other insolvency (*procedura concorsuale*) or analogous proceedings from time to time including, but not limited to, an arrangement with creditors prior to bankruptcy (*concordato preventivo*), temporary receivership (*amministrazione controllata*), compulsory administrative liquidation (*liquidazione coatta amministrativa*), extraordinary administration (*amministrazione straordinaria*) and the extraordinary administration of large companies in a state of insolvency (*amministrazione straordinaria delle grandi imprese in crisi o in stato di insolvenza*) and shall include any proceedings analogous to the foregoing under the laws of any applicable jurisdiction;

Interest Determination Date means in relation to a Note or Tranche the date specified as such in the relevant Pricing Supplement and in the absence of such specification it shall be the Business Day two Business Days before a Payment Date;

Interest Rate Swap Transaction means any interest rate swap transaction entered into between the Issuer and any Swap Counterparty pursuant to a Swap Agreement;

Issue Date means, in respect of any Note or Tranche, the date of issue and purchase of such Note or Tranche;

Issuer means Cartesio S.r.l.;

Issuer Accounts means the Collection Account, the Expenses Account, the Issuer Payments Account, the Tranche Payment Accounts and the Securities Account;

Issuer Available Funds means on any Payment Date:

(a) the Receipts available to the Issuer as calculated at the preceding Calculation Date; plus

(b) indemnity or Portfolio purchase payments, if any, under the Warranty and Indemnity Deed, and any other indemnity or compensatory payments received by the Issuer pursuant to the Transaction Documents and any enforcement thereof; plus

(c) all amounts standing to the credit of the Issuer Accounts, as of the preceding Calculation Date, including all amounts otherwise payable towards the Amortisation Amount of the Notes (if any), retained during the Initial Period.

Issuer Charged Property means the whole of the right, title, benefit and interest of the Issuer in the property, assets and rights of the Issuer charged pursuant to the Security and Intercreditor Deed as further described in Clause 3 thereof;

Issuer Enforcement Notice means a notice served by the Note Trustee on, *inter alios*, the Issuer pursuant to Condition 11 declaring the Notes to be due and payable in full following the occurrence of an Issuer Event of Default;

Issuer Insolvency Event means the occurrence with respect to the Issuer of Insolvency Proceedings or any of the events specified in Condition 11 (a) (iii);

Issuer Payments Account means the euro-denominated account held with the English Operating Bank for the purposes of making payments (other than to Noteholders) in accordance with the relevant Priority of Payments;

Issuer Secured Creditors means the Noteholders, the Note Trustee, the Security Trustee, each of the Agents, the Servicer, the Italian Operating Bank, the English Operating Bank, the Calculation Agent, the Cash Manager, the Corporate Servicer, the Management Services Provider, each Swap Counterparty, each Joint-Lead Manager, the Originator, each Bookrunner and each Arranger and Global Coordinator;

Issuer Security means the Italian Issuer Security and the English Issuer Security and any guarantee or Security Interest from time to time granted to the Security Trustee (as trustee for the Issuer Secured Creditors) by the Issuer as security for or guaranteeing any obligations of the Issuer under the Transaction Documents;

Issuer Security Documents means each Pledge Agreement, the Security and Intercreditor Deed and any other instrument, deed or agreement pursuant to which any Issuer Security is created or granted to the Security Trustee from time to time by the Issuer in relation to the Programme;

Italian Agent means the bank appointed as Italian Agent from time to time under the Agency Agreement, which at the Closing Date is Deutsche Bank S.p.A. Milan;

Italian Issuer Security means the Security Interests created under each Pledge Agreement in favour of the Issuer Secured Creditors;

Italian Law Transaction Documents means the Pledge Agreement, the Payment Mandate, the Receivables Purchase Agreement and the Servicing Agreement;

Italian Operating Bank means any bank with which the Expenses Account is maintained subject to the prior written approval of the Note Trustee, which at the Closing Date is Deutsche Bank S.p.A. Milan;

Joint-Lead Manager means any person appointed as a joint-lead manager in relation to any Tranche;

Lease Contract means each of the agreements entered into between the Originator and the Healthcare Entities on 28 June 2002 comprised in the Portfolio;

Lease Instalments means the periodic amount payable on a semi-annual basis by each Lessee pursuant to a Lease Contract as more specifically detailed thereunder;

Lessee *(Utilizzatore)* means, in relation to each Lease Contract, each Healthcare Entity which has entered into the Lease Contract as a lessee thereunder, or any successor to the original lessee thereunder;

Luxembourg Agent means the person appointed as Luxembourg Agent from time to time under the Agency Agreement which at the Closing Date is Deutsche Bank Luxembourg S.A.;

Management Services Agreement means the agreement to be entered into on or about the Closing Date between the Management Services Provider and the Issuer;

Management Services Provider means the party that will provide certain management services to the Issuer pursuant to the Management Services Agreement, which at the Closing Date is SPV Management Limited;

Master Definitions and Framework Deed means the Master Definitions and Framework Deed among the Issuer, the Note Trustee, the Security Trustee, the Agents, the Operating Banks, the Arrangers and Global Coordinators, the Bookrunners, the Corporate Servicer, the Management Services Provider, the Servicer, the Originator, the Region, the Calculation Agent, the Cash Manager and any Swap Counterparty, to be entered into on or about the Closing Date;

Master Trust Deed means the trust deed to be entered into on or about the Closing Date between the Issuer and the Note Trustee under which Notes will, on issue, be constituted and which sets out the terms and conditions on which the Note Trustee has agreed to act as Note Trustee and includes any trust deed or other document executed by the Issuer and the Note Trustee in accordance with the provisions of the Master Trust Deed and expressed to be supplemental to the Master Trust Deed;

Maturity Date means the Payment Date (or other date) specified as such in each applicable Pricing Supplement in respect of any Tranche of Notes;

MCC means MCC S.p.A. - Gruppo Bancario Capitalia;

MLI means Merrill Lynch International;

Modified Following Business Day Convention means, in relation to a Payment Date, that if the relevant date in any calendar month on which that Payment Date would otherwise fall is not a Business Day, the Payment Date shall fall on the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

Moody's means Moody's Investor Services, Inc.;

New Bookrunner means any entity appointed as an additional Bookrunner in accordance with the terms of the Programme Agreement;

Nominal Amount with respect to any Note means the amount of that Note on issue as specified in the applicable Pricing Supplement and with respect to any Tranche, the aggregate of the Nominal Amount of all Notes in that Tranche;

Note means a Note issued pursuant to the Programme and denominated in such currency or currencies as may be agreed between the Issuer and the relevant Bookrunner(s) which has such maturity and denomination as may be agreed between the Issuer and the relevant Bookrunner(s) and issued or to be issued by the Issuer pursuant to the Agency Agreement and the Master Trust Deed and which shall initially be represented by, and comprised in either a Regulation S Global Note or a Rule 144A Global Note which may (in accordance with the terms of such Note) in turn be exchanged for Definitive Registered Notes and includes any replacements for a Note issued pursuant to Condition 13;

Note Trustee means Deutsche Trustee Company Limited, or any successor trustee thereto pursuant to the Master Trust Deed;

Noteholder means the several persons who are for the time being holders of outstanding Notes save that, for so long as such Notes or any part thereof are represented by a Global Note deposited with a common depositary for Euroclear and Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an accountholder of Euroclear, or Euroclear, if Euroclear shall be an accountholder of Clearstream, Luxembourg) as the holder of a particular nominal amount of the Notes, the same shall be deemed to be the holder of such nominal amount of such Notes (and the holder of the relevant Global Note shall not be deemed to be the holder) for all purposes of the Master Trust Deed other than with respect to the payment of principal or interest on such nominal amount of such Notes, the rights to which shall be vested, as against the Issuer and the Note Trustee, solely with such common depositary and for which purpose such common depositary shall be deemed to be the holder of such nominal amount of such Notes in accordance with and subject to its terms and the provisions of the Master Trust Deed and the expressions ***Noteholders, Note holder*** and ***holder of Notes*** and related expressions shall be construed accordingly;

Operating Banks means the Italian Operating Bank and the English Operating Bank and ***Operating Bank*** means either one of them;

Originator means SAN.IM. S.p.A.;

Payment Date means 7 March and 7 September, subject to the Modified Following Business Day Convention and Condition 7(a) provided that the first Payment Date shall fall on 7 September 2003;

Payment Delegation means the irrevocable delegation of payment given by the Healthcare Entities to the Region of Lazio, which accepted it, in the Lease Contracts pursuant to which the Region of Lazio will pay directly to the Originator the Initial Lease Payments and Lease Instalments or will pay directly to the Issuer the Lease Instalments;

Payment Mandate means the irrevocable payment mandate given by the Region of Lazio to its Regional Treasurer Bank and accepted by it, on or around the Closing Date, pursuant to which payments due by the Region under the Payment Delegation will be made directly by the Regional Treasurer Bank to the Issuer;

Payments Accounts means the Issuer Payments Account and the Tranche Payment Accounts;

Pledge Agreement means, as the context requires, either the First Pledge Agreement or any future Italian law pledge over all the Issuer's rights under the relevant Receivables Purchase Agreement (other than the relevant Portfolio and the relevant Collections) entered into in respect of the relevant further Tranche and, in the case of the First Pledge Agreement, the Servicing Agreement;

Portfolio means the portfolio of Receivables purchased or to be purchased by the Issuer from the Originator pursuant to the Receivables Purchase Agreements;

Pre-Enforcement Priority of Payments means the priority of payments set out in Condition 6.1 of these Conditions and included in the terms of the Security and Intercreditor Deed;

Principal Amount Outstanding means, in respect of a 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 made prior to such date;

Principal Paying Agent means the person appointed as Principal Paying Agent from time to time under the Agency Agreement which at the Closing Date is Deutsche Bank AG London;

Principal Payment means the amount of principal repaid to Noteholders on any Payment Date pursuant to the Conditions;

Priority of Payments means the Pre-Enforcement Priority of Payments or the Enforcement Priority of Payments;

Programme means the euro 2,000,000,000 asset backed euro medium term note programme established pursuant to the Programme Agreement, the Agency Agreement and the Master Trust Deed;

Programme Agreement means the agreement to be entered into on or about the Closing Date among the Issuer, the Region, the Originator, the Arrangers and Global Coordinators and the Bookrunners named therein concerning the purchase of Notes to be issued pursuant to the Programme together with any agreement for the time being in force amending, replacing, novating or modifying such agreement and any accession letters and/or agreements supplemental thereto;

Rating Agencies means each of Moody's and S&P, as the context requires;

Rating Condition means, with respect to any action taken or to be taken, a condition that is satisfied when each Rating Agency has confirmed in writing to the Note Trustee and the Security Trustee that such action will not result in the withdrawal, reduction or other adverse action with respect to any then-current rating of the Notes;

Real Estate Assets means the real estate assets designated for healthcare use sold by the Healthcare Entities to the Originator pursuant to the Real Estate Purchase Agreement;

Real Estate Purchase Agreement means the sale and purchase agreement entered into between the Healthcare Entities and the Originator on 28 June 2002 in relation to the Real Estate Assets;

Receipts means on any Calculation Date:

(a) all Collections collected by the Servicer and credited to the Collection Account;

(b) all Swap Payments (if any) received, or to be received, prior to the succeeding Payment Date, by the Issuer from any Swap Counterparty, including any amounts in the form of premia received from any replacement Swap Counterparty;

(c) all amounts received by the Issuer from all Collection Account Investments in excess of the original principal amount invested in the relevant investment, including for the avoidance of doubt interest and premia received in respect thereof;

(d) all amounts of interest accrued on and credited to the Issuer Accounts; and

(e) all other items and payments received by the Issuer relating to the Portfolio, the Programme Assets or pursuant to any of the Transaction Documents (except as included as "Issuer Available Funds");

Receivables means each and every right arising under the Lease Contract, including but not limited to:

(a) the Lease Instalments;

(b) any default interest and/or other interest accrued from the date of economic effect of the transfer under the relevant Receivables Purchase Agreement up to the date of execution of the relevant Receivables Purchase Agreement and any other such interest payments which are to mature thereafter on all amounts outstanding and due under the Lease Contract irrespective of whether the payment is made by the relevant Healthcare Entities or the Region under the Payment Delegation;

(c) any increase in the Lease Instalments as a result of any amendment to the Lease Contract; and

(d) all rights of the Originator under the Payment Delegation,

in each case together with all the relevant guarantees, connected privileges and pre-emptive rights, and all other ancillary rights (*accessori*) pertaining thereto, as well as any and all other rights, claims and actions (including any action for damages) and defences (*posizioni attive*) inherent or otherwise ancillary to such rights, claims and actions and/or to the exercise thereof, but expressly excluding (i) the Initial Lease Payments and any value added tax, if and when due; (ii) the residual instalment (*riscatto*) due under the Lease Contract payable by the Lessee upon the payment of which the Lessee shall acquire ownership of the Real Estate Assets relating to the Lease Contract; (iii) administrative expenses incurred in the collection and in the delivery of the Receivables; and (iv) any right arising under any insurance policy entered into in connection with the Real Estate Assets;

Receivables Purchase Agreement means each receivables purchase agreement executed as a private notarial deed (*scrittura privata autenticata*) pursuant to Arts. 69 and 70 of Royal Decree No. 2440;

Record Date means, in respect of the Definitive Registered Notes, the seventh Business Day before the due date for the relevant payment;

Reference Rate means, in respect of any Note, any rate that is reset at least annually based on the then current measurement of the cost of funds in the Agreed Currency;

Registrar means the body responsible for registration of the Notes, which at the Closing Date is Deutsche Bank Luxembourg S.A.;

Regulation S Global Notes means the Notes initially offered and sold outside the United States to non-U.S. persons pursuant to Regulation S under the United States Securities Act of 1933, as amended, and represented by a permanent global note in fully registered form attached and ***Regulation S Global Note*** means any one of them;

Related Third Party Creditor means any third party creditor of the Issuer, including, without limitation, any tax authority, listing agent, stock exchange or Rating Agency (other than a party acting in its capacity as a Noteholder or as a party to a Transaction Document) whose claim relates to the Programme;

Relevant Bookrunner means, in the case of an issue of Notes being (or intended to be) subscribed by more than one Bookrunner, any and all Bookrunners agreeing to subscribe for such Notes;

Rule 144A Global Note means the Notes initially offered and sold inside the United States to persons who are both (i) "qualified institutional buyers" (as defined in, and in reliance on, Rule 144A) and (ii) "qualified purchasers" for the purposes of the Investment Company Act, in transactions made in accordance with Rule 144A, and represented by a registered global note;

S&P means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies Inc.;

Securities Account means the securities account in the name of the Issuer at the English Operating Bank in which all Collection Account Investments are to be deposited pursuant to the Cash Management Agreement, and any replacement therefor;

Securitisation Law means Law No. 130 of 30 April 1999 (*legge sulla cartolarizzazione dei crediti*) and the relevant implementing regulations, as amended, supplemented and integrated from time to time;

Security and Intercreditor Deed means the Security and Intercreditor Deed to be entered into on or about the Closing Date among the Issuer, the Security Trustee, the Note Trustee, the Agents, the English Operating Bank, the Italian Operating Bank, the Corporate Servicer, the Management Services Provider, the Cash Manager, the Calculation Agent, each Swap Counterparty, the Arrangers, the Global Coordinators, the Bookrunners, the Originator and the Servicer;

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;

Security Trustee means Deutsche Trustee Company Limited and all other persons or companies who are for the time being the Security Trustee under the Security and Intercreditor Deed;

Servicer means the person appointed as Servicer from time to time under the Servicing Agreement which at the Closing Date is Banca di Roma S.p.A. – Gruppo Bancario Capitalia;

Servicing Agreement means the agreement to be entered into on or about the Closing Date pursuant to which the Servicer will agree to service the Portfolio;

Specified Denomination in relation to any Tranche has the meaning given in the applicable Pricing Supplement in relation to that Tranche;

Subscription Agreement means an agreement supplemental to the Programme Agreement (by whatever name called) in or substantially in the form attached to the Programme Agreement or in such other form as may be agreed between the Issuer and one or more Bookrunners (as the case may be);

Supplemental Trust Deed means the supplemental trust deed which, together with the Master Trust Deed, will constitute a Tranche of Notes to be issued under the Programme;

Swap Agreement means any swap agreement to be entered into pursuant to an ISDA Master Agreement between the Issuer and a Swap Counterparty pursuant to which a Currency Swap Transaction and an Interest Rate Swap Transaction may be entered into, as further specified in an applicable Pricing Supplement;

Swap Counterparty means each person acting as swap counterparty from time to time under a Swap Transaction with the Issuer;

Swap Counterparty Default Termination Amount means the amount (if any) payable by the Issuer under a Swap Agreement upon termination of the same where (a) the Swap Counterparty is the "***Defaulting Party***" (as defined in such Swap Agreement) or (b) the Issuer elects to terminate the swap following the occurrence of an Additional Termination Event in respect of which the Swap Counterparty is the sole Affected Party (as defined in such Swap Agreement);

Swap Security means any Security Interest granted by a Swap Counterparty to the Issuer as security for certain of its obligations under the relevant Swap Transaction;

Swap Transaction means a Currency Swap Transaction or an Interest Rate Swap Transaction;

Target Amount means euro 250,000;

Tranche means a tranche of Notes as further described in the applicable Pricing Supplement;

Tranche Payment Account means in relation to each Tranche, an account denominated in the Agreed Currency of that Tranche for the purposes of making payments to the Noteholders of that Tranche, as further specified in the applicable Pricing Supplement;

Transaction Documents means the Conditions, the Payment Mandate, each Receivables Purchase Agreement, the Warranty and Indemnity Deed, the Servicing Agreement, the Cash Management Agreement, the Agency Agreement, any Interest Rate Swap Transaction, any Currency Swap Transaction, the Issuer Security Documents, the Programme Agreement, each Subscription Agreement, any Swap Security, the Master Definitions and Framework Deed, and any other agreement which the Issuer and the Note Trustee agree is a Transaction Document from time to time;

Transfer Agent means the person responsible for transfer of the Notes, which at the Closing Date is Deutsche Bank Luxembourg S.A.;

Warranty and Indemnity Deed means the deed of warranty and indemnity to be entered into on or about the Closing Date between the Issuer, the Originator, the Region and the Security Trustee relating to the Portfolio.

1. Form, denomination and title

(a) The Notes are in fully registered form and serially numbered in the Agreed Currency and the Specified Denomination(s). Notes of one Agreed Currency may not be exchanged for Notes of another Agreed Currency. Notes in registered form are issued without coupons attached. The expression "***Notes***" means and includes co-ownership under a permanent Global Note and the expression "***Noteholder***" shall mean and include any person entitled to co-ownership and further benefit under a permanent Global Note.

(b) The Principal Amount Outstanding of the Notes initially offered and sold outside the United States to non-U.S. persons pursuant to Regulation S ("***Regulation S***") under the United States Securities Act of 1933, as amended (the "***Securities Act***") is represented by a global note in fully registered form (the "***Regulation S Global Notes***") without coupons attached. The Aggregate Nominal Amount of the Notes initially offered and sold within the United States to persons who are both (i) "qualified institutional buyers" (as defined in, and in reliance on, Rule 144A under the Securities Act ("***Rule 144A***")), and (ii) "qualified purchasers" for the purposes of the Investment Company Act, in transactions made in accordance with Rule 144A, is represented by registered notes without coupons attached (the "***Rule 144A Global Notes***"). The Notes may be denominated in USD, euro or GBP or any other currency which the Issuer may specify in the relevant Pricing Supplement for the relevant Tranche of Notes, together with any currency into which such currencies may be convertible (the "***Agreed Currency***").

(c) Definitive registered Notes in an aggregate principal amount equal to the Principal Amount Outstanding of the Regulation S Global Notes (the "***Definitive Registered Regulation S Notes***") and the Rule 144A Global Notes (the "***Definitive Registered Rule 144A Notes***" and together with the Definitive Registered Regulation S Notes, the "***Definitive Registered Notes***") will be issued in registered form and serially numbered. The Definitive Registered Notes will be issued in a minimum denomination of 100,000 of the Agreed Currency (the "***Minimum Denomination***") and in specified multiples of 1,000 in excess thereof (an "***Authorised Denomination***"), as specified in the applicable Pricing Supplement.

(d) Definitive Registered Notes will only be issued in the following limited circumstances:

(i) any of the Notes becomes immediately due and repayable by reason of the issue of an Issuer Enforcement Notice or the occurrence of an Issuer Insolvency Event; or

(ii) the Note Trustee notifies the Issuer that a Specified Event (as defined below) has occurred; or

(iii) as a result of any amendment to, or change in, the laws or regulations of the Republic of Italy (or of any political sub-division thereof), or of any authority therein of thereof having power to tax, or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations which becomes effective on or after the Issue Date, the Issuer or any Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form or the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any applicable jurisdiction which would not be suffered were the Notes in definitive form and a certificate to such effect signed by an authorised director of the Issuer is delivered to the Note Trustee.

For the purposes of these Conditions, "Specified Event" means the closing for business of Euroclear or Clearstream, Luxembourg (with respect to the Regulation S Global Note) for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

If Definitive Registered Notes are issued, the beneficial interests represented by the relevant Global Note shall be exchanged by the Issuer for Definitive Registered Notes in an aggregate principal amount equal to the Principal Amount Outstanding of the relevant Global Note subject to and in accordance with the detailed provisions of the Agency Agreement, the Master Trust Deed and the relevant Global Note.

(e) Title to the Notes will pass by transfer and registration as described below.

(f) The person registered in the Register as the holder of any Note will (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Note regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon or, if more than one person, the first named of such persons who will be treated as the absolute owner of such Note.

(g) The Issuer will cause to be kept at the specified office of the Registrar a register (the "***Register***") on which shall be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers and redemptions of the Notes. No transfer of a Note will be valid unless and until entered on the Register.

(h) Transfers and exchanges of beneficial interests in the Global Notes and any Definitive Registered Notes and entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Notes and the detailed regulations concerning transfers of such Notes contained in the Agency Agreement, the Master Trust Deed and the legend appearing on the face of the Notes. In no event will a transfer of a beneficial interest in a Global Note or transfer of a Definitive Registered Note be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void ab initio and will not be honoured by the Issuer or the Note Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Registrar and the Note Trustee. A copy of the current regulations will be sent by the Registrar to any holder of a Note who so requests and will be available upon request at the specified office of the Luxembourg Agent.

(i) A Definitive Registered Note may be transferred in whole or in part in an Authorised Denomination upon the surrender of the relevant Definitive Registered Note, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar being, as at the Closing Date, at Deutsche Bank Luxembourg S.A. or at the specified office of any Agent. In the case of a transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance remaining will be issued to the transferor by the Registrar or an Agent, as applicable. The Issuer will maintain an Agent in Luxembourg for so long as the Notes are listed on the Luxembourg Stock Exchange.

(j) Each new Definitive Registered Note to be issued upon transfer of Definitive Registered Notes will, within five Business Days of receipt of such request for transfer, be available for delivery at the specified office of the Registrar or the Agent stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Registered Note to such address as may be specified in such request.

(k) Registration of Definitive Registered Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

(l) No holder of a Definitive Registered Note may require the transfer of such Note to be registered during the period of 7 days ending on the due date for any payment of principal or interest on such Note.

2. Status

(a) The Notes are constituted by the Master Trust Deed and are direct, limited recourse, secured and unconditional obligations of the Issuer. Notes of each Tranche will be identical among themselves and will rank *pari passu* and *pro rata* without any preference among themselves for all purposes and in respect of the Notes of each other Tranche. The Notes of one Tranche may not be exchanged for Notes of another Tranche unless otherwise specified in the applicable Pricing Supplement.

(b) Payments of principal, interest and any other amounts under the Notes will be funded solely from the proceeds of the Portfolio together with such amounts as are available in accordance with the Transaction Documents (together the "***Programme Assets***").

(c) The proceeds of each relevant Portfolio purchased by the Issuer in respect of the Programme will be available for payments of principal, interest and any other amounts due under any and all of the Notes issued under the Programme and accordingly, without prejudice to Condition 3(a) below, each relevant Portfolio will not be segregated from each other relevant Portfolio either before or after the occurrence of an Issuer Event of Default. Therefore, at the Issue Date of each initial Tranche issued on the Closing Date ("***Initial Tranche(s)***") and up to the Issue Date of any subsequent Tranche (a "***Subsequent Tranche***"), the Programme Assets will comprise the relevant Portfolio in respect of the Initial Tranche(s) and the amounts available in accordance with the Transaction Documents, while after the issue of any Subsequent Tranche of Notes and the relevant publication in the Official Gazette, (a) the segregation of the Portfolio in respect of the Initial Tranche(s) will be extended in favour of the holders of all Notes outstanding (and not only those of the Initial Tranche(s)), the Issuer Secured Creditors and the Related Third Party Creditors, then existing and (b) the segregation of any Portfolio in relation to the Subsequent Tranche will be extended in favour of the holders of all Notes outstanding, the Issuer Secured Creditors and Related Third Party Creditors, then existing.

3. Security, Limited Recourse and Non-Petition

(a) By operation of the Securitisation Law, the Portfolio and the proceeds derived therefrom are segregated under Italian law from all other assets of the Issuer (including all Further Portfolios, as defined below, but excluding, for the avoidance of doubt, any Portfolio purchased in connection with the Programme, as further described in Condition 2(c), above) and will only be available both before and after the winding up of the Issuer to satisfy the obligations of the Issuer to the Noteholders, the Issuer Secured Creditors and Related Third Party Creditors in the order of priority set out in these Conditions, subject to the terms of the Security and Intercreditor Deed.

(b) The due payment of principal and interest in respect of all of the Notes issued under the Programme is secured by:

   (i) an assignment by way of a first fixed security of the right, title, interest and benefit, present and future, in, to and under certain of the English Law Transaction Documents (the "***Issuer English Assigned Agreements***") granted in favour of the Security Trustee pursuant to the Security and Intercreditor Deed;

   (ii) a first fixed charge pursuant to the Security and Intercreditor Deed over all the Issuer's right, title, interest and benefit, present and future, in and to all sums of money which may now be or hereafter are from time to time standing to the credit of the Issuer Accounts held with the English Operating Bank together with all interest accruing from time to time thereon and the debts represented thereby together with all rights relating or attached thereto;

(iii) a first fixed charge pursuant to the Security and Intercreditor Deed over (x) all the Issuer's right, title, interest and benefit, present and future, in, to and under all investments including, without limitation, Collection Account Investments, made by or on behalf of the Issuer out of moneys standing to the credit of the Collection Account and the Securities Account; and (y) all the Issuer's right, title, interest and benefit, present and future, in and to all rights, moneys, powers and property whatsoever which may from time to time and at any time be distributed or derive from, or accrue on or relate to all investments referred to above;

(iv) a first floating charge over the Issuer's undertaking, property and assets, present and future relating to the Programme with the exception only of (a) the Portfolio, (b) any part of the Issuer's property or assets for the time being otherwise validly and effectively secured pursuant to the Issuer Security Documents and (c) any part of its undertaking or any property or assets situated outside the United Kingdom to the extent that any such security would be unlawful under the laws of the jurisdiction in which such property, undertaking or asset is situated or such security is enforced; and

(v) Italian law pledges under Italian law governed Pledge Agreements (the "***Pledge Agreements***") pursuant to which the Issuer has pledged in favour of the Noteholders and the other Issuer Secured Creditors all the Issuer's rights (other than to the Portfolio and the relevant Collections) pursuant to the Receivables Purchase Agreement and the Servicing Agreement (together, the "***Issuer Security Documents***");

(c) The Security Trustee holds the benefit of the Issuer Security Documents on trust for all of the Noteholders under the Programme and the other parties specified therein (the "***Issuer Secured Creditors***") on and subject to the terms of the Issuer Security Documents. Each Noteholder shall be deemed to have (i) acknowledged that the Security Trustee has entered into the Security Documents for it and on its behalf and on behalf of the other Issuer Secured Creditors thereunder (ii) granted to the Security Trustee the right upon the service of an Issuer Enforcement Notice to exercise in such manner as the Security Trustee in its sole opinion deems appropriate, on behalf of such Noteholder, (A) all rights under Securitisation Law in respect of the Receivables and all other assets of the Issuer relating to the Programme; and (B) all rights under the Security Documents. However, when requested to do so by any Noteholder, following the service of an Issuer Enforcement Notice, the Note Trustee must direct the Security Trustee, subject to it being indemnified to its satisfaction, to proceed directly against the Region in respect of any obligations owed by it to the Issuer, Security Trustee or Issuer Secured Creditors, as the case may be.

(d) The rights, claims and remedies of the Noteholders in respect of the obligations owed by the Issuer to the holders of each Tranche of Notes and in respect of the Issuer Charged Property and the Portfolio shall at all times (whether before or after the service of an Issuer Enforcement Notice) be subordinated to the rights, claims and remedies of all other relevant Issuer Secured Creditors and all relevant Related Third Party Creditors whose rights, claims and remedies in respect of:

(i) the obligations owed by the Issuer to such creditor(s); and/or

(ii) the Issuer Security; and/or

(iii) the Portfolio;

rank by operation of law or are expressed pursuant to the Security and Intercreditor Deed and these Conditions to rank in priority to the rights, claims and remedies of the holders of such Notes.

(e) The recourse of the Noteholders against the Issuer is limited, as more particularly described in the Issuer Security Documents, to the Issuer Charged Property and the Portfolio. Once the Issuer Charged Property has been realised and each Issuer Secured Creditor and Noteholder has been paid the relevant *pro rata* share of the proceeds in accordance with the provisions of Condition 6:

(i) neither the Note Trustee, the Security Trustee nor any other Issuer Secured Creditor shall be entitled to take any further steps or other action against the Issuer to recover any sums due but unpaid; and

(ii) all claims in respect of any sums due but unpaid shall be deemed to be discharged in full, shall cease to be capable of becoming due and shall be extinguished;

No Noteholder shall be entitled to proceed directly against the Issuer or the Issuer Charged Property unless the Note Trustee or the Security Trustee, having become bound so to proceed, fail so to do within a reasonable period and such failure shall be continuing but in no event shall any Noteholder be entitled to commence Insolvency Proceedings against the Issuer until the expiration of one year from the redemption of all the notes issued by the Issuer, including any notes issued under Further Securitisations and Prior Securitisations.

Each Noteholder is deemed to agree and acknowledge that the provisions of this Condition 3 shall survive and shall not be extinguished by the redemption (in whole or in part) and/or cancellation of the Notes.

(f) The Security and Intercreditor Deed requires that the Security Trustee shall have regard solely to the interests of the Noteholders as regards the exercise and performance of all its powers, trusts, agency, authorities, duties and discretions in respect of the Issuer Charged Property, the Issuer Security Documents or any other Transaction Document the rights and benefits of which are comprised in the Issuer Charged Property where, in the opinion of the Security Trustee, there is a conflict of interest between the interests of the Issuer Secured Creditors (or any combination of them) and the Noteholders.

4. Covenants

So long as any Note remains outstanding, the Issuer shall not, save to the extent permitted or contemplated by the Transaction Documents or with the prior written consent of the Note Trustee:

(a) *Negative pledge and non-disposal*

create or permit to subsist any Security Interest whatsoever over any of the Programme Assets or the Issuer Charged Property or sell, lend or otherwise dispose of all or any part of such assets and undertakings, present or future;

(b) *Restrictions on activities*

(i) with the exception of activities engaged in in the context of Prior Securitisations or Further Securitisations, engage in any activity whatsoever which is not incidental to or necessary in connection with its by-laws and any of the activities which the Transaction Documents provide for or contemplate in relation to the Issuer; or

(ii) have any subsidiaries, *società controllata* (as defined in Article 2359 of the Italian Civil Code) or any employees or premises; or

(iii) at any time approve or agree or consent to any act or thing whatsoever which in the opinion of the Note Trustee is materially prejudicial to the interests of the Noteholders under the Transaction Documents and not do, or permit to be done, any act or thing in relation thereto which in the opinion of the Note Trustee is materially prejudicial to the interests of the Noteholders under the Transaction Documents;

(c) *Dividends or Distributions*

pay any dividend or make any other distribution or repayment to its quotaholders, or issue any further quotas other than when so required by applicable law or by order of a competent authority;

(d) *Borrowings*

incur any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of indebtedness or of any obligation of any person;

(e) *Merger*

merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

(f) *No variation or waiver*

permit any of the Transaction Documents to which it is a party to be amended, terminated or discharged, or exercise any powers of consent or waiver pursuant to the terms 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 in each case except in accordance with the terms of such Transaction Document, the Conditions and the other Transaction Documents to which it is a party;

(g) *Bank Accounts*

have an interest in any bank account other than the Issuer Accounts, the account in which the Issuer's quota capital is deposited, and any account required to maintain the Issuer's corporate existence;

(h) *Co-mingling of Assets*

co-mingle or permit the co-mingling of its assets with those of any other entity or permit the Programme Assets to be co-mingled with such of its assets as relate to any Prior Securitisation or Further Securitisation (as defined below);

(i) *Residency*

become tax resident in any country outside Italy or cease to be managed in Italy;

(j) *Statutory documents*

amend its by-laws other than when so required by applicable law or in any manner which is not prejudicial to the interests of the Noteholders; or

(k) *U.S. activities*

engage in a trade or business in the United States.

Nothing in this Condition 4 shall prevent or restrict the Issuer:

(i) from entering into Further Securitisations comprising, specifically, issuing further debt securities ("***Further Notes***"), acquiring further receivables or portfolios of receivables of any kind pursuant to the Securitisation Law (including by way of the grant of loans pursuant to Article 7 thereof) which receivables will constitute separate receivables ("***Further Portfolios***") the securitisation of which shall be a "***Further Securitisation***") and entering into agreements and transactions relating thereto, including the opening or operating of bank accounts in connection therewith ("***Further Transactions***") financed or to be financed by the issue of Further Notes and in respect of which security may be granted over such Further Portfolios and/or 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 Security Trustee, the Note Trustee and the Rating Agencies that such Further Security (if any) is constituted separately from the security constituted by the Issuer Security and does not include or comprise any asset over or in respect of which security is constituted by the Transaction Documents or otherwise relating to the Programme;

(B) the Issuer confirms in writing to the Security Trustee, the Note Trustee and the Rating Agencies 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, are limited recourse obligations of the Issuer, limited to some or all of the assets of the Issuer comprised within the relevant Further Portfolio and/or secured by the relevant Further Security (if any) and/or relating to the Further Transaction and that the terms and conditions of such Further Notes contain limitations on the right of the holders of such Further Notes to take action against the Issuer, including in respect of Insolvency Proceedings relating to the Issuer comparable (although not necessarily identical) to those contained in the Master Trust Deed, the Security and Intercreditor Deed and the Notes;

(C) the Issuer confirms in writing to the Security Trustee, the Note Trustee and the Rating Agencies that each person party to any transaction document in connection with such Further Transaction has agreed that the obligations of the Issuer to such party are limited recourse obligations, limited to some or all of the assets of the Issuer comprised within the relevant Further Portfolio and/or secured by the relevant Further Security (if any) and/or relating to the Further Transaction and has agreed to limitations on its right to take action against the Issuer, including in respect of Insolvency Proceedings relating to the Issuer comparable (although not necessarily identical) to those contained in the Master Trust Deed and the Security and Intercreditor Deed; and

(D) the Rating Agencies have confirmed in writing that the other current rating of all Notes under the Programme will not thereby be adversely affected;

or

(ii) from carrying out any activity which is incidental to maintaining its corporate existence and complying with laws and regulations applicable to it or order of any competent authority; or

(iii) from performing its obligations and enforcing its rights under, keeping bank accounts and otherwise carrying on its business in accordance with, the transaction documents entered into by the Issuer in relation to any prior securitisations (''***Prior Securitisations***'') including, but not limited to, releasing any Security Interest created in respect thereto or opening any bank account in connection therewith.

5. Redenomination

With effect from the Redenomination Date:

(a) each Note denominated in GBP shall be deemed to be redenominated into such amount of euro as is equivalent to its denomination in GBP converted into euro at the rate for the conversion of GBP into euro to be established by the Council of European Union pursuant to Article 111 of the Treaty establishing the European Community, as amended by the Treaty on European Union (the ''***Treaty***'') (including compliance with rules relating to rounding in accordance with European Community regulations);

(b) all payments in respect of the Notes denominated in GBP, other than payments in respect of Interest Periods commencing before the Redenomination Date, will be made solely in euro as though references in these Conditions to GBP were to euro. Such payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) as specified by the payee;

(c) the Issuer may elect that the Notes shall be exchangeable for Notes expressed to be denominated in euro in accordance with such arrangements as the Issuer may decide, with the prior approval of the Note Trustee, and as may be specified in a notice to Noteholders given in accordance with Condition 15;

(d) such other changes will be made to these Conditions as the Issuer may decide, with the prior written approval of the Note Trustee, to conform such Note to conventions then applicable to instruments denominated in euro. Any such other change will not take effect until after they have been notified to the Noteholders in accordance with Condition 15.

None of the Issuer, the Note Trustee, the Security Trustee or the Agents will be liable to any Noteholder or other person for any commissions, costs, losses or expenses in relation to or resulting from the credit or transfer of euro or any currency conversion or rounding effected in connection therewith.

As used in this Condition 5, ''***Redenomination Date***'' means the date upon which obligations denominated in GBP, are converted into obligations denominated in euro by mandatory provisions of applicable law (including any international convention having mandatory application under English law).

6. Priority of Payments

6.1 Pre-Enforcement Priority of Payments

Prior to the service of an Issuer Enforcement Notice and subject to the provisions of Condition 6.2, the Calculation Agent shall calculate on each Calculation Date and the Issuer shall apply, on each Payment Date (or on each Swap Payment Date (if not a Payment Date) in relation to items (c)(ii) and (d)), the Issuer Available Funds in making the following payments if due on such date or, otherwise, in providing for such payments to be made when due, in the following order of priority, in each case, only if and to the extent that payments or provision for payments of a higher priority have been made in full:

(a) *first*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of:

   (i) such amount as is required then to be credited to the Expenses Account to ensure that the balance thereof equals the Target Amount; and

   (ii) the Applicable Proportion of any documented costs, expenses, fees, taxes or other amounts reasonably and properly incurred by the Issuer required to preserve the Issuer's corporate existence and maintain it in good standing or to comply with applicable law, to the extent not met by utilising the amounts standing to the credit of the Expenses Account; and

   (iii) *pari passu* and *pro rata* according to the respective amounts thereof, any documented costs, expenses, fees, taxes or other amounts reasonably and properly incurred by, or required by applicable law to be paid to any Related Third Party Creditor, to the extent not met by utilising the amounts standing to the credit of the Expenses Account;

(b) *second*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the documented fees, costs and expenses of, and all other amounts (including, for the avoidance of doubt, any indemnity payments) due and unpaid to the Note Trustee and the Security Trustee;

(c) *third*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof:

   (i) *pari passu* and *pro rata* according to the respective amounts thereof the documented fees, costs and expenses of, and all other amounts (including, for the avoidance of doubt, indemnity payments) due and unpaid to:

      (A) the Agents;

      (B) the Operating Banks, the Calculation Agent, the Cash Manager and the Servicer; and

      (C) the Corporate Servicer and the Management Services Provider, in each case accrued in respect of the Calculation Period immediately preceding such Payment Date;

   (ii) *pari passu* and *pro rata* according to the respective amounts thereof, of all amounts (other than any Swap Counterparty Default Termination Amounts) due and unpaid to each Swap Counterparty under any Swap Agreement;

   (iii) *pari passu* and *pro rata* according to the respective amounts thereof, the Interest Amount due but unpaid on the Notes as at such Payment Date;

   (iv) *pari passu* and *pro rata* according to the respective amounts thereof:

      (A) on any Payment Date falling before the expiry of the Initial Period, in respect of any Tranche to retain in the Collection Account any Available Capital Funds in respect of that Tranche, in accordance with Condition 8(c);

      (B) on any Payment Date falling in or after the expiry of the Initial Period to pay, *pari passu* and *pro rata* according to the respective amounts thereof, the Amortisation Amount due on that Payment Date in respect of the Notes of any Tranche; and

      (C) on the Maturity Date in respect of any Tranche, paying the Final Redemption Amount on the Notes of such Tranche;

(d) *fourth*, in or towards satisfaction, *pari passu* and *pro rata* according to their respective amounts, of any Swap Counterparty Default Termination Amounts due but unpaid to a Swap Counterparty under any Swap Agreement;

(e) *fifth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, all amounts in the nature of indemnity payments or payments of damages resulting from any warranty claim due but unpaid to each Bookrunner and the Arrangers and Global Coordinators in connection with the Programme Agreement and any Subscription Agreement; and

(f) *sixth*, the balance, if any, to the Originator.

6.2 Payments to Related Third Party Creditors

Notwithstanding the obligation of the Issuer to apply the Issuer Available Funds to pay and/or provide for the items set out in the Priority of Payments in the order of priority and on the dates set out therein, the Issuer (or, as the case may be, the Cash Manager acting on its behalf) may at any time liquidate the Collection Account Investments and/or apply any Issuer Available Funds and/or the amounts standing to the credit of the Collection Account or the Payments Accounts in priority to or *pari passu* with any item set out in the Priority of Payments in order to pay, when required by applicable law, any amount payable (but not provided for) under item (a)(ii) and (iii) of the Pre-Enforcement Priority of Payments.

Subject to the foregoing, the Corporate Servicer and Management Services Provider shall pay any Issuer On-Balance Sheet Expenses for which provision has been made exclusively out of the Expenses Account.

6.3 Enforcement Priority of Payments

Following service of an Issuer Enforcement Notice, all amounts received or recovered by the Issuer and/or the Security Trustee in respect of the Portfolio and/or the Issuer Security, respectively, will, subject to Condition 6.4, be applied as follows, in each case, only if and to the extent that payments of a higher priority have been made in full:

(a) *first*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of:

  (i) such amount as is required to be credited to the Expenses Account to ensure that the balance thereof equals the Target Amount; and

  (ii) the Applicable Proportion of any documented costs, expenses, fees, taxes or other amounts reasonably and properly incurred by the Issuer required to preserve the Issuer's corporate existence and maintain it in good standing (or any winding-up costs, as the case may be) or to comply with applicable law, to the extent not met by utilising the amounts standing to the credit of the Expenses Account; and

  (iii) *pari passu* and *pro rata* according to the respective amounts thereof, any documented costs, expenses, fees, taxes or other amounts reasonably and properly incurred by, or required by applicable law to be paid to any Related Third Party Creditor, to the extent not met by utilising the amounts standing to the credit of the Expenses Account; and

  (iv) any documented fees, costs and expenses of, and all other amounts due but unpaid to, the Note Trustee, the Security Trustee and any receiver appointed by the Security Trustee (including, for the avoidance of doubt, indemnity payments) under the Security and Intercreditor Deed;

(b) *second*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof:

  (i) *pari passu* and *pro rata* according to the respective amounts thereof the documented fees, costs and expenses of, and all other amounts (including, for the avoidance of doubt, indemnity payments) due and unpaid to:

    (A) the Agents;

    (B) the Operating Banks, the Calculation Agent, the Cash Manager and the Servicer; and

    (C) the Corporate Servicer and the Management Services Provider, in each case at such date;

  (ii) in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of all amounts due but unpaid to each Swap Counterparty under any Swap Agreement at such date (other than any Swap Counterparty Default Termination Amounts);

  (iii) *pari passu* and *pro rata* according to the respective amounts thereof, the Interest Amount due but unpaid on the Notes as at the following Payment Date;

  (iv) *pari passu* and *pro rata* according to the respective amounts thereof, the Early Redemption Amount of each Note;

(c) *third*, in or towards satisfaction, *pari passu* and *pro rata* according to their respective amounts, of any Swap Counterparty Default Termination Amount due but unpaid to a Swap Counterparty under any Swap Agreement; and

(d) *fourth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, all amounts in the nature of indemnity payments or payments of damages resulting from any warranty claim due but unpaid to each Bookrunner and the Arrangers and Global Coordinators in connection with the Programme Agreement and any Subscription Agreement; and

(e) *fifth*, the balance, if any, to the Originator.

6.4 Initial Period

If and to the extent that any amount due to be applied to repayments of principal pursuant to Condition 6.3(b)(iv) is recovered by the Security Trustee prior to the end of the Initial Period, such amount shall be retained in the Collection Account and the same applied in accordance with Condition 6.3 as soon as possible following the end of the Initial Period together with a *pro rata* share of any interest received in respect of such amount.

7. Interest

(a) Payment Dates

Each Note bears interest on its Principal Amount Outstanding from (and including) its respective Issue Date at the rate per annum equal to the relevant Rate of Interest and such interest will be payable in arrear on either:

(i) each Payment Date; or

(ii) if no Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each a "***Payment Date***") which falls six months after the preceding Payment Date or, in the case of the first Payment Date, after the relevant Issue Date in respect of that Note.

Such interest will be payable in respect of each Interest Period.

The Payment Dates shall fall in accordance with a Business Day Convention as specified in the applicable Pricing Supplement and if not so specified will fall in accordance with the Modified Following Business Day Convention.

In these Conditions "***Business Day***" (*Giorno Lavorativo*) means a day which is both:

(i) a day on which banks are generally open for business in Milan, Rome, London, Luxembourg and in any additional financial centre specified in the applicable Pricing Supplement; and

(ii) a day on which the Trans-European Automated Real Time Gross Settlement Express Transfer (TARGET) System (or any successor thereto) is open for business;

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of each Tranche will be either a fixed rate or will be a floating rate comprising the aggregate of the applicable Margin and the applicable Reference Rate, each specified in the applicable Pricing Supplement.

Each applicable Pricing Supplement will contain specific provisions for determining the Reference Rate in respect of any Tranche.

There shall be no maximum or minimum rate of interest.

(c) Determination of Rate of Interest and Calculation of Interest Amounts

The Principal Paying Agent will on each Interest Determination Date determine the Rate of Interest for the immediately succeeding Interest Period.

The Principal Paying Agent, will calculate the amount of interest (the "***Interest Amount***") payable on the Notes in respect of each Specified Denomination and each Note for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination of the Principal Amount Outstanding of the Notes as at the relevant Payment Date, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure downwards to the nearest sub-unit of the relevant Agreed Currency (half sub-unit being rounded down).

"***Day Count Fraction***" means, unless otherwise specified in the Pricing Supplement, in respect of the calculation of an amount of interest in accordance with this Condition 7(c) the actual number of days in the Interest Period divided by 360.

(d) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Payment Date to be notified to the Issuer, the Note Trustee, the Security Trustee, the Agents, the Cash Manager, the Calculation Agent, the Operating Banks, the Servicer, the Luxembourg Agent, the Principal Paying Agent, any Swap Counterparty, Euroclear, Clearstream, Luxembourg and the Luxembourg Stock Exchange or other relevant authority on which the relevant Notes are for the time being listed or by which they have been admitted to trading and notice thereof to be published in accordance with Condition 15 no later than on the first day of each Interest Period. Each Interest Amount and Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice (but with subsequent notice thereof in accordance with the above) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 15.

(e) *Determination or Calculation by Note Trustee*

If for any reason at any relevant time, the Principal Paying Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with paragraph (c) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with paragraph (d) above, the Note Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 7), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Note Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent.

(f) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 7, whether by the Principal Paying Agent or, if applicable, the Note Trustee, shall (in the absence of negligence, wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the other Agents and all Noteholders and (in the absence as aforesaid) no liability to the Noteholders shall attach to the Principal Paying Agent, or the Note Trustee (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(g) *Principal Paying Agent*

The Issuer will procure that, so long as any of the Notes remains outstanding, there will at all times be a Principal Paying Agent. The Issuer reserves the right at any time to terminate the appointment of the Principal Paying Agent. Notice of any such termination will be given to the holders of the Notes. If any person shall be unable or unwilling to continue to act as an Principal Paying Agent, or if the appointment of the Principal Paying Agent shall be terminated, the Issuer will, with the approval of the Note Trustee, appoint a successor or Principal Paying Agent to act as such in its place, provided that neither the resignation nor the removal of the Principal Paying Agent shall take effect until a successor approved by the Note Trustee has been appointed.

(h) *Accrual of Interest*

Each Note (or in the case of the redemption of only part of a Note, that part only of such Note) will cease to bear interest (if any) from the date from its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Master Trust Deed.

(i) Unpaid Interest

Subject to Condition 6, but without prejudice to Condition 10, in the case of failure to pay interest due on the Notes, unpaid interest on the Notes shall accrue interest while it remains outstanding at the relevant Rate of Interest and shall be aggregated with the amount of, and treated for the purposes of this Condition 7, as if it were an Interest Amount due in respect of such Notes.

8. Redemption and Purchase

(a) Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note shall, subject to the Priority of Payments and Conditions 3 and 11, be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in Condition 6 and the applicable Pricing Supplement on its Maturity Date. To the extent that, on the Calculation Date immediately preceeding the relevant Maturity Date, the Issuer has insufficient funds to redeem in full the Final Redemption Amount of any Note, the provisions of Conditions 3 (e) and 11(b) shall apply with regard to any unpaid amounts.

The Issuer may not redeem the Notes in whole or in part prior to the relevant Maturity Date except as specified in this Condition 8.

(b) Regulatory Redemption

In the event that at any time the Issuer determines (or is notified by a person acting on behalf of the Issuer) that a Noteholder was in breach, at the time given or deemed to be given, of any of the representations or agreements included in the transfer restrictions applicable to the Notes purchased by the same or otherwise determines that any transfer or other disposition of any Notes would, in the sole determination of the Issuer or the Note Trustee acting on behalf of the Issuer, require the Issuer to register as an "investment company" under the provisions of the Investment Company Act, such purchase or other transfer will be void ab initio and will not be honoured by the Note Trustee. Accordingly, any such purported transferee or other holder will not be entitled to any rights as a Noteholder and the Issuer shall have the right to force the transfer of, or redeem, any such Notes.

(c) Mandatory Pro Rata Redemption in whole or in part

(i) If "Mandatory Pro Rata Redemption" is specified in the applicable Pricing Supplement in relation to any Tranche the Issuer shall apply Available Capital Funds in paying the Amortisation Amount (if any) in respect of that Tranche in the relevant Agreed Currency, in respect of the Notes on each Payment Date subject to and in accordance with Condition 6.1. An Amortisation Amount which would, otherwise than for this Condition 8(c)(i), fall due during the Initial Period shall be retained in the Collection Account in accordance with Condition 6.1(c)(iv)(A). The Issuer shall cause the Calculation Agent, pursuant to the Cash Management Agreement, to record such amounts in a retained principal ledger of the Collection Account and they shall be added to the Amortisation Amount due in respect of such Notes on the succeeding Payment Date. The Principal Amount Outstanding of each Note in such Tranche shall be reduced by the Amortisation Amount for all purposes with effect from the relevant Payment Date unless payment of the relevant Amortisation Amount is improperly withheld or refused on presentation of the relevant Note, in which case such amount shall remain outstanding until the date on which all moneys then due for payment shall have been received in respect of such Amortisation Amount.

(ii) The principal amount redeemable on any Payment Date under Condition 8(c)(i) above in respect of each Note of any Tranche (the "***Principal Payment***") shall be a *pro rata* share of the relevant Amortisation Amount in respect of that Tranche specified in the applicable Pricing Supplement or, in case Available Capital Funds available in accordance with Condition 6.1 are not sufficient to pay the aggregate Amortisation Amounts due on all Notes on such date, a *pro rata* share of the Available Capital Funds available in accordance with Condition 6.1 on such date, calculated by multiplying the Available Capital Funds available in accordance with Condition 6.1 by a fraction, the numerator of which is the then Principal Amount Outstanding of such Note and the denominator of which is the then aggregate Principal Amount

Outstanding of all the Notes on which an Amortisation Amount payment is due on such Payment Date (and rounding the result down to the nearest sub-unit of the relevant Agreed Currency), provided always that no such Principal Payment may exceed the Principal Amount Outstanding or the applicable Amortisation Amount in respect of any Note that Payment Date.

The amortisation profile of each Tranche of Notes will be detailed in the applicable Pricing Supplement.

(d) *Redemption for Tax*

If, at any time immediately prior to the giving of the notice referred to below, the Issuer: (A) provides the Note Trustee with a legal opinion as to Italian law in form and substance satisfactory to the Note Trustee from a firm of lawyers (approved in writing by the Note Trustee) and a certificate of an authorised director of the Issuer to the effect that as a result of any amendment to, or change in, the laws or regulations of the Republic of Italy (or any political sub-division thereof), or of any authority therein or thereof having power to tax, or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations which occurs after the Issue Date, the Issuer is likely to be found liable to pay the ordinary Italian corporation tax (IRPEG) or any other income tax (including, for the avoidance of doubt, IRAP) applicable to proceeds of the Receivables; (B) certifies to the Note Trustee and produces evidence acceptable to the Note Trustee that it will have the necessary funds, which shall include any purchase price to be paid by the Region for the Portfolio, not subject to the interests of any other person to discharge all outstanding liabilities of the Issuer in respect of the Notes and any amounts required under the Cash Management Agreement and the Security and Intercreditor Deed to be paid in priority to or *pari passu* with the Notes (the Note Trustee being entitled, for the purpose of so satisfying itself, to rely on a written certificate from an authorised director of the Issuer to that effect); and (C) provides the Note Trustee with confirmation from the Rating Agencies that the ratings of the Notes will be adversely affected as a result of the occurrence of such event, the Issuer may on any Payment Date falling after the expiry of the Initial Period and prior to the Maturity Date at its option having given not less than 60 days' notice expiring on a Payment Date to the Note Trustee and the Region in writing and to the Noteholders (the "***Notice Period***") in accordance with Condition 15, redeem all but not some only of the Notes at their Early Redemption Amount together with accrued but unpaid interest up to and including the relevant Interest Payment Date. In order to satisfy the requirements of this Condition the Issuer may require the Region pursuant to the Warranty and Indemnity Deed to purchase, or require it to procure a third party to purchase, the Portfolio within the Notice Period, for a purchase price which, together with Issuer Available Funds on the relevant Payment Date, is sufficient to permit the Issuer to discharge all its outstanding liabilities at that date.

Redemption may not occur pursuant to this Condition 8(d) prior to the expiry of the Initial Period.

(e) *Notice of Redemption*

The Principal Paying Agent will cause any redemption and the relevant Principal Amount Outstanding following such redemption pursuant to Condition 8(c) or (d) to be notified to the Note Trustee and the Luxembourg Stock Exchange, the Cash Manager and the Agents or other relevant authority on which the relevant Notes are for the time being listed or by which they have been admitted to trading and notice thereof to be published in accordance with Condition 15 as soon as possible after such determination. Any such notice shall specify the date for redemption, the amount to be redeemed and the aggregate Principal Amount Outstanding of the Notes of such Tranche outstanding following any redemption in part. If no Principal Payment is due to be made on the Notes on a Payment Date, a notice to this effect will be given by the Issuer to the Noteholders in accordance with Condition 15.

(f) *Early Redemption Amounts*

For the purpose of paragraph (d) above and Condition 11(b), each Note will be redeemed at its Early Redemption Amount calculated as follows:

(i) in the case of a Note with a Final Redemption Amount equal to the Nominal Amount, at the Final Redemption Amount therefor; or

(ii) in the case of a Note with a Final Redemption Amount which is or may be less or greater than the Nominal Amount at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its Principal Amount Outstanding, which shall include in any event any Amortisation Amount,

and in each case, interest accrued due but unpaid on such date,

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

(g) Purchases

The Issuer may not purchase Notes.

(h) Notice irrevocable

Any notice given in accordance with this Condition is irrevocable and upon the expiration thereof, the Issuer shall be bound to redeem the Notes in accordance with this Condition 8.

(i) Cancellation

All Notes which are redeemed will forthwith be cancelled. All Notes so cancelled and any Notes purchased and surrendered for cancellation shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

9. Payments and Priorities

(a) Payments

(i) Payments of principal in respect of any Global Note will be made to the persons shown in the Register at the close of business on the Record Date and, in the case of final redemption, upon surrender of such Global Note at the specified office of the Registrar or any Agent.

(ii) Payments of principal in respect of any Definitive Registered Notes will be made to the persons shown in the Register at the close of business on the Record Date and subject, in the case of final redemption, to surrender of such Definitive Registered Notes at the specified office of the Registrar or any Agent.

(iii) Payments of interest due on a Payment Date will be made to persons shown in the Register at the close of business on the Record Date.

(iv) Payments in respect of the Notes will be made in the Agreed Currency as specified in the relevant Pricing Supplement, by cheque drawn in the relevant Agreed Currency on a bank in the U.S., the European Union or the UK, as the case may be, at the specified office of the Agents or, at the option of the holder, by advance notice to the Registrar no less than 15 days prior to the relevant Payment Date, by mail to the registered address of the holder or by transfer to an account in such Agreed Currency maintained by the holder with a bank in the U.S., the European Union or the UK, as the case may be.

(v) 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.

(vi) If the due date for redemption of any Note is not a Payment Date, accrued interest will be paid only against presentation and surrender (if appropriate) of the relevant Note.

(vii) If any amount of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 7 will be paid to the persons shown in the Register at the close of business on the Record Date in respect of Definitive Registered Notes and, in the case of final redemption, against surrender of the relevant Note.

(viii) Unless otherwise specified in a Pricing Supplement, if any Note is presented or surrendered for payment, where so required, on a day which is neither a Business Day, nor a business day in the place where it is so presented or surrendered, no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note nor shall such Noteholder be entitled to payment until the next following Business Day (a "***Payment Day***").

(ix) If the due date for any payment of principal and/or interest in respect of any note 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. Holders of notes will not be entitled to any interest or other payment in consequence of any delay after the due date in receiving the amount due (A) as a result of the due date not being a Business Day or (B) if the holder is late in presenting or surrendering the relevant Note if required to do so.

(x) The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of any Agent or Registrar and to appoint additional or other Agents including the Principal Paying Agent or an additional or other Registrar *provided that* (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 an Agent with a specified office in Luxembourg. The Issuer will cause at least 30 days' but not more than 45 days' notice of any change in or addition to any Agent, or the Registrar or their specified offices to be given in accordance with Condition 15.

For the purposes of this Condition 9, "***Record Date***" in respect of the Definitive Registered Notes means the seventh Business Day before the due date for the relevant payment.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment.

(b) General provisions applicable to payments

The person shown in the Register at the close of business on the applicable Record Date in respect of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.

(c) Interpretation of Principal

Any reference in these Conditions to payments of principal in respect of the Notes shall be deemed to include, as applicable:

(i) the Final Redemption Amount of the Notes;

(ii) the Amortisation Amount (if any) payable on the Notes; and

(iii) the Early Redemption Amount (if any) of the Notes;

(d) Agreed Currency

If by reason of force majeure or an act of state (including without limitation the imposition of exchange controls) it becomes impossible or unlawful for the Issuer to make, or the Issuer is prevented from making, payments under any Note in the Agreed Currency in respect thereof, then the Issuer will give notice to the Principal Paying Agent as soon as it is aware of such impossibility or unlawfulness and shall instead make any payments due under such Note in euro in same day funds, in an equivalent amount. For the purpose of this paragraph, an equivalent amount of the Agreed Currency in euro shall be determined using the spot rate of exchange shown on the Reuters ECB37 for the purchase in the London foreign exchange market of euro with the Agreed Currency at or about 11.00 a.m. on the date which the calculation falls to be made, or, if no such rate is quoted, at such rate as the Principal Paying Agent may determine having regard to the prevailing market rates.

(e) Priority of Payments

Payments in respect of interest on and principal of the Notes, both prior to and upon service of an Issuer Enforcement Notice, shall be made in accordance with the priorities of payments set out in Condition 6 and in the Security and Intercreditor Deed.

Except as otherwise expressly provided in the Security and Intercreditor Deed, in the event that Issuer Available Funds are insufficient to make the full amount of the disbursements required by any paragraph of the priorities of payments to different persons, the disbursements called for by such paragraph shall be made *pro rata* in accordance with the respective amounts of such disbursements then due and payable to the extent that funds are available therefor.

10. Taxation

All payments in respect of the Notes will be made without withholding or deduction for or on account of any taxes of whatsoever nature other than a Law No. 239 Withholding or any other withholding or deduction that the Issuer or any Agent is required to make by applicable law. If any withholding or deduction is required by law to be withheld or deducted, (including without limitation a Law No. 239 Withholding), the Issuer or such Agent (as the case may be) shall withhold or deduct the required amount and account to the proper authorities for the amount withheld or deducted. Neither the Issuer nor any Agent shall be obliged to pay any additional amount to any Noteholder on account of such withholding or deduction nor will the Issuer redeem the Notes for such reason.

11. Events of Default and Enforcement

(a) Events of Default

The Note Trustee at its discretion may and, if so requested in writing by any Noteholder (subject in each case to being indemnified to its satisfaction) shall give written notice to the Issuer (any such notice, an "***Issuer Enforcement Notice***"), and copied to each Issuer Secured Creditor, that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest (if applicable) as provided in the Master Trust Deed if any of the following events (each an "***Issuer Event of Default***") shall occur:

(i) *Non-Payment*: the Issuer fails to make any payments in respect of the Notes of any Tranche under the Programme outstanding within 5 Business Days after the due date for payment therefor; or

(ii) *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, under the Transaction Documents and such default (A) is, in the opinion of the Note Trustee, incapable of remedy or (B) being a default which is, in the opinion of the Note Trustee, capable of remedy, remains unremedied for 30 days or such longer period as the Note Trustee may agree after the Note Trustee has given written notice thereof to the Issuer; or

(iii) *Insolvency*: (A) Insolvency Proceedings are initiated against the Issuer; or (B) (1) 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 (2) an administrator, administrative receiver or liquidator of the Issuer being appointed over or in respect of the whole or any part of the undertaking, assets and/or revenues of the Issuer or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, other than, with respect to (B) (2) above only, where such action is carried out in connection with the enforcement of any Further Security or any Security Interest in connection with a Prior Securitisation (each as defined as in Condition 4); or

(iv) *Winding Up*: an order is made or an effective resolution is passed for the winding up of the Issuer or any of the events under article 2448 of the Italian Civil Code occurs or legal proceedings are commenced for the winding up, liquidation, dissolution, administration, reorganisation, rehabilitation or controlled management of the Issuer; or

(v) *Unlawfulness*: it is or will become unlawful in any respect deemed by the Note Trustee to be material for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or any Transaction Document to which it is a party; or

(vi) *Portfolio default*: any Lease Contract is terminated before the end of its term for any reason, or the Payment Delegation is revoked, invalidated or rescinded as between the Region of Lazio and the Issuer or the Originator in respect of any Lease Contract or the Payment Mandate is revoked by the Region and not replaced with another irrevocable payment mandate on terms substantially similar to those of the original Payment Mandate within 30 (thirty) days from the date of revocation; or

(vii) *Cross-default*: an Issuer Event of Default occurs with respect to any of the Notes issued pursuant to the Programme, in accordance with their respective terms and conditions, as amended or supplemented from time to time.

(b) Enforcement

(i) Each of the Note Trustee and the Security Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks appropriate to enforce its rights under the Master Trust Deed, the Issuer Security Documents or any of the other Transaction Documents and at any time after the Notes become due and payable following the service of an Issuer Enforcement Notice, the Security Trustee may, at its absolute discretion and without further notice, take such steps as it thinks fit to enforce the security constituted by the Issuer Security Documents, but neither shall be bound to do so unless (x) (subject to the following) it shall have been so directed in writing by an Extraordinary Resolution of the Noteholders or the holders of at least one-quarter in nominal amount of the Notes and (y) it shall have been indemnified to its satisfaction. The Security Trustee shall, however, in addition to the foregoing, be bound, subject to it being indemnified to its satisfaction, to institute proceedings against the Region, in respect of any obligations owed by it to the Issuer, Security Trustee or Issuer Secured Creditor following the service of an Issuer Enforcement Notice, if so requested by the Note Trustee, which must act in this regard if so instructed by any one Noteholder.

In the event that the Issuer Security is enforced and all amounts collected are, after payment of all other claims ranking in priority to the Notes under the Security and Intercreditor Deed and Condition 6, insufficient to pay in full all principal and interest and other amounts whatsoever which, but for the operation of this Condition 11(b) would be due in respect of the Notes, then the claims of the Noteholders, in respect of the Notes shall be limited to their respective *pro rata* share of such remaining proceeds (calculated in the case of each Note by multiplying the Early Redemption Amount of such Note together with all accrued but unpaid interest thereon which, but for the operation of this Condition 11(b) would be due in respect of such Note by a fraction the numerator of which is the amount of such remaining proceeds and the denominator of which is the aggregate Early Redemption Amount of all the Notes then in issue together with the aggregate amount of all accrued but unpaid interest thereon which, but for the operation of this Condition 11(b) would be due in respect of the Notes) and, after payment to each Noteholder of his respective *pro rata* share of such remaining proceeds, the obligations of the Issuer to such Noteholder under the relevant Note shall be deemed to be discharged in full, shall cease to be capable of becoming due and shall be cancelled.

(ii) Following the occurrence of an Issuer Event of Default specified in Condition 11(a)(vi) and the service of an Issuer Enforcement Notice, upon the Issuer (or the Security Trustee, as the case may be) giving not less than 60 days' prior notice to the Region to that effect, the Region shall purchase, or procure the purchase of, the Portfolio for a purchase price which is sufficient, when aggregated to the Issuer Available Funds on the expiry of the aforementioned notice period, to permit the Issuer to discharge all its outstanding liabilities, including payment in full of all Notes outstanding at their Early Redemption Amounts at that date.

(iii) Following the occurrence of an Issuer Event of Default (other than that specified in Condition 11(a)(vi)) and the service of an Issuer Enforcement Notice, the Issuer (or the Security Trustee, as the case may be) shall not be entitled to accept any offer for the purchase of the Portfolio from any third party purchaser (a "***Third Party Offer***") unless it has notified the Region of the amount of such offer, and has allowed the Region 60 days in which to make an offer to purchase the Portfolio (a "***Related Party Offer***"). Provided the Related Party Offer is for a sum greater than or equal to the offer made by the Third Party Purchaser and is irrevocably agreed to be available for acceptance and settlement within 60 days of it being made, the Issuer or the Security Trustee, as the case may be, must accept the Related Party Offer.

12. Prescription

The Notes will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

As used herein, the "***Relevant Date***" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Note Trustee or the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys have been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

13. Replacement of Notes

Should any Note be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any of the Agents upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

14. Agents

The names of the initial Agents and their initial specified offices are set out below:

Deutsche Bank AG London (the "***Principal Paying Agent***") with offices at 1 Winchester House, 1 Great Winchester Street, London EC2N 2DB;

Deutsche Bank S.p.A. Milan (the "***Italian Agent***") with offices at:

Deutsche Bank S.p.A.
Corporate Trust & Agency Services
V.le Legioni Romane, 27
20147, Milan

Samuele Di Biase
Tel: +39 02 4024 3937
Fax: +39 02 4024 3089
E-mail: samuele.dibiase@db.com

Deutsche Bank Luxembourg S.A. (the "***Luxembourg Agent***, the "***Transfer Agent***" and the "***Registrar***") with offices at:

2, Boulevard Konrad Adenauer
L-1115 Luxembourg

Peter Dickinson
Tel: +352 42122 641
Fax: +352 473136

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be an Agent with a specified office in such place as may be required by the rules and regulations of such stock exchange or other relevant authority;

(b) there will at all times be a Principal Paying Agent; and

(c) if any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive is introduced, the Issuer will ensure that it maintains an Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to any such Directive or law.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain limited circumstances specified therein, of the Note Trustee and the Security Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders. The Agency

Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor Agent.

15. Notices

Unless otherwise specified in the applicable Pricing Supplement, all notices regarding the Notes shall be published in a leading English language daily newspaper of general circulation in Luxembourg (so long as any of the Notes are listed on the Luxembourg Stock Exchange) and London (which are expected to be the *Luxemburger Wort* and the *Financial Times*, respectively). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority with which the Notes are for the time being listed or by which they have been admitted for listing. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Note Trustee shall approve.

Until such time as any Definitive Registered Notes are issued, there may (provided that, in the case of Notes listed on a stock exchange or with another relevant authority, such stock exchange or authority agrees), so long as the Global Note(s) is or are held in its/their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the same day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Any notice specifying a Payment Date, a Rate of Interest, an Early Redemption Amount or a Final Redemption Amount shall be deemed to have been given if the information contained in such notice appears on Bloomberg Screen (page 1) or such other medium for the electronic display of data as may be approved by the Note Trustee and notified to the Noteholders in accordance with the two preceding paragraphs. Such information shall also be available from the Luxembourg Agent. In addition, each Investor Report shall appear on such screen. Any such notice shall be deemed to have been given on the first date on which such information appeared on the relevant screen. If it is impossible or impracticable to give notice in accordance with this paragraph then notice of the matters referred to in this Condition shall be given in accordance with the two preceding paragraphs. The Calculation Agent has agreed to provide the information contained in such a notice to Bloomberg.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

16. Meetings of Noteholders, Modification and Waiver

(a) The Master Trust Deed contains provisions for convening meetings of the Noteholders of each Tranche to consider any matter affecting the interests of such Noteholders, including the sanctioning by Extraordinary Resolution of the Noteholders of that Tranche of a modification of certain of these Conditions or certain provisions of the Master Trust Deed. Such a meeting may be convened by the Issuer or the Note Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes of the relevant Tranche for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 75 per cent. in nominal amount of the Notes of the relevant Tranche for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes of the relevant Tranche so held or represented. An Extraordinary Resolution passed at any meeting of the Noteholders of any Tranche shall be binding on all the Noteholders of that Tranche, whether or not they are present at the meeting. If required by the applicable Pricing Supplement, the fulfilment of the procedures set out in paragraph 16(b) shall instead be sufficient to make such modifications to certain of these Conditions or certain provisions of the Master Trust Deed.

(b) If this Condition 16(b) is specified in the applicable Pricing Supplement as being applicable to the Notes of any Tranche then, notwithstanding anything herein to the contrary, no action at any meeting of the Noteholders of that Tranche, and no modification, amendment, or supplement to the Notes, these Conditions or relevant provisions of the Master Trust Deed may (i) change the due date for the payment of the principal (including redemption amounts, if any) or interest in respect of any Note of such Tranche, (ii) reduce the principal amount (including redemption amounts, if any, in respect of any Note of such Tranche, the portion of such principal amount which is payable upon acceleration of the maturity of such Notes, the interest rate thereon or the premium payable upon redemption thereof), (iii) change the Agreed Currency in which or the required places at which payment with respect to principal (including premium or redemption amounts, if any) or interest in respect of such Notes is payable, (iv) impair the right to institute suit for the enforcement of any such payment on or with respect to any Note of such Tranche, (v) amend the procedures provided for or the circumstances under which the Notes of such Tranche the consent of the holders of which is necessary to modify or amend the Master Trust Deed or these Conditions or to make, take or give consent, waiver or other action provided hereby or thereby to be made, taken or given, or (vi) reduce the percentage of aggregate principal amount of the Notes of such Tranche outstanding required for the adoption of a resolution or the quorum required at any meeting of the holders of Notes of such Tranche at which a resolution is adopted, in each case, unless such action or modification, amendment or supplement is approved by the affirmative vote of all of the holders of the Notes of that Tranche.

(c) The Note Trustee may agree, without the consent of the Noteholders, to any amendment to, modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Master Trust Deed or any other Transaction Document, or determine, without any such consent as aforesaid, that any Issuer Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Note Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any amendment or modification which is of a formal, minor or technical nature or to correct a manifest or proven error. Any such amendment or modification shall be binding on the Noteholders and, unless otherwise agreed by the Note Trustee, any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

(d) No amendment or modification of the Notes or any of the provisions of the Master Trust Deed or any other Transaction Document shall be effective until it has been notified to the Rating Agencies.

(e) In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Note Trustee shall have regard to the general interests of the Noteholders but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Note Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

17. Note Trustee and Security Trustee

The Master Trust Deed and the Issuer Security Documents contain provisions for the indemnification of the Note Trustee and the Security Trustee, respectively and for their relief from responsibility, including provisions relieving them from taking action unless indemnified to their satisfaction.

The Master Trust Deed and the Issuer Security Documents also contain provisions pursuant to which the Note Trustee and the Security Trustee, respectively are entitled, *inter alia*, (i) to enter into business transactions with the Issuer and to act as trustee or security trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, (ii) to exercise and enforce their respective rights, comply with their respective obligations and perform their respective duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

18. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders (but subject to satisfaction of the Rating Condition) to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Tranche with any Tranche of the outstanding Notes.

19. Governing Law and Submission to Jurisdiction

The English Law Transaction Documents and the Notes are governed by, and shall be construed in accordance with, English law. The Italian Law Transaction Documents shall be governed by Italian law.

20. Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

CLEARANCE AND SETTLEMENT

General

The Notes for each Tranche will be represented by a Regulation S Global Note and/or a Rule 144A Global Note as described in the section entitled "*Terms and Conditions of the Notes*". The Notes will represent the aggregate principal amount of the outstanding Notes.

Ownership of beneficial interests in the Global Notes will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("***participants***") or persons that hold interests in the Global Notes through participants ("***indirect participants***"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect participants shall also include persons that hold beneficial interests through such indirect participants. Euroclear and Clearstream, Luxembourg, as applicable, will credit the participants' accounts with the respective amount of Notes beneficially owned by such participants on each of their respective book-entry registration and transfer systems. The accounts to be credited shall be designated by the relevant Bookrunners. Beneficial interests in the Global Notes will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their participants) and on the records of participants or indirect participants (with respect to the interests of their indirect participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as the nominee for the common depositary for Euroclear and Clearstream, Luxembourg are the registered holders of the Global Notes, Euroclear and Clearstream, Luxembourg, as applicable, will be considered the sole Noteholder for all purposes under the Master Trust Deed. Accordingly, each person holding a beneficial interest in the Global Notes must rely on the rules and procedures of Euroclear and/or Clearstream, Luxembourg, as the case may be, and indirect participants must rely on the procedures of the participants or indirect participants through which such person owns its interest in the relevant Global Notes, to exercise any rights and obligations of a holder of Notes under the Master Trust Deed.

Unless beneficial interests in the Global Notes are exchanged for Definitive Registered Notes, the Global Notes registered in the name of a nominee for the common depositary for Euroclear and Clearstream, Luxembourg may not be transferred except (i) to increase or reduce the principal amount outstanding of the Regulation S Global Note in exchange for a Rule 144A Global Note as provided in the regulations concerning transfers of Notes set out in the Conditions and (ii) as a whole by Euroclear or Clearstream, Luxembourg to the common depositary or by the common depositary to Euroclear or Clearstream, Luxembourg, or another nominee of Euroclear and Clearstream, Luxembourg or by Euroclear and Clearstream, Luxembourg or any such nominee to a successor of Euroclear or Clearstream, Luxembourg, as the case may be, or a nominee of such successor.

Investors may hold beneficial interests in respect of the Global Notes directly through Euroclear or Clearstream, Luxembourg, if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold beneficial interests in the Global Notes on behalf of their account holders through securities accounts in the respective account holders' name on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer system.

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of beneficial interests in the Global Notes among account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Note Trustee, the Agents or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their participants or account holders of their respective obligations under the rules and procedures governing their operations.

Payment on Global Notes

Payment of principal of and interest on, and any other amount due in respect of, the Global Notes will be made in the Agreed Currency by the Principal Paying Agent on behalf of the Issuer to the registered holder thereof. It is anticipated that the Principal Paying Agent will distribute all such payments in the relevant Agreed Currency to the nominee for the common depositary for Euroclear and Clearstream, Luxembourg. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the common depositary, the respective systems will promptly credit their participants' accounts with payments in amounts proportionate to their respective ownership of the Global Notes as shown in the records of Euroclear or of Clearstream, Luxembourg. The Issuer expects that payments by participants to owners of beneficial interests in Global Notes held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "*street name*", and will be the responsibility of such participants or indirect participants. None of the Issuer, the Note Trustee, or any of their respective agents, will have any responsibility or liability for any aspect of the records relating to or payments made on account of a participant's ownership of beneficial interests in the Global Notes or for maintaining, supervising or reviewing any records relating to a participant's ownership of Global Notes.

Information Regarding Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg each holds securities for its account holders and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between its respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if either the Issuer or the Note Trustee requests any action of owners of beneficial interests in Global Notes or if an owner of a beneficial interest in a Global Note desires to give instructions or take any action that a holder is entitled to give or take under the Master Trust Deed, Euroclear or Clearstream, Luxembourg, as the case may be, would authorise the participants owning the relevant beneficial interests in the Global Notes to give instructions or take such action, and such participants would authorise indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

Transfer and Transfer Restrictions

All transfers of beneficial interest in the Global Notes will be recorded in accordance with the bookentry systems maintained by Euroclear and Clearstream, Luxembourg, pursuant to customary procedures established by each respective system and its participants. See the section entitled "*Clearance and Settlement – General*" above.

The Rule 144A Global Notes will bear a legend substantially identical to that appearing under "*Notice to Investors*", and neither the Rule 144A Global Notes nor any book-entry interest therein may be transferred except in compliance with the transfer restrictions set forth in such legend and the regulations referred to in the Conditions. Beneficial interests in the Rule 144A Global Notes may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note of the same Tranche only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Annex B, Part A) to the effect that among other things, such transfer is being made outside the United States to a non-U.S. person in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act (if available) and that the interest transferred will be held through Euroclear or Clearstream, Luxembourg.

Beneficial interests in the Global Notes may be held only through Euroclear or Clearstream, Luxembourg. A beneficial interest in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in a Rule 144A Global Note of the same Tranche only upon receipt by the Registrar of a written certificate from the transferor (in the form set out in Annex B, Part B) to the effect that, among other things, such transfer is being made to a person whom the transferor reasonably believes is both a "qualified institutional buyer" as defined in Rule 144A and a "qualified purchaser" within the meaning of Section 3(c)(7) of the Investment Company Act.

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a Rule 144A Global Note will, upon transfer, cease to be represented by a beneficial interest in such Regulation S Global Note and will become represented by such Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Rule 144A Global Notes. Any Rule 144A Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note will, upon transfer, cease to be represented by such Rule 144A Global Note and will become represented by a beneficial interest in such Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note.

A person acquiring a beneficial interest in a Rule 144A Global Note shall be deemed to have agreed to be bound by the transfer restrictions applicable to such Note and shall provide an Investment Letter in the form set out in Annex B, Part C. These transfer restrictions are set forth in the section entitled "*Notice to Investors*".

Issuance of Definitive Registered Notes

Holders of beneficial interests in the Global Notes will be entitled to receive Definitive Registered Notes in exchange for their respective holdings of beneficial interests if:

(a) any of the Notes becomes immediately due and repayable by reason of the service of an Issuer Enforcement Notice; or

(b) the Note Trustee notifies the Issuer that a Specified Event has occurred; or

(c) as a result of any amendment to, or change in, the laws or regulations of the Republic of Italy (or of any political sub-division thereof), or of any authority therein or thereof having power to tax, or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations which becomes effective on or after the Issue Date, the Issuer or any Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form or the Issuer would suffer a material disadvantage in respect of Notes as a result of a change in the laws or regulations (taxation or otherwise) of any applicable jurisdiction which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two directors of the Issuer is delivered to the Note Trustee.

Any Definitive Registered Notes issued in exchange for beneficial interests in the Global Notes will be registered in a register in such name or names as the Registrar shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their participants with respect to ownership of the relevant beneficial interests in the Global Notes.

Action in respect of the Global Notes and Beneficial Interests Therein

Not later than 10 days after receipt by the Note Trustee of any notices in respect of the Global Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global Notes or holders of beneficial interests therein, the Note Trustee will deliver to Euroclear and Clearstream, Luxembourg a notice containing:

(a) such information as is contained in such notice;

(b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Note Trustee as to the consent, waiver or other action, if any, pertaining to the Global Notes or beneficial interests therein; and

(c) a statement as to the manner in which such instructions may be given.

Upon the written request of Euroclear and Clearstream, Luxembourg, the Note Trustee shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Global Notes or the beneficial interests therein in accordance with any instructions set forth in such request. Euroclear and Clearstream, Luxembourg are expected to follow the procedures described under "*General*" above with respect to soliciting instructions from their respective participants. The Note Trustee will not exercise any discretion in the granting of such consents or waivers or the taking of any such other action in respect of the Global Notes or beneficial interests therein.

Reports

All notices regarding the Global Notes will be sent by the Issuer to Euroclear and Clearstream, Luxembourg. Any notices regarding the Global Notes and the Definitive Registered Notes will be published in a leading newspaper printed in the English language and with general circulation in London (which is expected to be the *Financial Times*) and (so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require) in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*); provided that if, at any time, the Issuer procures that the information concerned in such notice shall appear on a page of the Telerate Screen, the Reuters Screen, the Bloomberg Screen, or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee, publication in the newspapers set forth above shall not be required with respect to such information. In addition, publication will also be made in accordance with Condition 15.

CERTAIN UNITED STATES ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended, imposes certain duties on persons who are fiduciaries of employee benefit plans subject thereto (as defined in Section 3(3) of ERISA) ("***ERISA Plans***") and of entities whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entities. These duties include investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and liquidity needs and all of the facts and circumstances of the investment, including the availability of a public market for the investment. In addition, certain U.S. federal, state and local laws and foreign laws impose similar duties on fiduciaries of governmental, church and other plans which are not subject to ERISA.

Any fiduciary of an ERISA Plan, of an entity whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entity, or of a governmental, church or other certain plan that is subject to fiduciary standards similar to those of ERISA ("***Plan Fiduciary***"), that proposes to cause such a plan or entity to purchase Notes should determine whether, under the general fiduciary standards of ERISA, an investment in the Notes is appropriate for such plan or entity, taking into account, among other factors, the overall investment policy of such plan or entity, the composition of the investment portfolio of such plan or entity, the liquidity needs of such plan or entity, any specific investment restrictions to which such Plan Fiduciary may be subject, as well as the possibility that there may be no public market for the Notes.

Section 406(a) of ERISA and Section 4975 of the Code, as amended prohibit certain transactions ("***Prohibited Transactions***") involving the assets of ERISA Plans or plans described in section 4975(e)(1) of the Code (together with ERISA plans, "***Plans***") and certain persons (referred to as "***Parties in Interest***" or "***Disqualified Persons***") having certain relationships to such Plans and entities. A Party in Interest or Disqualified Person who engages in a non-exempt prohibited transaction may be subject to non-deductible excise taxes and other penalties and liabilities under ERISA and the Code. Each of the Issuer and the Note Trustee (in any capacity) – as well as the Region – as a result of their own activities or because of the activities of an affiliate, may be considered a Party in Interest or Disqualified Person with respect to Plans and prohibited transactions may arise if such Plans acquire Notes.

Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, depending in part on the type of Plan Fiduciary making the decision to acquire Notes and the circumstances under which such decision is made. Among these exemptions are DOL Prohibited Transaction Class Exemption ("***PTCE***") 84-14 (relating to transactions determined by independent "qualified professional asset managers"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts), and PTCE 96-23 (relating to transactions determined by "in-house asset managers"). Such exemptions may not, however, apply to all of the transactions that could be deemed prohibited transactions in connection with an investment by a Plan, and there can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Each purchaser of ERISA Eligible Notes will be deemed to have represented and agreed that:

(a) (1) Either no part of the assets used to purchase such ERISA Eligible Notes constitutes (or is deemed to constitute) assets of any person who is or while the Notes are held will be a Plan (or any employee benefit plan subject to any federal, state, local or foreign law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code), or (2) part or all of the assets used to purchase such Notes constitutes assets of a Plan (or such an other employee benefit plan) if and only if the use of such assets will not constitute, cause or result in the occurrence of a non-exempt prohibited transaction under ERISA or the Code, by reason of the application of a statutory or administrative exemption; and

(b) Such ERISA Eligible Note may only be resold, pledged or otherwise transferred to a purchaser with respect to whom either (1) no part of the assets used to purchase such ERISA Eligible Note constitutes (or is deemed to constitute) assets of any person who is or while the ERISA Eligible Notes are held will be a Plan (or any employee benefit plan subject to any federal, state, local or foreign law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code) or (2) part or all of the assets used to purchase such ERISA Eligible Note constitutes assets of a Plan (or such an other employee benefit plan) and the use of such assets will not constitute, cause or result in the occurrence of a non-exempt prohibited transaction under ERISA or the Code (or, in the case of such an other plan, any such substantially similar law), by reason of the application of a statutory or administrative exemption.

An insurance company's general account may be deemed to include assets of ERISA plans under certain circumstances, e.g. where an ERISA Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank,* 510 U.S. 86 (1993).

Under certain circumstances, when an ERISA Plan acquires an equity interest in an entity, the underlying assets of the entity may be treated as assets of such ERISA Plan pursuant to the "Plan Asset Regulation" issued by the United States Department of Labor, 29 C.E.R. Section 2510.103-101. Thus, if a Plan acquired a Note and the Note was deemed to be an equity interest in the Issuer for purposes of such fiduciary responsibility and prohibited transaction provisions of ERISA, the Plan could be considered to own its share of the underlying assets of the Issuer allocable to such Note. If the Notes were deemed to be equity interests in the Issuer for purposes of ERISA and the underlying assets of the Issuer were deemed to be assets of Plans the obligations and other responsibilities of Plan sponsors, Plan Fiduciaries and Plan administrators, and of Parties in Interest and Disqualified Persons, under Parts 1 and 4 of the Subtitle B of Title I of ERISA and Section 4975 of the Code, as applicable, may be expanded and there may be an increase in their liability under these and other provisions of ERISA and the Code (except to the extent (if any) that a favourable statutory or administrative exemption or exception applies). In addition, various providers of fiduciary or other services to the entity, and any other parties with authority or control with respect to the entity, could be deemed to be Plan fiduciaries or otherwise Parties in Interest or Disqualified Persons by virtue of their provision of such services. Among the ERISA issues that could be implicated if an ERISA Plan were to acquire and hold Notes are the following:

(a) It is not clear that Section 403(a) of ERISA, which generally requires that all of the assets of an ERISA Plan be held in trust and limits delegation of investment management responsibilities by fiduciaries of ERISA Plans, would be satisfied; and

(b) It is not clear whether Section 404(b) of ERISA, which generally provides that no fiduciary may maintain the indicia of ownership of any assets of a plan outside the jurisdiction of the district courts of the United States, would be satisfied or any of the exceptions to this requirement set forth in 29 C.F.R. Section 2550.404b-1 would be available.

Although there is little authority on point, the ERISA Eligible Notes should not be deemed to be equity interests in the Issuer.

Any fiduciary of an ERISA Plan, a Plan or a governmental, church or other employee benefit plan subject to provisions of federal, state, local or foreign law similar to ERISA or Section 4975 of the Code considering the purchase of Notes should consult with its own legal and tax advisors with respect to the potential applicability of ERISA, Section 4975 of the Code, or such similar provisions of federal, state, local or foreign law to such purchase, the consequences of such purchase under ERISA, Section 4975 of the Code, or such similar provisions of federal, state, local or foreign law, and the ability to make the representation described above.

The discussion of ERISA and Section 4975 of the Code contained in this document is of necessity a general discussion and does not purport to be complete. Moreover, the provision of ERISA and the Code are subject to extensive and continuing administrative and judicial interpretation and review.

Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

TAXATION

Italian law taxation

The following is a general description of certain Italian tax considerations relating to the Notes based on current law and practice in Italy. It does not purport to be a complete analysis of all tax considerations relating to the Notes. It relates to the position of persons who are the absolute beneficial owners of Notes and may not apply to certain classes of persons who are bookrunners in securities. Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the country in which they are resident for tax purposes and the tax laws of Italy of acquiring, holding and disposing of Notes and receiving payments of interest, principal andlor other amounts under the Notes. This summary is based upon the law or practice as in effect on the date of this Offering Circular and is subject to any change in law or practice that may take effect after such date.

Interest on the notes

Withholding tax (*imposta sostitutiva*)

Under the provision of Article 6, paragraph 1 of the Securitisation Law of 30 April 1999 and Law No. 239 payments of interest and other proceeds in respect of the Notes:

(a) will be subject to *imposta sostitutiva" at the rate of 12.5 per cent. in the Republic of Italy if made to (i) individuals resident in the Republic of Italy (unless they have entrusted the management of their financial assets to an authorised intermediary and have opted for the so-called risparmio gestito* – "*Asset Management Option*"), (ii) Italian resident informal partnerships (*società semplice*), *de facto* partnerships not carrying out commercial activities and professional associations, (iii) Italian resident public and private resident entities, other than companies, not carrying out commercial activities, (iv) Italian resident real estate investment funds established before 26 September 2001, pursuant to Law No. 86 of 25 January 1994, unless the manager of the funds opts for the application of the new regime provided for by Law Decree No. 351 of 25 September 2001, which, as amended, became law pursuant to Law No. 410 of 23 November 2001, (v) Italian resident entities exempt from corporate income tax or (vi) non resident entities or persons which are not eligible for the exemption from *imposta sostitutiva* and/or do not comply with the requirements set out in Law No. 239. In case the Noteholders described under (i) to (iii) are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional tax and may be deducted from the taxation on income due; and

(b) will not be subject to the above-described *imposta sostitutiva* if made to (i) any Italian resident entity, any Italian permanent establishment of a non-Italian resident entity or person other than those mentioned in (a) above or (ii) any non-Italian resident legal entity or a non-Italian resident individual with no permanent establishment in the Republic of Italy, provided such entity or individual (A) is resident for tax purposes in a country which allows an adequate exchange of information with the Republic of Italy and is not resident in a country with a privileged tax system as indicated in Article 76 (7-bis) of Presidential Decree No. 917 of 22 December 1986 and identified by the decree of the Ministry of Economy and Finance dated 23 January 2002 (the "***Qualifying Countries***"), or (B) is an institutional investor incorporated in one of the Qualifying Countries, and all the requirements and procedures set forth in Law No. 239 are met or complied with.

To ensure payment without the application of *imposta sostitutiva* investors in (b) above must be the beneficial owners of payments of interest on the Notes and hold the Notes through an authorised intermediary.

The exemption procedure for investors who are non resident in the Republic of Italy and are resident in Qualifying Countries identifies two categories of authorised intermediaries:

(i) an Italian or non-Italian resident bank or financial institution (there is no requirement for the bank to be EU-resident) (the "***First Level Bank***"), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank as defined below,

(ii) an Italian resident bank or a *Società d'Intermediazione Mobiliare* ("***SIM***", which are Italian investment firms), or a permanent establishment in the Republic of Italy of a non-resident bank or SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Italian Financial Administration (the "***Second Level Bank***"). Organisations and companies non-resident in the Republic of Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which include Euroclear and Clearstream, Luxembourg) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or permanent establishment in the Republic of Italy of a non-resident bank or SIM).

In the event that the non-Italian resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank.

The exemption of Noteholders who are non-resident in the Republic of Italy from *imposta sostitutiva* is conditional upon:

(A) the deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank, and

(B) the submission to the Italian Tax Authorities (via the Second Level Bank) prior to the delivery of the Notes of a self-declaration (*autocertificazione* – the "***Declaration***") in accordance with the provisions of Article 10 of Law Decree No. 350 of 25 September 2001 which, as amended, became law pursuant to Law No. 409 of 23 November 2001 and based on the indications given by the Italian Tax Authorities in a Ministerial Decree dated 12 December 2001 and published in Official Gazette No. 301 of 29 December 2001. The Declaration has no expiration (i.e. it is valid until revocation) and must state that the residency requirements outlined under letter (b) above are complied with and, *inter alia*, that the non-Italian resident entity is the beneficial owner of the proceeds.

Once the Declaration has been properly completed, the First Level Bank is obliged to send it to the Second Level Bank within 15 days from receipt, together with any necessary affidavit in the event that other intermediaries intervene between the Noteholder and the First Level Bank.

Second Level Banks are expected to file the data relating to the non-resident Noteholder together with data relating to the First Level Bank and to the transactions carried out, via telematic link, to the Italian fiscal authorities within the first transmission period after receipt of such data. The Italian fiscal authorities monitor and control such data and any discrepancies.

For Noteholders non-resident in the Republic of Italy, the Second Level Bank acts as the intermediary responsible for assessing the applicability of *imposta sostitutiva* and, consequently, for levying and paying it to the Italian fiscal authorities in accordance with the procedure described in the paragraph above.

For the purposes of the application of *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.

For purposes of the above self-declaration, the eligible Noteholders, who will be required to hold Global Notes through an authorised intermediary, must submit the relevant certification (in the form attached hereto as Annex C) to the competent department of the authorised intermediary with which the Notes are deposited. If such intermediary is a First Level Bank, the latter will submit the Noteholders' certification to a Second Level Bank which will, in turn, submit the certification to the Italian Tax Authorities. In the event the withholding exemption does not apply, the Second Level Bank will carry out all necessary withholdings and payments in respect of the same.

Early Redemption Tax

In the event that the Notes are redeemed in whole or in part prior to eighteen months from the Issue Date, the Issuer will be required to pay a tax equal to 20 per cent. of the interest accrued up to the time of the early redemption.

Taxation of interest and other profits, gains and losses arising in relation to the Notes

Italian corporate tax taxpayers

Any interest and other proceeds received by an Italian corporation in respect of the Notes will form part of the aggregate income of such corporation and will be subject to taxation in accordance with the ordinary regime applicable to such corporation. An Italian corporate Noteholder will be subject to tax on interest due in respect of the Notes on an accrual basis. Therefore, interest and other proceeds accrued in the relevant financial year will be subject to taxation, regardless of whether they have been received by the Noteholder in full or not. Accordingly, a corporate Noteholder will include the gross amount of interest and other proceeds in its income tax return and this amount will be subject to IRPEG at the then current rate.

For financial entities only, the gross amount of interest and other proceeds received on the Notes will be subject to IRAP at the then-current rate.

If the Notes are accounted for as stock-in-trade, gains realised by Italian corporations on disposal of the Notes will be subject to IRPEG on an amount calculated according to the consideration received on disposal less an amount equal to the purchase price paid for such Notes. If the Notes have been accounted for as a fixed asset in the balance sheet of the seller, gains are calculated as the difference between the accounting value (subject to any adjustment for tax purposes) and the sale price. Gains may be taxed in equal instalments over five financial years if the Notes are accounted for as a fixed asset in each balance sheet for the three tax years preceding the year during which the disposal is carried out. Gains may be set off against losses.

Italian individual taxpayers

Income Tax

The *imposta sostitutiva* described above discharges all subsequent tax liabilities of Italian resident individuals not engaged in entrepreneurial activities in respect of the interest and other proceeds from the Notes.

Capital Gains Tax

Any capital gains realised by Noteholders who are Italian resident individuals not engaged in entrepreneurial activity and certain other persons upon sale of the Notes for consideration or redemption thereof will be subject to a final *imposta sostitutiva* at the current rate of 12.5 per cent. Under the tax declaration regime (regime della dichiarazione), which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activity, the 12.5 per cent. *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by Italian resident individuals not engaged in entrepreneurial activity pursuant to all investment transactions carried out during any given tax year. Italian resident individuals not engaged in entrepreneurial activity must report overall capital gains realised in any tax year, net of any incurred capital loss, in the annual tax declaration to be filed with the Italian tax authorities for such year and pay *imposta sostitutiva* on such gains together with any 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, Noteholders who are Italian resident individuals not engaged in entrepreneurial activity may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale for consideration 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 banks, SIMs or certain other authorised financial intermediaries and (ii) an express election for the Risparmio Amministrato regime being made in writing by the relevant Noteholder. The financial intermediary 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 at revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the taxpayer, deducting a corresponding amount from proceeds to be credited to the Noteholder. 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 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 capital gains in its annual tax declaration and remains anonymous.

Any capital gains realised by Italian resident individuals holding the Notes not engaged in entrepreneurial activity who have elected for the *Risparmio Gestito* will be included in the computation of the annual increase in value (which would include interest and other proceeds payable on the Notes) of the managed assets accrued, even if not realised, at year end, subject to the 12.5 per cent. to be applied on behalf of the taxpayer by the managing authorised intermediary. Under the *Risparmio Gestito* option, any depreciation of the managed assets accrued at year end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *Risparmio Gestito* option, the Noteholder is not required to report capital gains realised in its annual tax declaration and remains anonymous.

Non-Italian resident Noteholders

According to the provisions of article 20 of DPR No. 917 of 22 December 1986, as amended by Legislative Decree No. 259 of 21 July 1999, capital gains arising from the transfer of Notes which are listed on regulated markets (which would include the Luxembourg Stock Exchange) are not subject to taxation in the Republic of Italy.

Other Italian Noteholders

Italian resident collective investment schemes are subject to a 12.5 per cent. annual substitutive tax (the "***Collective Investment Scheme Tax***") on the increase in value of the managed assets (which increase would include interest paid on the Notes and gains realised on disposal of the Notes).

Pursuant to Legislative Decree No. 47 of 18 February 2000, with effect from 1 January 2001, Italian pension funds are subject to an 11 per cent. tax (the "***Pension Fund Tax***"), on the increase in value of the managed assets (which increase would include interest paid on the Notes and gains realised on disposal of the Notes).

The tax regime applicable to entities other than the ones mentioned above should be checked on a case-by-case basis.

Inheritance and gift tax

Pursuant to Law No. 383 of 18 October 2001, from 25 October 2001, Italian inheritance and gift tax, previously payable on the transfer of the Notes as a result of death or donation, has been abolished.

In the case of a transfer by gift to persons other than spouses, direct descendants or ancestors and other relatives within the fourth degree, if and to the extent the value of the gift attributable to each such donee exceeds euro 180,759.91, the gift of the Notes may be subject to the ordinary transfer taxes applicable to transfers for consideration executed in Italy.

Moreover, an anti-avoidance rule is provided for by Law No. 383 of 18 October 2001 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains to the *imposta sostitutiva* provided for by Italian Legislative Decree No. 461 of 21 November 1997. In particular, if the donee sells the Notes for consideration within 5 years from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift had never taken place.

Transfer tax

Pursuant to Royal Decree No. 3278 of 30 December 1923 as amended and supplemented by Legislative Decree No. 435 of 21 November 1997, transfer tax (*tassa sui contratti di Borsa*) ordinarily applies on transfer of Notes executed in Italy.

Pursuant to Legislative Decree No. 435 of 21 November 1997, in general, no such Italian transfer tax is payable on:

(a) transfer of Notes entered into on a regulated market;

(b) transfer of notes listed on a regulated market entered into outside regulated markets, *provided that* they are entered into between:

(i) banks or SIMs, or other professional intermediaries regulated by Legislative Decree No. 415 of 23 July 1996 as superseded by the Financial Laws Consolidation Act (as defined below) or stockbrokers (either resident or non-resident) among themselves;

(ii) the intermediaries of paragraph (i) above, on the one hand, and a non-Italian resident, on the other hand; or

(iii) the intermediaries of paragraph (i) above, even if not resident in Italy, on the one hand and UCITS ("***OICR***"), on the other hand;

(c) transfer of notes not listed on regulated markets if entered into between the banks or other financial intermediaries referred to in paragraph (b)(i) above, on the one hand, and non-Italian residents on the other hand;

(d) contracts for a consideration of not higher than euro 206.58.

If applicable, transfer tax is payable as follows:

(a) euro 0.00465 per euro 51.65, or fraction thereof, of the price at which the Notes are transferred if the transaction is entered into (i) between banks, SIMs or other professional intermediaries as defined under (b)(i) above or stockbrokers among themselves and with private parties or (ii) between private parties through banks, SIMs or other professional intermediaries or stockbrokers.

(b) euro 0.0089 per euro 51.65, or fraction thereof, of the price at which the Notes are transferred if the transaction is entered into (i) between private parties directly or (ii) between private parties through intermediaries not falling within paragraph (a) above.

When applied at the rate mentioned under (a) above, the amount of the transfer tax cannot exceed euro 929.62 for each transaction.

United Kingdom Taxation

The following is a general description of certain United Kingdom tax considerations relating to the acquisition, holding and disposal of the Notes based on current law and practice in the United Kingdom. It does not purport to be a complete analysis of all tax considerations relating to the Notes. It relates to the position of persons who are the absolute beneficial owners of Notes and may not apply to certain classes of persons such as dealers. Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of any country in which they are resident or have any relevant taxable presence for tax purposes and the tax laws of the United Kingdom of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law and Inland Revenue practice as in effect on the date of this Offering Circular and is subject to any change in law or practice that may take effect after such date.

Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom tax considerations. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Interest on the Notes – Withholding Tax

Interest on the Notes

The Notes should not have a United Kingdom source and payments of principal in respect of the Notes should therefore not be subject to United Kingdom withholding tax. If the Notes were to be treated as having a United Kingdom source they will constitute "quoted Eurobonds" so long as they carry a right to interest and are listed on a "recognised stock exchange" (which includes the Luxembourg Stock Exchange). So long as the Notes are quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

Provision of information

Noteholders who are individuals should note that persons in the United Kingdom paying interest to a Noteholder or receiving interest on behalf of a Noteholder may, in certain circumstances, be required to supply to the Inland Revenue certain details relating to the payment and the Noteholder (including the Noteholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. The details provided to the Inland Revenue may, in certain cases, be passed by the United Kingdom Inland Revenue to the tax authorities of other jurisdictions, including the jurisdiction in which the Noteholder is resident for taxation purposes.

Taxation of Interest and Other Profits, Gains and Losses in Relation to the Notes

United Kingdom corporation taxpayers

In general, Noteholders who are within the charge to United Kingdom corporation tax will be subject to tax on the basis that all returns on and fluctuations in value of the Notes (including foreign exchange profits and losses) will give rise to taxable income or deductions calculated broadly in accordance with their statutory accounting treatment so long as the accounting treatment is in accordance with a mark-to-market basis or an accruals basis which is authorised for tax purposes. Such profits and losses will be taken into account in computing taxable income for corporation tax purposes.

United Kingdom individuals

United Kingdom resident Noteholders who are individuals will generally be liable to United Kingdom income tax on the gross amount of any interest received in respect of the Notes.

A disposal of a Note by an individual who is not within the charge to corporation tax, and who is resident or ordinarily resident in the United Kingdom, or who carries on a trade, profession or vocation in the United Kingdom to which the Notes are attributable, may give rise to a chargeable gain or an allowable loss for the purposes of the taxation of capital gains. The calculation of such gain or loss will take into account changes in the sterling value of the Notes referable to changes in the exchange rate between sterling and the currency in which the Notes are denominated.

A transfer of a Note by an individual resident or ordinarily resident for tax purposes in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Note is attributable may give rise to a charge to tax on income under the "accrued income scheme" in respect of an amount representing interest on the Note which has accrued since the preceding interest date (calculated on a just and reasonable basis).

Stamp Duty and Stamp Duty Reserve Tax

So long as no register of the Notes or any interest therein is kept or maintained in the United Kingdom, no stamp duty or stamp duty reserve tax will arise on the issue or delivery of the Notes.

United States Federal Income Taxation

The following discussion is a summary based upon present law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes. The discussion addresses only U.S. Holders purchasing Notes in the original offering at the original offering price that hold the Notes as capital assets and use the USD as their functional currency. It does not address the tax treatment of U.S. Holders subject to special rules, such as banks, dealers, traders that elect mark to market, insurance companies, tax-exempt entities or persons holding the Notes as part of a hedge, straddle, conversion or other integrated financial transaction. It is not a complete description of all U.S. tax considerations relating to the Notes.

EACH PROSPECTIVE PURCHASER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE U.S. FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF THE NOTES.

For purposes of this discussion, a "***U.S. Holder***" is a holder that is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other business entity organised under the laws of the United States, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

Characterisation of Notes

The Notes should be debt for U.S. federal income tax purposes, and the following discussion assumes that the Notes are debt. No ruling, however, will be received from the U.S. Internal Revenue Service ("***IRS***"), and there is no assurance that the IRS might not successfully assert a contrary position.

Interest

Interest on the Notes will be subject to an Italian withholding tax of 12.5 per cent. unless the U.S. Holder qualifies for an exemption from Italian withholding tax (see "*Taxation – Italian law taxation – Interest on the notes – Withholding tax (imposta sostitutiva)*"). The Issuer will not be obliged to gross up or otherwise compensate holders for the withholding taxes (see "*Structural risks – Change of law/Tax in respect of the Notes and payments under Swap Transactions*"). A U.S. Holder that fails to claim an exemption from Italian withholding tax for which it qualifies will not be entitled to a U.S. foreign tax credit for the tax withheld.

Interest on the Notes will be includible in the gross income of a U.S. Holder in accordance with its regular method of accounting. Interest on Notes issued at a floating rate will accrue at a hypothetical fixed rate equal to the value of the floating rate applicable to the Notes as of the issue date. The amount of interest actually recognised for any accrual period will increase (or decrease) if the interest actually paid during an accrual period is more (or less) than the interest assumed to be paid using the hypothetical fixed rate. Thus, interest on Notes issued at a floating rate effectively will accrue in any accrual period at the rate set for that period. The interest will be ordinary income from sources outside the United States.

A cash basis U.S. Holder receiving interest denominated in a foreign currency must include in income a USD amount based on the spot exchange rate on the date of receipt. An accrual basis U.S. Holder receiving interest in a foreign currency must include in income a USD amount based on the average exchange rate during the accrual period (or, if an accrual period spans two taxable years, the partial period within the taxable year). Upon receipt of the amount attributable to the interest accrued, a U.S. Holder will recognise exchange gain or loss equal to any difference between the USD amount of interest previously accrued and the USD value of the payment received based on the spot exchange rate on the date of receipt. Exchange gain or loss generally will be U.S. source ordinary income or loss.

An accrual basis U.S. Holder may elect to convert accrued interest into USD at the spot exchange rate on the last day of the accrual period (or, if an accrual period spans two taxable years, at the exchange rate on the last day of the first taxable year for the interest accrued through that date). If accrued interest actually is received within five business days of that date, an electing accrual basis U.S. Holder instead may convert the accrued interest at the spot exchange rate on the date of receipt (in which case no exchange gain or loss will be taken into account upon receipt). Any currency conversion elections will apply to all debt instruments that the electing U.S. Holder holds or acquires at or after the beginning of the taxable year.

Original Issue Discount

A U.S. Holder of Notes issued with original issue discount ("***OID***") must accrue the OID into income on a constant yield to maturity basis. A Note will have OID to the extent that its stated redemption price at maturity exceeds its issue price. A Note generally will not have OID if the excess is less than ¼ of 1% of the Note's stated redemption price at maturity multiplied by the number of complete years to maturity. The issue price of a Note is the initial offering price at which a substantial amount of the Notes are sold (excluding sales to brokers or similar persons).

OID on a Note that is denominated in a foreign currency will be determined in the applicable currency and then translated into USD in the same manner as interest income accrued by an accrual method U.S. Holder. A U.S. Holder will recognise exchange gain or loss when OID is paid to the extent of the difference between the USD value of the accrued OID and the USD value of the currency received at the spot rate on the date of receipt.

Bond Premium

A U.S. Holder that has a tax basis in a Note greater than its principal amount may elect to treat the excess as amortisable bond premium. If a U.S. Holder makes this election, it can reduce the amount required to be included in income each year with respect to interest on the Note by the allocable amount of amortisable bond premium. An election to amortise bond premium will apply to all debt instruments that the electing U.S. Holder holds at or after the beginning of the year. A U.S. Holder may not revoke the election without the IRS's consent.

In the case of a Note denominated in a foreign currency, bond premium is computed in units of the relevant foreign currency and amortisable bond premium reduces interest income in units of such foreign currency. When amortised bond premium reduces interest income, a U.S. Holder recognises exchange gain or loss based on the difference between spot rates at that time and at the acquisition of the Note.

If a U.S. Holder purchases a Note issued with OID at a price that is (i) less than or equal to the sum of all amounts payable on the Note (other than interest that is not OID) after the date of purchase and (ii) in excess of its issue price plus accrued and unpaid OID (the "***revised issue price***"), then each year's OID will be reduced by the excess allocable to that year.

Market Discount

A U.S. Holder that acquires a Note at a market discount may not deduct its net interest expense on indebtedness incurred or continued to purchase the Note unless it elects to amortise the market discount into income over the term of the Note. A Note is acquired at a market discount to the extent its stated redemption price at maturity (or, in the case of a Note with OID, its revised issue price) exceeds the holder's tax basis in the Note. A Note generally will not have market discount if the excess is less than ¼ of 1% of the Note's stated redemption price at maturity (or, in the case of a Note with OID, the revised issue price) multiplied by the number of complete years to maturity. If a U.S. Holder elects to amortise market discount into income, the election will apply to all debt instruments acquired from the first day of the tax year to which the election applies. A U.S. Holder may not revoke the election without the IRS's consent. A U.S. Holder must treat gain recognised on the redemption or disposition of a market discount Note as ordinary income to the extent of previously unrecognised market discount accrued while the holder held the Note.

Short-Term Notes

A Note with a maturity of no more than one year is treated as having OID to the extent any payments to be received on the Note exceed its issue price. A U.S. Holder on the accrual basis (and electing cash-basis holders) must accrue the OID into income using a straight-line method unless it elects to use a constant yield method. A U.S. Holder on the cash basis generally is not required to recognise the OID until paid, but it may not deduct net interest expense on indebtedness incurred or continued to purchase the Note and it must treat any gain on the redemption or disposition of the Note as ordinary income to the extent of OID accrued while the holder held the Note. A U.S. Holder also must consider special rules that apply to short-term notes acquired at a premium or a discount.

Sale or Exchange of Notes

Except to the extent gain is attributable to accrued but unpaid interest or changes in exchange rates in the case of Notes denominated in a foreign currency, a U.S. Holder generally will recognise capital gain or loss on the sale, exchange or retirement of a Note in an amount equal to the difference between the amount realised and the holder's basis in the Note. A U.S. Holder's basis in a Note generally will be the amount paid for the Note, increased by any unpaid OID or market discount included in income and decreased by any amortised bond premium or any OID payment received with respect to the Note. The amount paid for a Note purchased with a currency other than USD will be the USD value of the currency at the spot rate on the date of purchase.

The amount realised on the sale or retirement of a Note denominated in a foreign currency will be the USD value of the amount on the date of sale or retirement (or, in the case of a sale by cash basis or electing accrual basis holders, the settlement date). To the extent that the USD value of the principal amount at the spot rate on the date of sale or retirement differs from the USD value of the principal amount at the spot rate on the date the U.S. Holder acquired the Note, the U.S. Holder's gain or loss will be ordinary gain or loss. Gain or loss on the sale or retirement of a Note generally will be from sources within the United States.

Dispositions of Foreign Currency

A U.S. Holder will have a basis in foreign currency received as interest on the Notes or on the sale or retirement of a Note equal to the USD amount recognised. A U.S. Holder that purchases foreign currency generally will have a tax basis in the currency equal to its USD cost. Any gain or loss realised by a U.S. Holder on a sale or other disposition of the currency (including its use to purchase the Notes or its exchange for USD) generally will be U.S. source ordinary income or loss.

Alternative Treatment

In the unlikely event that the IRS were successfully to contend that the Notes are not debt for U.S. federal income tax purposes, the Notes could be treated as equity interests in a passive foreign investment company ("***PFIC***"). If the Notes were treated as equity in a PFIC, payments received on the Notes and any gain on sale or other disposition of the Notes might be subject to additional tax. A U.S. Holder's gain on the redemption or disposition of the Notes also would be ordinary income.

Information Reporting and Backup Withholding

Payments of principal and interest (including any OID) on the Notes and proceeds from the disposition of the Notes may be reported to the IRS unless the holder (i) is a corporation, (ii) provides a properly executed IRS Form W-8BEN or (iii) otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number. A holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding tax and a refund of any excess amount.

Proposed EU Directive on the Taxation of Savings Income

On 13 December 2001 the Council of the European Union published a revised draft directive regarding the taxation of savings income. It is proposed that, subject to a number of important conditions being met, 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, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments. The proposed directive is not yet final and may be subject to further amendment.

SUBSCRIPTION AND SALE

The Bookrunners have, in the Programme Agreement dated on or before the Closing Date, or pursuant to the relevant Subscription Agreement, as the case may be, as amended and/or supplemented from time to time, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes" above. In the Programme Agreement, the Issuer has agreed to reimburse the Bookrunners on the relevant Issue Date out of the proceeds of the relevant issue for certain of their expenses in connection with the establishment of the Programme and the issue of each respective Tranche of Notes under the Programme. The Bookrunners are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase Notes under the Programme Agreement in certain circumstances prior to payment to the Issuer.

United States

Terms used in this section have the meanings given to them by Regulation S under the Securities Act except that "U.S. person" has the meaning given to it by the Internal Revenue Code of 1986, as amended. The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States 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.

The Issuer has not been and will not be registered under the United States Investment Company Act of 1940, as amended (the "***Investment Company Act***") and the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "***Securities Act***"). The Issuer is not required to register under the Investment Company Act by virtue of Section 3(c)(7) of the Investment Company Act which, in general, excludes from the definition of an investment company any issuer whose outstanding securities are owned exclusively by persons who are "Qualified Purchasers" (as defined in Section 2(a)(51) of the Investment Company Act and the rules and regulations of the U.S. Securities and Exchange Commission thereunder) and that has not made a public offering of its securities. Consequently, the Notes may only be offered, sold, resold, delivered or transferred (A) within the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act), in a transaction made in compliance with Rule 144A under the Securities Act to persons that are Qualified Purchasers and "qualified institutional buyers" as defined in Rule 144A ("***QIBs***") or (B) outside the United States to persons that are not U.S. persons in offshore transactions in reliance on Rule 903 or 904 of Regulation S.

In connection with sales outside the United States, each Bookrunner has represented and agreed, and each further Bookrunner appointed under the Programme will be required to represent and agree, that, except for sales described in the preceding paragraph, it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise prior to 40 days after the later of the Issue Date with respect to the Notes and the completion of the distribution of the Notes (the "***Distribution Compliance Period***") and, accordingly, that neither it, its affiliates nor any person acting on their behalf has engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes and it and its affiliates and any person acting on its or their behalf has complied with and will comply with the offering restriction requirements of Regulation S under the Securities Act to the extent applicable.

Each Bookrunner has further agreed, and each further Bookrunner appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

Until 40 days after the commencement of the offering of any identifiable Tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration 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.

In addition, certain Notes in respect of which any payment is determined by reference to an index or formula, or to changes in prices of securities or commodities, or certain other Notes will be subject to such additional U.S. selling restrictions as the Issuer and the relevant Bookrunners may agree, as indicated in the relevant Pricing Supplement. Each Bookrunner has agreed that it will offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

The Bookrunners reserve the right to amend the selling and transfer restrictions as required or appropriate given the nature of the securities being issued, from time to time, and the introduction of amendments, if any, to U.S. federal or other applicable legislation or regulation.

Each Bookrunner under each Subscription Agreement will also agree that, at or prior to confirmation of sales of any Notes, it will have sent to each distributor, dealer or other person to which it sells Notes a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons.

Each Subscription Agreement will provide that each Bookrunner, through its U.S. registered broker-dealer affiliates, may arrange for the offer and resale of Notes in the United States to persons that are both QIBs and Qualified Purchasers in transactions made in compliance with Rule 144A under the Securities Act. Each of the Bookrunners under each Subscription Agreement has agreed that neither it, nor its Affiliates, nor any persons acting on its or their behalf, has engaged or will engage in any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) in connection with the offer and sale of the Notes in the United States.

United Kingdom

Each Bookrunner has represented and agreed, and each further Bookrunner appointed under the Programme will be required to represent and agree, that:

(i) in relation to Notes which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of the period of six months from the relevant Issue Date, will not offer or sell any 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 (as amended);

(ii) in relation to any Notes which must be redeemed before the first anniversary of the date of their issue, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(iv) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Italy

Each Bookrunner has acknowledged that no application has been made by any person to obtain an authorisation from CONSOB for the public offering of the Notes in the Republic of Italy. Each Bookrunner under each Subscription Agreement has further acknowledged that no action has or will be taken by it which would allow a public offer (*sollecitazione all'investimento*) of the Notes in the Republic of Italy unless in compliance with the relevant Italian securities, tax and other applicable laws and regulations. Accordingly, each Bookrunner has agreed that the Notes may not be offered, sold or delivered by it and neither this document nor any other offering material relating to the Notes will be distributed or made available by it 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.

Accordingly, each Bookrunner 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 Notes, this Offering Circular nor any other offering material relating to Notes other than:

(a) to professional investors (*investitori professionali/operatori qualificati*) as defined in Article 31, paragraph 2, of CONSOB Regulation No. 11522 of 1 July 1998, as amended ("***Regulation No. 11522***") pursuant to Article 100, paragraph 1, let. A) and Article 30, paragraph 2 of Lgs. D. No. 58 of 24 February 1998, as amended (the "***Financial Laws Consolidation Act***"); or

(b) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of the Financial Laws Consolidation Act and Article 33.1 of the CONSOB resolution No. 11971 of 14 May 1999, as amended ("***Regulation No. 11971***"); or

(c) if an Italian resident submits an unsolicited offer to purchase the Notes.

Any offer, sale or delivery of any Notes or distribution of copies of this Offering Circular or any other document relating to any Notes in the circumstances described in the preceding paragraphs (a) and (b) must be made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Banking Act, the Financial Laws Consolidation Act and Regulation No. 11522.

The offering of the Notes will have to be made in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, pursuant to which the issue trading or placement of securities in Italy may need to be preceded by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities offered in Italy and their characteristics and, even when an exemption from the prior notification applies, may need to be followed by a subsequent communication reporting to the Bank of Italy the results of the issue and of the placement and any other applicable notification requirement or limitation which may be imposed by the Bank of Italy, except when an Italian resident submits an unsolicited offer to purchase any Notes.

Stabilisation

In connection with the issue and distribution of each Tranche, the Bookrunner named as the stabilising manager (if any) in the applicable Pricing Supplement may over-allot or effect transactions with a view to supporting the market price of the Notes of a Tranche forms part at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on such stabilisation manager to do so. Such stabilising, if commenced, may be discontinued and must be brought to an end after a limited period. Such stabilising shall be in compliance with all relevant laws and regulations.

General

Each Bookrunner has agreed and each further Bookrunner appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Bookrunner shall have any responsibility therefor.

Neither the Issuer nor any of the Bookrunners represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Bookrunner(s) will be required to comply with such other additional restrictions as the Issuer and the relevant Bookrunner(s) shall agree and as shall be set out in the applicable Supplement.

GENERAL INFORMATION

(1) The issue of the Tranches issued on or around the Closing Date has been authorised pursuant to the resolutions of the quotaholders' meetings of the Issuer on 19 February 2003 and 26 February 2003. Specific information on the authorisations in respect of further Tranches of Notes will be contained in the applicable Pricing Supplement.

(2) The Issuer is not involved in, nor has the Issuer any knowledge of any threat of, any litigation or any arbitration of administrative or other legal proceedings.

(3) There has been no material adverse change in the financial position or results of operations of the Issuer since its incorporation on 9 February 2000.

(4) In connection with the application to list the Notes on the Luxembourg Stock Exchange a legal notice relating to the issue of the Notes and copies of the by-laws of the Issuer will be deposited with the Chief Registrar of the District Court in Luxembourg (*Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*) where such documents may be examined and copies obtained.

(5) If and for so long as any of the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will maintain an Agent in Luxembourg.

(6) Copies of current versions of the following documents may be obtained from or may be inspected at the offices of the Luxembourg Agent so long as any of the Notes are outstanding during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted):

   (a) the By-laws of the Issuer;

   (b) the audited financial statements of the Issuer for the period ending on 31 December 2002 (which will be available from April 2003). The Issuer does not prepare consolidated accounts;

   (c) the interim financial statements prepared every six months by the Issuer to satisfy Bank of Italy requirements;

   (d) future financial statements of the Issuer;

   (e) the Master Trust Deed, which includes the forms of the Global Notes and the definitive Notes and each relevant Supplemental Trust Deed;

   (f) the Conditions;

   (g) each Receivables Purchase Agreement, as applicable;

   (h) the Warranty and Indemnity Deed;

   (i) the Servicing Agreement;

   (j) the Cash Management Agreement;

   (k) the Agency Agreement;

   (l) each Swap Agreement and each Swap Transaction, as applicable;

   (m) the Security and Intercreditor Deed;

   (n) each Pledge Agreement;

   (o) any other relevant Issuer Security Document;

   (p) the Corporate Services Agreement;

   (q) the Management Services Agreement;

   (r) the Programme Agreement;

   (s) each Subscription Agreement, as applicable;

   (t) the Master Definitions and Framework Deed; and

   (u) any Swap Security.

GLOSSARY OF TERMS

The terms set out below are summaries of the definitions set out in the Master Definitions and Framework Deed and are qualified in their entirety by the provisions of that Deed.

Agency Agreement means the agency agreement to be entered into on or about the Closing Date between the Issuer, the Principal Paying Agent, the Italian Agent, the Luxembourg Agent, the Transfer Agent, the Registrar, the Security Trustee and the Note Trustee;

Agents means the Principal Paying Agent, the Italian Agent, the Luxembourg Agent, the Transfer Agent and the Registrar, and such additional Agents, if any, as are appointed from time to time in respect of the Notes;

Aggregate Nominal Amount with respect to a Tranche of Notes or all of the Notes means the aggregate of the Nominal Amount of all Notes of that Tranche or all Notes on their respective Issue Date, and as specified in the applicable Pricing Supplement;

Aggregate Principal Amount Outstanding means the Principal Amount Outstanding of all the Notes or of a Tranche of Notes as the context may require;

Agreed Currencies means euro, USD and GBP and/or such other currencies as may be specified by the Issuer in the applicable Pricing Supplement, and ***Agreed Currency*** shall mean any one of them;

Amortisation Amount means, in respect of any Note, the semi-annual principal instalment repayable on such Note, if any, in accordance with the Pre-Enforcement Priority of Payments and Condition 8, in the amount specified in the applicable Pricing Supplement, together with any unpaid Amortisation Amount which has been retained in the Collection Account during the Initial Period;

AO means *azienda ospedaliera*;

applicable Pricing Supplement means the Pricing Supplement which sets out the details of any Tranche of Notes and any amendments to the terms and conditions applicable to such Tranche which are not contained in the Offering Circular;

Applicable Proportion means, in respect of all amounts payable under Condition 6.1(a)(ii) and 6.3(a)(ii), a fraction thereof equal to X/Y, where:

(i) X is an amount equal to the aggregate Principal Amount Outstanding of the Notes on the date of calculation; and

(ii) Y is an amount equal to the total of the aggregate Principal Amount Outstanding of the Notes and the aggregate principal amount outstanding of all Further Notes (as defined in Condition 3) and of all notes issued and then outstanding in relation to any Prior Securitisation and any Further Securitisation, in each case on the date of calculation,

subject as otherwise provided by applicable law in the event of a judicial or administrative insolvency, bankruptcy, composition or similar procedure concerning the Issuer;

Arrangers and Global Coordinators means MLI and MCC;

Article 90 means Article 90 of Law No. 388 of 23 December 2000;

ASL means *azienda unità sanitaria locale*;

Auditors means the auditors of the Issuer as may be replaced from time to time which at the Closing Date is Deloitte & Touche S.p.A.;

Available Capital Funds means, in respect of any Payment Date, the lower of (i) the product of (a) the amount, if any, by which the amount of the Issuer Available Funds exceeds such amount (if any) as will be required to be applied by the Issuer on such Payment Date in paying or making provision for the items ranking in priority to item (c)(iv) in the Pre-Enforcement Priority of Payments and (b) the fraction where (x) the Amortisation Amount due on that Payment Date in respect of the Notes of any Tranche is the numerator and (y) the amounts payable under item (c) in the Pre-Enforcement Priority of Payments is the denominator, and (ii) the Amortisation Amount due on that Payment Date in respect of the Notes of that Tranche;

Book-Entry Interests means a beneficial interest in a CDI in respect of the relevant Notes as shown on records maintained in book-entry form by Euroclear or Clearstream, Luxembourg (as the case may be);

Bookrunners means any entity which the Issuer may appoint as a Bookrunner including the Arrangers and Global Coordinators and any Joint-Lead Managers or Managers, as the case may be, and notice of whose appointment has been given to the Principal Paying Agent and the Note Trustee by the Issuer in accordance with the provisions of the Programme Agreement, and the details of which will be contained in any applicable Pricing Supplement but excluding any entity whose appointment has been terminated in accordance with the provisions of the Programme Agreement and notice of such termination has been given to the Principal Paying Agent and the Note Trustee by the Issuer in accordance with the provisions of the Programme Agreement and references to a ''***relevant Bookrunner***'' or the ''***relevant Bookrunner(s)***'' mean, in relation to any Tranche of Notes, the Bookrunner or Bookrunners with whom the Issuer has agreed the issue of the Notes of such Tranche and ''***Bookrunner***'' means any one of them;

Business Day Convention, in respect of any Note or Tranche of Notes, has the meaning specified in the applicable Pricing Supplement;

Calculation Agent means the person appointed as calculation agent from time to time under the Cash Management Agreement, which at the Closing Date is Deutsche Bank AG London;

Calculation Date means the date falling 2 Business Days prior to any Payment Date;

Calculation Period means each period of six months commencing on (and including) a Calculation Date and ending on (but excluding) the next succeeding Calculation Date, provided that the first Calculation Period shall commence on (and include) the Closing Date and end on (but exclude) the first Calculation Date;

Cash Management Agreement means the cash management agreement to be entered into on or about the Closing Date among the Issuer, the Operating Banks, the Cash Manager, the Calculation Agent, the Security Trustee and the Note Trustee as from time to time amended in accordance therewith;

Cash Manager means the person appointed as the Issuer's cash manager from time to time under the Cash Management Agreement, which at the Closing Date is Deutsche Bank AG London;

Clearstream, Luxembourg means Clearstream Banking, *société anonyme*;

Closing Date means 5 March 2003;

Code means the United States Internal Revenue Code of 1986, as amended from time to time;

Collection Account means the euro-denominated account in the name of the Issuer at the English Operating Bank into which all Collections are to be paid pursuant to the Security and Intercreditor Deed and the Cash Management Agreement and any replacement therefor;

Collection Account Investments means all investments made by or on behalf of the Issuer from the proceeds of the Collection Account (whether or not Eligible Investments as required under the Cash Management Agreement);

Collections (*Incassi*) means all cash amounts received by or on behalf of the Issuer in relation to the Receivables;

Collections Report means the report prepared by the Servicer pursuant to the terms of the Servicing Agreement in respect of the Collections;

Conditions means the terms and conditions of the Notes in the form attached as a schedule to the Master Trust Deed as from time to time amended in accordance therewith and as set out herein;

Constitution means the Italian Constitution;

Corporate Servicer means any person appointed from time to time as a corporate servicer by the Issuer pursuant to the Corporate Services Agreement which, at the Closing Date, is Deloitte Touche Tohmatsu Tax Services S.r.l.;

Corporate Services Agreement means the corporate services agreement to be entered into on or about the Closing Date between the Issuer and the Corporate Servicer relating to the provision of certain corporate management, administrative and accountancy services to the Issuer;

Currency Swap Transaction means any currency swap transaction entered into by the Issuer with a Swap Counterparty pursuant to a Swap Agreement;

Debt Service Ratio means the percentage of (i) aggregate annual payments of principal and interest on outstanding debt (excluding debt relating to healthcare and transportation services and other indebtedness which may be excluded from time to time by state law) to (ii) annual regional tax revenues;

Declaration means the self-declaration (*autocertificazione*) drawn up in accordance with Article 10 of Law Decree No. 350 of 25 September 2001 (as amended by the converting law) and with the Ministerial Decree of 12 December 2001;

Definitive Registered Note means a Note in definitive registered form issued, or as the case may require, to be issued by the Issuer, in accordance with the provisions of the Programme Agreement, the Agency Agreement and the Master Trust Deed, in exchange for a Global Note, such Note in definitive form being in the form or substantially in the form set out in Parts C and D of the First Schedule to the Master Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent and the Note Trustee and having the Conditions endorsed thereon or, if permitted by the Luxembourg Stock Exchange, incorporating the Conditions by reference as indicated in the applicable Pricing Supplement and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Pricing Supplement endorsed thereon or attached thereto;

Definitive Registered Regulation S Note means a Note in definitive registered form issued upon the exchange of a Regulation S Global Note;

Definitive Registered Rule 144A Note means a Note in definitive registered form issued upon the exchange of a Rule 144A Global Note;

Disqualified Persons means persons having certain relationships to Plans;

Distribution Compliance Period means, in relation to each individual Tranche, the period ending on the 40th day after the later of the commencement of the offering of the Notes and the Closing Date;

Early Redemption Amount means, on any date, in respect of a Note the amount specified in Condition 8(f) or as otherwise specified in the applicable Pricing Supplement;

Early Redemption Date means the date of redemption of any of the Notes following a redemption pursuant to Condition 8(d) or the service of an Issuer Enforcement Notice;

Effective Date means the date on which each Receivables Purchase Agreement becomes effective and ***Initial Effective Date*** and ***Subsequent Effective Date*** shall be construed accordingly in respect of the Initial Portfolio and each Subsequent Portfolio, respectively;

Eligible Institution means any bank with a short-term rating for its unsecured, unsubordinated and unguaranteed debt obligations equal to P-1 from Moody's and A-1 from S&P and a long-term rating for its unsecured, unsubordinated and unguaranteed debt obligations of Aa3 from Moody's and A-1 from S&P;

Eligible Investment means:

(i) any senior (unsubordinated) debt security, bank account, deposit (including, for the avoidance of doubt, time deposits) or other debt instrument issued by, or fully and unconditionally guaranteed on an unsecured and unsubordinated basis by, or if a bank account or deposit, held at or made with, an Eligible Institution and which, prior to the redemption in full of the Notes, has at any time a fixed principle amount at maturity and a maturity not exceeding the next succeeding Calculation Date; and

(ii) commercial paper or money market funds which are rated in the highest category by the Rating Agencies and permit daily liquidation of investments,

in each case having a BIS risk weighting for capital adequacy purposes of no higher than twenty per cent.;

Eligible Investors means persons who are QIBs and Qualified Purchasers acting for their own account or for the account of other QIBs and Qualified Purchasers;

Enforcement Priority of Payments means the priority of payments included in the terms of the Security and Intercreditor Deed and set out in Condition 6.3;

English Issuer Security means the Security Interests created under the Security and Intercreditor Deed in favour of the Security Trustee;

English Law Transaction Documents means the Warranty and Indemnity Deed, the Cash Management Agreement, each Swap Transaction, each Swap Agreement, the Security and Intercreditor Deed, the Master Definitions and Framework Deed, the Master Trust Deed, the Agency Agreement, the Conditions, each Supplemental Trust Deed, the Programme Agreement, each Subscription Agreement, each English law governed Issuer Security Document, and any further English Law Transaction Document as may be agreed between the Issuer and the Note Trustee designated as such in an applicable Pricing Supplement;

English Operating Bank means any Eligible Institution in England with which the Collection Account, the Issuer Payments Account, the Tranche Payment Account(s) and the Securities Account are maintained pursuant to the Cash Management Agreement, which at the Closing Date is Deutsche Bank AG London;

ERDF means the European Regional Development Fund;

ERISA means the Employee Retirement Income Security Act of 1974, as amended;

ERISA Eligible Note means a Rule 144A Global Note in which a beneficial interest may be held;

ERISA Plan means an employee benefit plan subject to ERISA;

EU means the European Union;

Euro, euro or € means the currency introduced at the commencement of the third stage of the European Economic and Monetary Union on 1 January 1999 pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union;

Euroclear means Euroclear Bank N.V./S.A. as operator of the Euroclear System;

Exchange Act means the United States Securities Exchange Act of 1934, as amended from time to time;

Expected Healthcare Expenditure means the sum that Italian regions are expected to spend on healthcare;

Expenses Account means the euro-denominated account in the name of the Issuer at the Italian Operating Bank which will be funded at the Issue Date up to the Target Amount and will be replenished up to the Target Amount on each Payment Date according to item (a)(i) of the Pre-Enforcement Priority of Payments;

Federalism Law means Constitutional Law No. 3 of 18 October 2001;

Final Redemption Amount in relation to any Note, or Tranche of Notes, has the meaning given to it in the applicable Pricing Supplement;

Financial Laws Consolidation Act means Lgs. D. No. 58 of 24 February 1998, as amended;

First Level Bank means an Italian or non-Italian resident bank or financial institution;

First Pledge Agreement means the pledge agreement that will be entered into on the Closing Date between the Issuer as pledgor and the Security Trustee (acting on its own account and in the name and on behalf of the other Issuer Secured Creditors) as pledgee;

FSMA means the Financial Services and Markets Act 2000;

Further Notes has the meaning given to it in Condition 4;

Further Portfolios has the meaning given to it in Condition 4;

Further Securitisation means the purchase and securitisation by the Issuer of further monetary claims by way of a separate transaction in addition to the Portfolio, as described in Condition 4;

Further Security has the meaning given to it in Condition 4;

Further Transactions has the meaning given to it in Condition 4;

GAV means value added at factor cost;

GBP means pounds sterling;

GDP means Italy's Gross Domestic Product;

Global Note means any Regulation S Global Note or Rule 144A Global Note deposited with Euroclear and/or Clearstream, Luxembourg on behalf of beneficial owners, as set forth in the applicable Pricing Supplement;

Healthcare Entity means any ASL or AO;

Indirect participants means persons that hold an interest in the Book-Entry Interests through participants, including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly;

Initial Issue Date means the Issue Date of the first Tranche of Notes;

Initial Lease Payment means the initial payment to be made by the Lessees with reference to the period starting on and including the Effective Date of the relevant Lease Contract and ending on and excluding the relevant Issue Date, and calculated as an amount equal to 0.2 per one thousand per annum of the purchase price of the Real Estate Assets as provided in the Real Estate Purchase Agreement as the initial lease payment with reference to the period starting on and including the Effective Date of the Real Estate Purchase Agreement and ending on but excluding the Issue Date;

Initial Period means in relation to any Tranche the period commencing on (and including) the relevant Issue Date in respect of such Tranche to be issued under the Programme and ending on (but excluding) the date falling 18 calendar months after such date;

Initial Portfolio means the initial portfolio comprised of Receivables to be purchased by the Issuer from the Originator under the Receivables Purchase Agreement in respect of the first four Tranches of Notes to be issued;

Insolvency Practitioner means any person appointed by a court or other authority or by any creditor or group of creditors to administer any insolvency proceedings;

Insolvency Proceedings (*Procedure Concorsuali*) means bankruptcy (*fallimento*) or any other insolvency (*procedura concorsuale*) or analogous proceedings from time to time including, but not limited to, an arrangement with creditors prior to bankruptcy (*concordato preventivo*), temporary receivership (*amministrazione controllata*), compulsory administrative liquidation (*liquidazione coatta amministrativa*), extraordinary administration (*amministrazione straordinaria*) and the extraordinary administration of large companies in a state of insolvency (*amministrazione straordinaria delle grandi imprese in crisi o in stato di insolvenza*) and shall include any proceedings analogous to the foregoing under the laws of any applicable jurisdiction;

Interest Amount means the amount of interest payable in accordance with Condition 7 on the Notes in respect of each Specified Denomination for the relevant Interest Period;

Interest Determination Date means in relation to a Note or Tranche the date specified as such in the relevant Pricing Supplement and in the absence of such specification it shall be the Business Day 2 Business Days before a Payment Date;

Interest Period means in respect of a Note each period from (and including) a Payment Date to (but excluding) the following Payment Date, provided that the first Interest Period in respect of any Tranche shall begin on (and include) the relevant Issue Date and end on (but exclude) the first following Payment Date;

Interest Rate Swap Transaction means any interest rate swap transaction entered into between the Issuer and any Swap Counterparty pursuant to a Swap Agreement;

Investment Company Act means the Investment Company Act of 1940, as amended;

Investor Report means the report which the Calculation Agent is required to deliver within 10 Business Days after each Payment Date pursuant to the terms of the Cash Management Agreement;

IRAP (*Imposta Regionale sulle Attività Produttive*) means the Italian regional tax on productive activities;

IRPEF (*Imposta sul Reddito delle Persone Fisiche*) means the Italian income tax on individuals;

IRPEG (*Imposta sul Reddito delle Persone Giuridiche*) means the Italian corporation tax;

Issue Date means, in respect of any Note or Tranche, the date of issue and purchase of such Note or Tranche;

Issuer means Cartesio S.r.l.;

Issuer Accounts means the Collection Account, the Expenses Account, the Issuer Payments Account, the Tranche Payment Accounts and the Securities Account;

Issuer Available Funds means on any Payment Date:

(a) the Receipts available to the Issuer as calculated at the preceding Calculation Date; plus

(b) indemnity or Portfolio purchase payments, if any, under or pursuant to the Warranty and Indemnity Deed, and any other indemnity or compensatory payments received by the Issuer pursuant to the Transaction Documents and any enforcement thereof; plus

(c) all amounts standing to the credit of the Issuer Accounts, as of the preceding Calculation Date, including all amounts otherwise payable towards the Amortisation Amount of the Notes (if any), retained during the Initial Period;

Issuer Enforcement Notice means a notice served by the Note Trustee on, *inter alios*, the Issuer pursuant to Condition 11 declaring the Notes to be due and payable in full following the occurrence of an Issuer Event of Default;

Issuer English Assigned Agreements means those English Law Transaction Agreements conveyed, assigned and transferred to the Security Trustee under Clause 3.1 of the Security and Intercreditor Deed;

Issuer Event of Default has the meaning specified in Condition 11;

Issuer Insolvency Event means the occurrence with respect to the Issuer of Insolvency Proceedings or any of the events specified in Condition 11 (a) (iii);

Issuer On-Balance Sheet Expenses means the costs and expenses incurred by the Issuer in the day to day running of its business, for the preservation of its corporate existence, maintaining it in good standing or required for compliance with applicable legislation (including, without limitation, the fees, costs, expenses and all other amounts then due and payable to directors, statutory auditors and external auditors) in each case, which do not arise or are incurred as a result of the Programme;

Issuer Payments Account means the euro-denominated account held with the English Operating Bank for the purposes of making payments (other than to Noteholders) in accordance with the relevant Priority of Payments;

Issuer Secured Creditors means the Noteholders, the Note Trustee, the Security Trustee, each of the Agents, the Servicer, the Italian Operating Bank, the English Operating Bank, the Calculation Agent, the Cash Manager, the Corporate Servicer, the Management Services Provider, each Swap Counterparty, each Joint-Lead Manager, the Originator, each Bookrunner and each Arranger and Global Coordinator;

Issuer Security means the Italian Issuer Security and the English Issuer Security and any guarantee or Security Interest from time to time granted to the Security Trustee (as trustee for the Issuer Secured Creditors) by the Issuer as security for or guaranteeing any obligations of the Issuer under the Transaction Documents;

Issuer Security Documents means each Pledge Agreement, the Security and Intercreditor Deed and any other instrument, deed or agreement pursuant to which any Issuer Security is created or granted to the Security Trustee from time to time by the Issuer in relation to the Programme;

Italian Agent means the bank appointed as Italian Agent from time to time under the Agency Agreement, which at the Closing Date is Deutsche Bank S.p.A. Milan;

Italian Banking Act means Legislative Decree No. 385 of 1 September 1993;

Italian Insolvency Act means Royal Decree No. 267 of 16 March 1942;

Italian Issuer Security means the Security Interests created under each Pledge Agreement in favour of the Issuer Secured Creditors;

Italian Law Transaction Document means the Pledge Agreement, the Payment Mandate, the Receivables Purchase Agreement and the Servicing Agreement;

Italian Operating Bank means any bank with which the Expenses Account is maintained subject to the prior written approval of the Note Trustee which at the Closing Date is Deutsche Bank Milan S.p.A.;

Italy means the Republic of Italy;

ITL, LIT., Lire and Italian Lire are references to the lawful currency of the Republic of Italy prior to the introduction of the euro. The conversion rate between the euro and the Italian Lire was fixed at Lit. 1,936.27 per euro. The Italian Lire ceased to be legal tender on 1 March 2002;

Joint-Lead Manager means any person appointed as a joint-lead manager in relation to any Tranche;

Law No. 129 Inter-ministerial Decree means the inter-ministerial decree to be enacted pursuant to Law No. 129 of 28 March 2001 requiring the Regions to cover healthcare deficits incurred through 1999 and specifying the manner in which the Regions may raise funds to cover such healthcare deficits;

Law No. 212 means Law No. 212 of 27 July 2000;

Law No. 239 means Legislative Decree No. 239 of 1 April 1996, as amended and supplemented from time to time;

Law No. 239 Withholding means any withholding or deduction for or on account of *imposta sostitutiva* under Law No. 239;

Law No. 388 means Law No. 388 of 23 December 2000;

Law No. 405 means Law No. 405 of 16 November 2001;

Leader Plus means the Leader Plus programme designed to promote the development of rural areas;

Lease Contract means each of the agreements entered into between the Originator and the Healthcare Entities on 28 June 2002 comprised in the Portfolio;

Lease Instalments means the periodic amount payable on a semi-annual basis by each Lessee pursuant to a Lease Contract as more specifically detailed thereunder;

Lessee (*Utilizzatore****)*** means, in relation to each Lease Contract, each Healthcare Entity which has entered into the Lease Contract as a lessee thereunder, or any successor to the original lessee thereunder;

Lessor means SAN.IM.;

Lgs.D. No. 76 means Legislative Decree No. 76 of 28 March 2000;

Lgs.D. 490/99 means Legislative Decree No. 490 of 29 October 1999;

Lgs.D. No. 502 means Legislative Decree No. 502 of 30 December 1992;

Luxembourg Agent means the person appointed as Luxembourg Agent from time to time under the Agency Agreement, which at the Closing Date is Deutsche Bank Luxembourg S.A.;

Management Services Agreement means the agreement to be entered into on or about the Closing Date between the Management Services Provider and the Issuer;

Management Services Provider means the party that will provide certain management services to the Issuer pursuant to the Management Services Agreement, which at the Closing Date is SPV Management Limited;

Margin means, in respect of any Note or Tranche, the percentage specified to be the margin for the relevant Tranche in the applicable Pricing Supplement, if any;

Master Definitions and Framework Deed means the Master Definitions and Framework Deed among the Issuer, the Note Trustee, the Security Trustee, the Agents, the Operating Banks, the Arrangers and Global Coordinators, the Bookrunners, the Corporate Servicer, the Management Services Provider, the Servicer, the Originator, the Region, the Calculation Agent, the Cash Manager and any Swap Counterparty, to be entered into on or about the Closing Date;

Master Trust Deed means the trust deed to be entered into on or about the Closing Date between the Issuer and the Note Trustee under which Notes will, on issue, be constituted and which sets out the terms and conditions on which the Note Trustee has agreed to act as Note Trustee and includes any trust deed or other document executed by the Issuer and the Note Trustee in accordance with the provisions of the Master Trust Deed and expressed to be supplemental to the Master Trust Deed;

Maturity Date means the Payment Date (or other date) specified as such in each applicable Pricing Supplement in respect of any Tranche of Notes;

MCC means MCC S.p.A. – Gruppo Bancario Capitalia;

Minimum Denomination means the minimum denomination of an Agreed Currency;

Minimum Swap Counterparty Rating means a short-term rating of P-1 by Moody's and A-1 by S&P;

Ministry of Culture means the *Ministero per i Beni e le Attività Culturali*;

MLI means Merrill Lynch International;

Modified Following Business Day Convention means, in relation to a Payment Date, that if the relevant date in any calendar month on which that Payment Date would otherwise fall is not a Business Day, the Payment Date shall fall on the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

Moody's means Moody's Investor Services, Inc.;

National Compensation Fund means the *fondo perequativo nazionale* to be financed through receipts of the Italian regions through value added tax;

New Bookrunner means any entity appointed as an additional Bookrunner in accordance with the terms of the Programme Agreement;

Note means a Note issued pursuant to the Programme and denominated in such currency or currencies as may be agreed between the Issuer and the relevant Bookrunner(s) which has such maturity and denomination as may be agreed between the Issuer and the relevant Bookrunner(s) and issued or to be issued by the Issuer pursuant to the Agency Agreement and the Master Trust Deed and which shall initially be represented by, and comprised in either a Regulation S Global Note or a Rule 144A Global Note which may (in accordance with the terms of such Notes) in turn be exchanged for Definitive Registered Notes and includes any replacements for a Note issued pursuant to Condition 13;

Note Trustee means Deutsche Trustee Company Limited, or any successor trustee thereto pursuant to the Master Trust Deed;

Noteholder means the several persons who are for the time being holders of outstanding Notes save that, for so long as such Notes or any part thereof are represented by a Global Note deposited with a common depositary for Euroclear and Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an accountholder of Euroclear, or Euroclear, if Euroclear shall be an accountholder of Clearstream, Luxembourg) as the holder of a particular nominal amount of the Notes, the same shall be deemed to be the holder of such nominal amount of such Notes (and the holder of the relevant Global Note shall not be deemed to be the holder) for all purposes of the Master Trust Deed other than with respect to the payment of principal or interest on such nominal amount of such Notes, the rights to which shall be vested, as against the Issuer and the Note Trustee, solely in such common depositary and for which purpose such common depositary, shall be deemed to be the holder of such nominal amount of such Notes in accordance with and subject to its terms and the provisions of the Master Trust Deed and the expressions ***Noteholders***, ***Note holder*** and ***holder of Notes*** and related expressions shall be construed accordingly;

Notice, unless the context otherwise requires, means the publication in the Official Gazette of the Italian Republic (*Gazzetta Ufficiale della Repubblica Italiana*) of a notice of the sale of the relevant Receivables pursuant to the relevant Receivables Purchase Agreement from the Originator to the Issuer;

Obligor means the Region of Lazio as obligor under the Payment Delegation;

Offering Circular means this offering circular as revised, supplemented or amended from time to time by the Issuer in accordance with the terms of the Programme Agreement including any documents which are from time to time incorporated herein by reference except that in relation to each Tranche of Notes only the applicable Pricing Supplement shall be deemed to be included in the Offering Circular;

OICR means Undertaking for the Collective Investment of Savings (*Organismo di Investimento Collettivo del Risparmio*);

Operating Banks means the Italian Operating Bank and the English Operating Bank and ***Operating Bank*** means either one of them;

Originator means SAN.IM. S.p.A.;

participants means persons that have accounts with Euroclear or Clearstream, Luxembourg;

Parties in Interest means persons having certain relationships to Plans;

Payment Date means 7 March and 7 September, subject to the Modified Following Business Day Convention and Condition 7(a) provided that the first Payment Date shall fall on 7 September 2003;

Payment Delegation means the irrevocable delegation of payment given by the Healthcare Entities to the Region of Lazio, which accepted it, in the Lease Contracts pursuant to which the Region of Lazio will pay the Initial Lease Payments and Lease Instalments or will pay directly to the Issuer the Lease Instalments;

Payments Accounts means the Issuer Payments Account and the Tranche Payment Accounts;

Payment Mandate means the irrevocable payment mandate given by the Region to its Regional Treasurer Bank and accepted by it, on or about the Closing Date, pursuant to which payments due by the Region under the Payment Delegation will be made directly by the Regional Treasurer Bank to the Issuer;

Payments Report means the report to be prepared by the Calculation Agent pursuant to the terms of the Cash Management Agreement;

Pension Fund Tax means the 11 per cent. tax on Italian pension funds imposed pursuant to Legislative Decree No. 47 of 18 February 2000;

Plan means an employee benefit plan subject to Title I of ERISA or plan subject to Section 4975 of the Code (or any other employee benefit plan subject to any federal, state, local or foreign law substantially similar to Section 406 of ERISA or Section 4975 of the Code);

Plan Fiduciary means any fiduciary of an ERISA Plan, of an entity whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entity, or of a governmental, church or other certain plan that is subject to fiduciary standards similar to those of ERISA;

Pledge Agreement means, as the context requires, either the First Pledge Agreement or any future Italian law pledge over all the Issuer's rights under the relevant Receivables Purchase Agreement (other than the relevant Portfolio and the relevant Collections) entered into in respect of the relevant further Tranche and, in the case of the First Pledge Agreement, the Servicing Agreement;

Portfolio means the portfolio of Receivables purchased or to be purchased by the Issuer from the Originator pursuant to the Receivables Purchase Agreements;

Pre-Enforcement Priority of Payments means the priority of payments set out in Condition 6.1 of the Conditions and included in the terms of the Security and Intercreditor Deed;

Principal Amount Outstanding means, in respect of a 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 made prior to such date;

Principal Notification Date means not less than 2 Business Days prior to the relevant Payment Date;

Principal Paying Agent means the person appointed as Principal Paying Agent from time to time under the Agency Agreement which at the Closing Date is Deutsche Bank AG London;

Principal Payment means the amount of principal repaid to Noteholders on any Payment Date pursuant to the Conditions;

Prior Securitisation has the meaning given in Condition 4;

Priority of Payments means the Pre-Enforcement Priority of Payments or the Enforcement Priority of Payments;

Programme means the euro 2,000,000,000 asset backed euro medium term note programme established pursuant to the Programme Agreement, the Agency Agreement and the Master Trust Deed;

Programme Agreement means the agreement to be entered into on or about the Closing Date among the Issuer, the Region, the Originator, the Arrangers and Global Coordinators and the Bookrunners named therein concerning the purchase of Notes to be issued pursuant to the Programme together with any agreement for the time being in force amending, replacing, novating or modifying such agreement and any accession letters and/or agreements supplemental thereto;

Programme Assets means the proceeds of the Portfolio and any other amounts from time to time deriving from and in accordance with the Transaction Documents;

Programme Limit means euro 2,000,000,000;

Prohibited Transactions means certain transactions prohibited under Section 406(a) of ERISA and Section 4975 of the United States Internal Revenue Code of 1986, as amended;

proportional registration tax means the registration tax in an amount equal to 0.50% of the amount of a receivable or claim assigned under a contract;

PTCE means a Prohibited Transaction Class Exemption;

Purchase Price means an amount equal to the face value of the Receivables comprised in a relevant Portfolio, calculated as at the relevant Effective Date of the relevant transfer to the Issuer and payable on the relevant Issue Date;

Purchaser means an initial purchaser of the Notes and each subsequent transferee;

Qualifying Countries means those countries which allow an adequate exchange of information with the Republic of Italy and which do not have a privileged tax system as indicated in Article 76 (7-bis) of Presidential Decree No. 917 of 22 December 1986 and identified by the decree of the Ministry of Economy and Finance dated 23 January 2002, which includes all the countries of the European Union and the United States;

Qualified Purchasers has the meaning given in Section 2(a)(51) of the Investment Company Act and the rules and regulations of the U.S. Securities and Exchange Commission thereunder;

QIBs means "qualified institutional buyers" within the meaning of Rule 144A of the Securities Act;

Rate of Interest means the rate of interest applicable to the Notes calculated as provided in Condition 7;

Rating Agencies means each of Moody's and S&P, as the context requires;

Real Estate Assets means the real estate assets designated for healthcare use sold by the Healthcare Entities to the Originator pursuant to the Real Estate Purchase Agreement;

Real Estate Purchase Agreement means the sale and purchase agreement entered into between the Healthcare Entities and the Originator on 28 June 2002 in relation to the Real Estate Assets;

Receipts means on any Calculation Date:

(a) all Collections collected by the Servicer and credited to the Collection Account;

(b) all Swap Payments (if any) received, or to be received, prior to the succeeding Payment Date, by the Issuer from any Swap Counterparty, including any amounts in the form of premia received from any replacement Swap Counterparty;

(c) all amounts received by the Issuer from all Collection Account Investments in excess of the original principal amount invested in the relevant investment, including for the avoidance of doubt interest and premia received in respect thereof;

(d) all amounts of interest accrued on and credited to the Issuer Accounts; and

(e) all other items and payments received by the Issuer relating to the Portfolio, the Programme Assets or pursuant to any of the Transaction Documents (except as included as "Issuer Available Funds");

Receivables means each and every right arising under the Lease Contract, including but not limited to:

(a) the Lease Instalments;

(b) any default interest and/or other interest accrued from the date of economic effect of the transfer under the relevant Receivables Purchase Agreement up to the date of execution of the relevant Receivables Purchase Agreement and any other such interest payments which are to mature thereafter on all amounts outstanding from the due date under the Lease Contract irrespective of whether the payment is made by the relevant Healthcare Entities or the Region under the Payment Delegation;

(c) any increase in the Lease Instalments as a result of any amendment to the Lease Contract; and

(d) all rights of the Originator under the Payment Delegation,

in each case together with all the relevant guarantees, connected privileges and pre-emptive rights, and all other ancillary rights (*accessori*) pertaining thereto, as well as any and all other rights, claims and actions (including any action for damages) and defences (*posizioni attive*) inherent or otherwise ancillary to such rights, claims and actions and/or to the exercise thereof, but expressly excluding (i) the Initial Lease Payments and any value added tax, if and when due; (ii) the residual instalment (*riscatto*) due under the Lease Contract payable by the Lessee upon the payment of which the Lessee shall acquire ownership of the Real Estate Assets relating to the Lease Contract; (iii) administrative expenses incurred in the collection and in the delivery of the Receivables; and (iv) any right arising under any insurance policy entered into in connection with the Real Estate Assets;

Receivables Purchase Agreement means each receivables purchase agreement executed as a private notarial deed (*scrittura privata autenticata*) pursuant to Arts. 69 and 70 of Royal Decree No. 2440;

Record Date means, in respect of the Definitive Registered Notes, the seventh Business Day before the due date for the relevant payment;

Reference Banks means, in relation to an interest calculation under any of the Notes, those banks specified in the applicable Pricing Supplement;

Reference Rate means, in respect of any Note, any rate that is reset at least annually based on the then current measurement of the cost of funds in the Agreed Currency;

Region means the Region of Lazio;

Regional Law 16/2001 means Regional Law No. 16 of 3 August 2001;

Regional Law No. 18 means Regional Law No. 18 of 16 June 1994;

Regional Law No. 25 means Regional Law No. 25 of 20 November 2001;

Regional Economic and Finance Programme means the *Documento di Programmazione Economica Finanziaria Regionale*;

Regional Treasurer Bank means the treasury banks for Lazio which are composed by a pool of banks comprised of Banca Nazionale del Lavoro, Banca di Roma and Banca Monte dei Paschi di Siena with Banca di Roma acting as agent bank for the pool;

Register means the register on which the names and addresses of the holders of the Notes and the particulars of the Notes shall be entered and kept by the Issuer at the specified office of the Registrar;

Registrar means the body responsible for registration of the Notes, which at the Closing Date is Deutsche Bank Luxembourg S.A.;

Regulation No. 11522 means CONSOB Regulation No. 11522 of 1 July 1998, as amended;

Regulation No. 11971 means CONSOB resolution No. 11971 of 14 May 1999, as amended;

Regulation S means Regulation S under the Securities Act;

Regulation S Global Notes means the Notes initially offered and sold outside the United States to non-U.S. persons pursuant to Regulation S under the United States Securities Act of 1933, as amended, and represented by a permanent global note in fully registered form attached and ***Regulation S Global Note*** means any one of them;

Regulations means the Public Offers of Securities Regulations 1995, as amended;

Related Third Party Creditor means any third party creditor of the Issuer, including, without limitation, any tax authority, listing agent, stock exchange or Rating Agency (other than a party acting in its capacity as a Noteholder or as a party to a Transaction Document) whose claim relates to the Programme;

Relevant Bookrunner means, in the case of an issue of Notes being (or intended to be) subscribed by more than one Bookrunner, any and all Bookrunners agreeing to subscribe for such Notes;

Relevant Issue Date means the Issue Date for each Tranche of Notes;

Relevant Portfolio means, in respect of any given Tranche, the portfolio comprised of Receivables purchased by the Issuer from the Originator pursuant to the relevant Receivables Purchase Agreement;

Royal Decree No. 2440 means Royal Decree No. 2440 of 18 November 1923;

Rule 144A means Rule 144A under the Securities Act;

Rule 144A Global Note means the Notes initially offered and sold inside the United States to persons who are both (i) "qualified institutional buyers" (as defined in, and in reliance on, Rule 144A) and (ii) "qualified purchasers" for the purposes of the Investment Company Act, in transactions made in accordance with Rule 144A and represented by a registered global note;

SAN.IM. means SAN.IM. S.p.A.;

S&P means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies Inc.;

SEC means the U.S. Securities and Exchange Commission;

Second Level Bank means a permanent establishment in the Republic of Italy of a non-resident bank or SIM, acting as depositary or sub-depositary of the Notes appointed to monitor direct relationships via telematic link, with the Italian Financial Administration;

Securities Account means the securities account in the name of the Issuer at the English Operating Bank in which all Collection Account Investments are to be deposited pursuant to the Cash Management Agreement, and any replacement therefor;

Securities Act means the U.S. Securities Act of 1933, as amended;

Securitisation Law means Law No. 130 of 30 April 1999 (*legge sulla cartolarizzazione dei crediti*) and the relevant implementing regulations, as amended, supplemented and integrated from time to time;

Securitised Assets means assets relating to a securitisation transaction effected pursuant to the Securitisation Law;

Security and Intercreditor Deed means the Security and Intercreditor Deed to be entered into on or about the Closing Date among the Issuer, the Security Trustee, the Note Trustee, the Agents, the English Operating Bank, the Italian Operating Bank, the Corporate Servicer, the Management Services Provider, the Cash Manager, the Calculation Agent, each Swap Counterparty, the Arrangers and Global Coordinators, the Bookrunners, the Originator and the Servicer;

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;

Security Trustee means Deutsche Trustee Company Limited and all other persons or companies who are for the time being the Security Trustee under the Security and Intercreditor Deed;

Senior Creditors means the Note Trustee and the Security Trustee;

Servicer means the person appointed as Servicer from time to time under the Servicing Agreement which at the Closing Date is Banca di Roma S.p.A. – Gruppo Bancario Capitalia;

Servicer's Semi-Annual Report Date means the date which is 3 Business Days before each Calculation Date;

Servicing Agreement means the agreement to be entered into on or about the Closing Date pursuant to which the Servicer will agree to service the Portfolio;

SIM (*Società d'Intermediazione Mobiliare*) means an Italian investment firm;

Specified Event means the closing for business of Euroclear or Clearstream, Luxembourg for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or the announcement of an intention permanently to cease business or the actual cessation of business.

Specified Denomination in relation to any Tranche has the meaning given in the applicable Pricing Supplement in relation to that Tranche;

Stabilising Manager with respect to any Tranche of Notes has the meaning specified in the applicable Pricing Supplement;

Subscription Agreement means an agreement supplemental to the Programme Agreement (by whatever name called) in or substantially in the form attached to the Programme Agreement or in such other form as may be agreed between the Issuer and one or more Bookrunners (as the case may be);

Subsequent Portfolio means each portfolio of receivables, other than the Initial Portfolio, transferred to the Issuer by the Originator pursuant to the relevant Receivables Purchase Agreement;

Sub-Servicer means the provider of certain services pursuant to the Servicing Agreement and is, at the Closing Date, SAN.IM.;

Supplemental Trust Deed means the supplemental trust deed which, together with the Master Trust Deed, will constitute a Tranche of Notes to be issued under the Programme;

Swap Agreement means any swap agreement to be entered into pursuant to an ISDA Master Agreement between the Issuer and a Swap Counterparty pursuant to which a Currency Swap Transaction and an Interest Rate Swap Transaction may be entered into, as further specified in an applicable Pricing Supplement;

Swap Counterparty means each person acting as swap counterparty from time to time under a Swap Transaction with the Issuer;

Swap Counterparty Default Termination Amount means the amount (if any) payable by the Issuer under a Swap Agreement upon termination of the same where (a) the Swap Counterparty is the "***Defaulting Party***" (as defined in such Swap Agreement) or (b) the Issuer elects to terminate the swap following the occurrence of an Additional Termination Event in respect of which the Swap Counterparty is the sole Affected Party (as defined in such Swap Agreement);

Swap Payments means any payment made by a Swap Counterparty under a Swap Transaction including all amounts received by the Issuer on enforcement of any Swap Security;

Swap Security means any Security Interest granted by a Swap Counterparty to the Issuer for certain of its obligations under the relevant Swap Transaction;

Swap Termination Date means the date on which a Swap Agreement has been terminated in accordance with its terms;

Swap Transaction means a Currency Swap Transaction or an Interest Rate Swap Transaction;

Target Amount means euro 250,000;

TARGET means Trans-European Automated Real-time Gross settlement Express Transfer system;

TARGET Day means a day on which the TARGET system (or any successor thereto) is open for business;

Tranche means a tranche of Notes as further described in the applicable Pricing Supplement;

Tranche 1 means the euro 200,000,000 floating rate asset backed Notes due 7 March 2033;

Tranche 2 means the euro 200,000,000 floating rate asset backed Notes due 7 March 2028;

Tranche 3 means the USD 450,000,000 6.022 per cent. asset backed Notes due 7 March 2033;

Tranche 4 means the GBP 200,000,000 floating rate asset backed Notes due 7 March 2033;

Tranche Payment Account means in relation to each Tranche, an account denominated in the Agreed Currency of that Tranche for the purposes of making payments to the Noteholders of that Tranche, as further specified in the applicable Pricing Supplement;

Transaction Documents means the Conditions, the Payment Mandate each Receivables Purchase Agreement, the Warranty and Indemnity Deed, the Servicing Agreement, the Cash Management Agreement, the Agency Agreement, any Interest Rate Swap Transaction, any Currency Swap Transaction, the Issuer Security Documents, the Programme Agreement, each Subscription Agreement, any Swap Security, the Master Definitions and Framework Deed, and any other agreement which the Issuer and the Note Trustee agree is a Transaction Document from time to time;

Transfer Agent means the person responsible for transfer of the Notes, which at the Closing Date is Deutsche Bank Luxembourg S.A.;

Treasury Bank means an agent bank acting as treasurer for a region in Italy;

Treaty means the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam;

UIC means *Ufficio Italiano dei Cambi*;

United States means the United States of America (including the States thereof and the District of Columbia) and, where applicable, its territories, its possessions and other areas subject to its jurisdiction;

USD means U.S. dollars;

Value Added Tax and ***VAT*** shall be construed as a reference to value added tax under the laws of any jurisdiction;

Warranty and Indemnity Deed means the deed of warranty and indemnity to be entered into on or about the Closing Date between the Issuer, the Originator, the Region and the Security Trustee relating to the Portfolio.

ANNEX A

FORM OF PRICING SUPPLEMENT

The Pricing Supplement relating to each Tranche of Notes will contain, *inter alia*, such of the following information as is applicable in respect of such Notes (all references to numbered Conditions being to the Terms and Conditions of the relevant Notes):

Pricing Supplement dated [●]

Cartesio S.r.l. – Series 2003-1 [●]
Issue of [*Aggregate Nominal Amount of Tranche*]
Asset Backed Notes due [●] [*Indicate Tranche*]
Under the euro 2,000,000,000 Asset Backed Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 4 March 2003 [and the supplemental Offering Circular dated [●]]. This Pricing Supplement must be read in conjunction with such Offering Circular [as so supplemented].

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.*]

1.	Tranche number:		[●]
2.	Agreed Currency:		[●]
3.	Aggregate Nominal Amount of Tranche:		[●]
	(i)	euro	
	(ii)	GBP	
	(iii)	USD	
4.	(i)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount
	(ii)	Net proceeds:	[●] [*Required only for listed issues*]
5.	Specified Denomination:		[●]
6.	Minimum Denomination:		[●]
7.	Redomination provisions:		[*If GBP*]
8.	Tranche Payment Account details:		[*Code* [●], *a/c no.* [●], *IBAN* [●]]
9.	Issue Date:		[●]
10.	Maturity Date:		[*Payment Date falling in the relevant month and year*]
11.	Interest Basis:		[Fixed Rate/Floating Rate] (further particulars specified below)
12.	Redemption/Payment Basis:		[*Mandatory Pro Rata Redemption/Bullet*]
13.	Listing:		Luxembourg
14.	Method of distribution:		[Syndicated/Not-Syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Provisions:		[Applicable/Not Applicable]
16.	Floating Rate Provisions:		[Applicable/Not Applicable]
	(i)	[Specified Period(s)/Specified Interest Payment Dates and Interest Accrual Dates:	[●] [*include details of Modified Business Day Convention*]
	(ii)	Manner in which the Rate(s) of Interest is/are to be determined:	Screen Rate Determination
	(iii)	Interest Period Date(s):	[Not applicable/*specify dates*]
	(iv)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Principal Paying Agent):	[●]
	(v)	Screen Rate Determination:	
		– Specified Time:	[●]
		– Interest Determination Date:	[●]
		– Primary Source for Floating Rate:	Telerate, page 248
		– Reference Banks (if Primary Source is "***Reference Banks***"):	[*specify four*]
		– Relevant Financial Centre:	
		– Reference Rate:	[●] [*specify duration*]
		– Representative Amount:	[*Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount*]
		– Effective Date:	[*Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period*]
		– Specified Duration:	[*Specify period for quotation if not duration of Interest Accrual Period*]
	(vi)	Margin(s):	[+/-] [●] per cent. per annum
	(vii)	Rate Multiplier:	[●]
	(viii)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:]	[●]

PROVISIONS RELATING TO REDEMPTION

17.	Final Redemption Amount:	[●]
18.	Details relating to each Amortisation Amount:	[*give details*]
19.	Early Redemption Amount(s) payable on mandatory redemption and/or the method of calculating the same (if required or if different from that set out in Condition 8):	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

20.	Form of Note:	[●]
21.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not applicable/*give details*]
22.	Meetings of Noteholders, Modifications and Waiver:	Condition [16(a)/16(b)] will apply

DISTRIBUTION

23.	(i) If syndicated, names of Bookrunners:	[Not applicable/*give names*]
	(ii) Stabilising Manager (if any):	[Not applicable/*give name*]
	(iii) Bookrunner's Commission:	[None]
24.	If not syndicated, name of Bookrunner:	[Not applicable/*give name*]
25.	Additional selling restrictions:	[Not applicable/*give details*]

OPERATIONAL INFORMATION

26.	ISIN Code:	[●]
27.	Common Code:	[●]
28.	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[*Not applicable*]
29.	Delivery:	Delivery [against/free of] payment
30.	The Agents appointed in respect of the Notes are:	[●]

ADDITIONAL INFORMATION

[*Give details. Include: (i) specific information on Receivables constituting the relevant Sub-Portfolio (including purchase price), (ii) the Lease Contracts pursuant to which such Receivables arise and the Healthcare Entities parties to such Lease Contracts; (iii) details of the exercise of right of first refusal on certain portions of the Real Estate Assets [if applicable]; (iv) details of Swap Counterparty provisions relating to Currency Swap Transaction [if GBP/USD] [and to Interest Rate Swap Transaction [include aggregate notional amount]]; (v) (any change to notice provisions set out at Condition 15 of the Notes; (vi) any Further Security taken in relation to the Tranche.*]

LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the euro 2,000,000,000 Asset Backed Euro Medium Term Note Programme of [●].

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ....

Duly authorised

ANNEX B

Part A

FORM OF TRANSFEROR CERTIFICATE FOR TRANSFER FROM RULE 144A GLOBAL NOTE TO REGULATION S GLOBAL NOTE

(Transfers pursuant to Clause 3.10 of the Master Trust Deed)

Deutsche Trustee Company Limited
as Note Trustee

Attention:

Re: Cartesio s.r.l.

[●] Asset Backed Notes due [●]

Reference is hereby made to the Master Trust Deed, dated 5 March 2003 (the "***Master Trust Deed***") between Cartesio S.r.l., as issuer of the Notes and Deutsche Trustee Company Limited, as Note Trustee. Capitalised terms used herein but not defined herein shall have the meanings given them in the Master Trust Deed.

This letter relates to ● aggregate principal amount of Asset Backed Notes due [●] which are held in the form of beneficial interests in the Rule 144A Global Notes (ISIN No. ●) in the name of [name of transferor] (the "***Transferor***") to effect the transfer of such Notes in exchange for an equivalent beneficial interest in a Regulation S Global Note in the name of [name of transferee] (the "***Transferee***").

In connection with such request, and in respect of such Notes, the Transferor hereby represents, warrants and covenants for the benefit of the Issuer and the Trustee that:

1. the sale by the Transferor is being made in compliance with the applicable transfer restriction set forth in Section 3.10 of of the Master Trust Deed;
2. the offer of the Notes was not made to a person in the United States;
3. at the time the buy order was originated, the Transferee was outside the United States;
4. no directed selling efforts have been made in contravention of the requirements of Rule 903(a) or 904(a) of Regulation S, as applicable;
5. the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and
6. the Transferee is neither a U.S. Person within the meaning of Regulation S nor a U.S. resident (within the meaning of the Investment Company Act).

The Transferor understands that the Issuer, the Trustee and their counsel will rely upon the accuracy and truth of the foregoing representations, and the Transferor hereby consents to such reliance.

[Name of Transferor]

By:

Name:

Title:

Dated ●, ●

cc: Cartesio S.r.l

Part B

FORM OF TRANSFEROR CERTIFICATE FOR TRANSFER FROM REGULATION S GLOBAL NOTE TO RULE 144A GLOBAL NOTE

(Transfers pursuant to Clause 3.10 of the Master Trust Deed)

Deutsche Trustee Company Limited
as Note Trustee

Re: Cartesio S.r.l.

[●] Asset Backed Notes due [●]

Reference is hereby made to the Master Trust Deed, dated 5 March 2003 (the "***Master Trust Deed***") between Cartesio S.r.l., as issuer of the Notes and Deutsche Trustee Company Limited, as Note Trustee. Capitalised terms used herein but not defined herein shall have the meanings given them in the Master Trust Deed.

This letter relates to ● aggregate principal amount of Asset Backed Notes due [●] which are held in the form of a Regulation S Global Note with Euroclear and/or Clearstream, Luxembourg (ISIN No. ●) in the name of [name of transferor] (the "***Transferor***") to effect the transfer of such Notes in exchange for an equivalent beneficial interest in a Rule 144A Global Note in the name of [name of transferee] (the "***Transferee***").

In connection with such request, and in respect of such Notes, the Transferor does hereby certify that such notes are being transferred in accordance with (i) the transfer restrictions set forth in the Offering Circular dated [●], 2003 and (ii) Rule 144A under the United States Securities Act of 1933, as amended, and any applicable securities laws of any state of the United States or any other jurisdiction and that the Transferor reasonably believes that the Transferee is a "***qualified institutional buyer***" as defined in Rule 144A ("***QIB***") and a "***Qualified Purchaser***" as defined in the Investment Company Act who (1) is acting for its own account or for the account of other QIBs, and Qualified Purchasers (2) is not a broker dealer that owns and invests on a discretionary basis less than $25 million in "***securities***" as such term is defined under Rule 144A, (3) is not a partnership, common trust fund, special trust, pension fund, retirement plan or other entity in which the partners, beneficiaries or participants, as the case may be, may designate the particular investments to be made or the allocation thereof, (4) is not an entity that was formed, reformed or recapitalised for the specific purpose of investing in the Notes, (5) is not an investment company excepted from the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof and formed prior to April 30,1996, that has not received the consent of its beneficial owners with respect to the treatment of such entity as a qualified purchaser in the manner required by Section 2(a)(51)(C) of the Investment Company Act and rules thereunder, (6) is not an entity that will have invested more than 40% of its assets in the securities of the Issuer subsequent to any purchase of the Notes, (7) agrees to provide notice to any subsequent transferee of the transfer restrictions provided in the legend and (8) will provide the Issuer from time to time such information as may be reasonably requested to ascertain compliance with this written certification.

The Transferor understands that the Issuer, the Trustee and their counsel will rely upon the accuracy and truth of the foregoing representations, and the Transferor hereby consents to such reliance.

[Name of Transferor]

By:

Name:

Title:

Dated ●, ●

cc: Cartesio S.r.l

Part C

FORM OF INVESTMENT LETTER FOR TRANSFER FROM REGULATION S GLOBAL NOTE TO RULE 144A GLOBAL NOTE

(Transfers pursuant to Clause 3.10 of the Master Trust Deed)

Deutsche Trustee Company Limited
as Note Trustee

Re: Cartesio S.r.l.

[●] Asset Backed Notes due [●]

Reference is hereby made to the Master Trust Deed, dated 5 March 2003 (the "***Master Trust Deed***") between Cartesio S.r.l., as issuer of the Notes and Deutsche Trustee Company Limited, as Note Trustee. Capitalised terms used herein but not defined herein shall have the meanings given them in the Master Trust Deed.

This letter relates to ● aggregate principal amount of Asset Backed Notes due [●] which are held in the form of a Regulation S Global Note with Euroclear and/or Clearstream, Luxembourg (ISIN No. ●) in the name of [name of transferor] (the "***Transferor***") to effect the transfer of such Notes in exchange for an equivalent beneficial interest in a Rule 144A Global Note in the name of [name of transferee] (the "***Transferee***").

In connection with such request, and in respect of such Notes, the Transferee does hereby certify that such notes are being transferred in accordance with (i) the transfer restrictions set forth in the Offering Circular dated [●], 2003 and (ii) Rule 144A under the United States Securities Act of 1933, as amended, and any applicable securities laws of any state of the United States or any other jurisdiction and the Transferee confirms that:

1. ***Transferee Requirements***. The Transferee: (i)(A) is an Eligible Investor (as defined below), (B) will hold at least the minimum denomination of [●] 100,000, (C) will provide notice of applicable transfer restrictions to any subsequent transferee, and (D) is purchasing for its own account or for the accounts of one or more other persons each of whom meets all of the requirements of clauses (A) through (D).

   "***Eligible Investors***" are defined for the purposes hereof as persons who are QIBs and Qualified Purchasers (as defined in the Investment Company Act) acting for their own account or for the account of other QIBs and Qualified Purchasers and excludes therefrom: (i) QIBs that are broker dealers that own and invest on a discretionary basis less than $25 million in "***securities***" as such term is defined under Rule 144A, (ii) a partnership, common trust fund, special trust, pension fund, retirement plan or other entity in which the partners, beneficiaries or participants, as the case may be, may designate the particular investments to be made, or the allocation thereof, (iii) an entity that was formed, reformed or recapitalised for the specific purpose of investing in the Notes, (iv) any investment company excepted from the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof and formed prior to 30 April, 1996, that has not received the consent of its beneficial owners with respect to the treatment of such entity as a qualified purchaser in the manner required by Section 2(a)(51)(C) of the Investment Company Act and rules thereunder and (v) any entity that will have invested more than 40 per cent. of its assets in the securities of the Issuer subsequent to any purchase of the Notes. The Transferee acknowledges that each of the Issuer and the Note Trustee reserve the right prior to any sale or other transfer to require the delivery of such certifications, legal opinions and other information as the Issuer or the Note Trustee may reasonably require to confirm that the proposed sale or other transfer complies with the foregoing restrictions.

2. ***Notice of Transfer Restrictions.*** Each Transferee acknowledges and agrees that (A) the Notes have not been and will not be registered under the Securities Act and the Issuer has not been registered as an "***investment company***" under the Investment Company Act, (B) neither the Notes nor any beneficial interest therein may be re-offered, resold, pledged or otherwise transferred except in accordance with the provisions set forth in the Offering Circular dated 4 March 2003 with respect to the issuance of the Notes (the "***Offering Circular***") and (C) the Transferee will notify any transferee of such transfer

restrictions and that each subsequent holder will be required to notify any subsequent transferee of such Notes of such transfer restrictions.

3. ***Mandatory Transfer/Redemption.*** Each Transferee acknowledges and agrees that in the event that at any time the Issuer determines (or is notified by a person acting on behalf of the Issuer) that such Transferee was in breach, at the time given or deemed to be given, of any of the representations or agreements set forth in the Offering Circular or otherwise determines that any transfer or other disposition of any Notes would, in the sole determination of the Issuer or the Note Trustee acting on behalf of the Issuer, require the Issuer to register as an "***investment company***" under the provisions of the Investment Company Act, such purchase or other transfer will be void ab initio and will not be honoured by the Note Trustee. Accordingly, any such purported transferee or other holder will not be entitled to any rights as a Noteholder and the Issuer shall have the right to force the transfer of, or redeem, any such Notes.

4. ***Legend on Notes.*** Each Transferee acknowledges that each of the Notes will bear a legend substantially to the effect set forth below and that the Issuer has covenanted in the Master Trust Deed not to remove either such legend so long as it shall be necessary for the Issuer to rely on the exception to the Investment Company Act set forth in Section 3(c)(7) thereof.

5. ***Rule 144A Information.*** Each Transferee of Notes offered and sold in the United States under Rule 144A is hereby notified that the offer and sale of such Notes to it is being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A. The Issuer has agreed to furnish to investors upon request such information as may be required by Rule 144A.

6. ***ERISA.*** If the Transferee is a U.S. person purchasing an interest in a Rule 144A Global Note or Definitive Registered Rule 144A Note, (1) no part of the assets used to purchase such Notes constitutes assets of any person who is or while the Notes are held will be an employee benefit plan subject to Title I of ERISA or plan subject to Section 4975 of the Code (or any other employee benefit plan subject to any federal, state, local or foreign law substantially similar to Section 406 of ERISA or Section 4975 of the Code) (a "***Plan***"), or (2) part or all of the assets used to purchase such Note constitutes assets of a Plan and the purchase and holding of such Note will not constitute or result in a non-exempt prohibited transaction.

7. ***Amendments.*** Each Purchaser acknowledges that the Notes and related documentation may be amended or supplemented from time to time to modify the restrictions on and procedures for resales and other transfers of the Notes to reflect any change in applicable law or regulation (or the interpretation thereof) or in practices relating to the resales or transfer of securities such as the Notes generally, and that it will be deemed, by its acceptance of such Notes, to have agreed to any such amendment or supplement;

8. ***Representations and Warranties.*** Each Purchaser agrees that it will promptly (i) inform the Issuer if, during any time it holds a Note, there shall be any change in the representations and warranties contained above or if they shall become false for any reason (other than the representations that the purchaser is both a Qualified Purchaser and a Qualified Institutional Buyer, which representations need be accurate only on the date of the acquisition of a Note) and (ii) deliver to the Issuer such other representations, warranties and agreements as to such matters as the Issuer may, in the future, request in order to comply with applicable law and the availability of any exemption therefrom (including, if deemed necessary by the Issuer, a reaffirmation of its status as both a Qualified Purchaser and a Qualified Institutional Buyer);

9. ***Disclosure of participants' identities.*** Each Purchaser understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries, and that those participants may further disclose to the Issuer the names and positions of holders of its securities.

10. **Submission to jurisdiction of the Courts of the State of New York**. Each Purchaser of a Rule 144A Global Note or Definitive Registered Rule 144A Note agrees to submit to the jurisdiction of the Courts of the State of New York.

11. ***Legend on Rule 144A Global Notes and Definitive Registered Rule 144A Notes.*** Each Note will bear a legend substantially to the following effect:

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "***SECURITIES ACT***") OR ANY STATE SECURITIES LAWS AND THE ISSUER (AS DEFINED IN THE MASTER TRUST DEED) HAS NOT BEEN REGISTERED AS AN "***INVESTMENT COMPANY***" UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "***INVESTMENT COMPANY ACT***").

BY PURCHASING THE NOTES, EACH HOLDER OF ANY BENEFICIAL INTEREST HEREIN WILL BE DEEMED TO HAVE REPRESENTED FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE NOTES THAT IT (I)(A) IS AN "***ELIGIBLE INVESTOR***" (AS DEFINED BELOW), (B) WILL HOLD AT LEAST THE MINIMUM DENOMINATION OF [INSERT CURRENCY] 100,000, (C) WILL PROVIDE NOTICE OF APPLICABLE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREE, (D) IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNTS OF ONE OR MORE OTHER PERSONS EACH OF WHOM MEETS ALL OF THE PRECEDING REQUIREMENTS AND (E) AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST HEREIN TO ANY PERSON EXCEPT TO A PERSON THAT MEETS ALL OF THE PRECEDING REQUIREMENTS AND AGREES NOT TO SUBSEQUENTLY TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST HEREIN EXCEPT IN ACCORDANCE WITH THIS CLAUSE (E) OR (II) IS NOT A U.S. PERSON AND IS ACQUIRING THE NOTES PURSUANT TO RULE 903 OR 904 OF REGULATION S. IN THE EVENT OF ANY TRANSFER PURSUANT TO THE PRECEDING CLAUSE (II), (1) THE TRANSFEREE WILL BE REQUIRED TO HAVE THE NOTES SO TRANSFERRED TO BE REPRESENTED BY AN INTEREST IN THE REGULATION S GLOBAL NOTE (AS DEFINED IN THE MASTER TRUST DEED); (2) THE TRANSFEROR WILL BE REQUIRED TO DELIVER A REGULATION S TRANSFER CERTIFICATE (THE FORM OF WHICH IS AVAILABLE FROM THE REGISTRAR), AND (3) THE TRANSFEREE WILL BE REQUIRED TO CERTIFY AS TO ITS STATUS AS A NON-U.S. PERSON.

"***ELIGIBLE INVESTORS***" ARE DEFINED FOR THE PURPOSES HEREOF AS PERSONS WHO ARE QIBS AND QUALIFIED PURCHASERS ACTING FOR THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF OTHER QIBS AND QUALIFIED PURCHASERS AND EXCLUDES THEREFROM: (I) QIBS THAT ARE BROKER DEALERS THAT OWN AND INVEST ON A DISCRETIONARY BASIS LESS THAN $25 MILLION IN "***SECURITIES***" AS SUCH TERM IS DEFINED UNDER RULE 144A, (II) A PARTNERSHIP, COMMON TRUST FUND, SPECIAL TRUST, PENSION FUND, RETIREMENT PLAN OR OTHER ENTITY IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS THE CASE MAY BE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE OR THE ALLOCATION THEREOF, UNLESS SUCH PARTNERS, BENEFICIARIES OR PARTICIPANTS ARE QUALIFIED PURCHASERS FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT (III) AN ENTITY THAT WAS FORMED, REFORMED OR RECAPITALISED FOR THE SPECIFIC PURPOSE OF INVESTING IN THE NOTES, (IV) ANY INVESTMENT COMPANY EXCEPTED FROM THE INVESTMENT COMPANY ACT PURSUANT TO SECTION 3(C)(1) OR SECTION 3(C)(7) THEREOF AND FORMED PRIOR TO APRIL 30 1996, THAT HAS NOT RECEIVED THE CONSENT OF ITS BENEFICIAL OWNERS WITH RESPECT TO THE TREATMENT OF SUCH ENTITY AS A QUALIFIED PURCHASER IN THE MANNER REQUIRED BY SECTION 2(A)(51)(C) OF THE INVESTMENT COMPANY ACT AND RULES THEREUNDER AND (V) ANY ENTITY THAT WILL HAVE INVESTED MORE THAN 40 PER CENT. OF ITS ASSETS IN THE SECURITIES OF THE ISSUER SUBSEQUENT TO ANY PURCHASE OF THE NOTES.

THE PURCHASER ACKNOWLEDGES THAT EACH OF THE ISSUER AND THE NOTE TRUSTEE RESERVES THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER TO REQUIRE THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER OR THE NOTE TRUSTEE MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS. EACH HOLDER OF A BENEFICIAL INTEREST IN THIS NOTE ACKNOWLEDGES THAT IN THE EVENT THAT AT ANY TIME THE ISSUER

DETERMINES OR IS NOTIFIED BY A PERSON ACTING ON BEHALF OF THE ISSUER THAT SUCH PURCHASER WAS IN BREACH, AT THE TIME GIVEN OR DEEMED TO BE GIVEN, OF ANY OF THE REPRESENTATIONS OR AGREEMENTS SET FORTH IN THIS LEGEND OR OTHERWISE DETERMINES THAT ANY TRANSFER OR OTHER DISPOSITION OF ANY NOTES WOULD, IN THE SOLE DETERMINATION OF THE ISSUER OR A PERSON ACTING ON ITS BEHALF, REQUIRE THE ISSUER TO REGISTER AS AN "*INVESTMENT COMPANY*" UNDER THE PROVISIONS OF THE INVESTMENT COMPANY ACT, SUCH PURCHASE OR OTHER TRANSFER WILL BE VOID AB INITIO AND WILL NOT BE HONOURED BY THE NOTE TRUSTEE. ACCORDINGLY, ANY SUCH PURPORTED TRANSFEREE OR OTHER HOLDER WILL NOT BE ENTITLED TO ANY RIGHTS AS A NOTEHOLDER AND THE ISSUER SHALL HAVE THE RIGHT, IN ACCORDANCE WITH THE CONDITIONS OF THE NOTES, TO FORCE THE TRANSFER OF, OR REDEEM, ANY SUCH NOTES.

IF IT IS PURCHASING OR OTHERWISE ACQUIRING NOTES FROM A MANAGER, IT REPRESENTS AND WARRANTS THAT IT HAS RECEIVED THE OFFERING CIRCULAR DATED 4 MARCH 2003 RELATING TO THE NOTES (THE "***OFFERING CIRCULAR***") AND HAS HAD FULL OPPORTUNITY TO REQUEST, RECEIVE AND REVIEW ALL ADDITIONAL INFORMATION NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION INCLUDED OR INCORPORATED BY REFERENCE HEREIN THAT THE ISSUER OR THE MANAGERS COULD PROVIDE WITHOUT UNREASONABLE EFFORT OR EXPENSE.

THE PURCHASER AGREES THAT IT WILL PROMPTLY (I) INFORM THE ISSUER IF, DURING ANY TIME IT HOLDS A NOTE, THERE SHALL BE ANY CHANGE IN THE REPRESENTATIONS AND WARRANTIES CONTAINED ABOVE OR IF THEY SHALL BECOME FALSE FOR ANY REASON (OTHER THAN THE REPRESENTATIONS THAT THE PURCHASER IS BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER, WHICH REPRESENTATIONS NEED ONLY BE ACCURATE ON THE DATE OF THE ACQUISITION OF A NOTE) AND (II) DELIVER TO THE ISSUER SUCH OTHER REPRESENTATIONS, WARRANTIES AND AGREEMENTS AS TO SUCH MATTERS AS THE ISSUER MAY, IN THE FUTURE, REQUEST IN ORDER TO COMPLY WITH APPLICABLE LAW AND THE AVAILABILITY OF ANY EXEMPTION THEREFROM (INCLUDING, IF DEEMED NECESSARY BY THE ISSUER, A REAFFIRMATION OF ITS STATUS AS BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER).

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. TERMS WHICH ARE USED IN THIS LEGEND HAVE THE MEANINGS GIVEN TO THEM UNDER SUCH RULE.

The Transferee understands that the Issuer, the Trustee and their counsel will rely upon the accuracy and truth of the foregoing representations, and the Transferee hereby consents to such reliance.

[Name of Transferee]

By:

Name:

Title:

Dated ●, ●

cc: Cartesio S.r.l

ANNEX C

Allegato 1

Tax Exemption Application Form for Non-Residents

Autocertificazione per la non applicazione delle imposte nei confronti dei soggetti non residenti

Section I *Sezione I*	**BENEFICIAL OWNER (for institutional investor, see from point 17 to 19 and from 29 to 30 of the instruction)** ***BENEFICIARIO EFFETTIVO (relativamente agli investitori istituzionali si vedano i punti da 17 a 19 e da 29 a 30 delle note illustrative)***	
Cod. (1) / *Cod.(1)* [1]	Full Name or Company Name (2) / *Cognome e Nome o Denominazione - Ragione Sociale (2)* [2]	Managing Company Name (only for institutional investor not subject to tax) / Nome del soggetto gestore (solo per gli investitori istituzionali privi di soggettività tributaria) [3]
Date of Birth / *Data di nascita* [4]	City of Birth / *Città di nascita* [5]	Country of Birth / *Stato di nascita* [6]
Identification Number ***(see point 13.1 of the instruction) / Codice identificativo (si veda punto13.1 delle istruzioni*** [7]	Cod. (3) / *Cod (3)* [8]	
Full Address / *Indirizzo completo estero* [9]	Postal Code / *Codice postale* [10]	
City / *Città* [11]	Country / *Stato* [12]	Country Code(4) / *Codice Stato(4)* [13]
	LEGAL or VOLUNTARY REPRESENTATIVE (for institutional investor, see from point 17 to 19 and from 29 to 30 of the instruction) ***RAPPRESENTANTE LEGALE o VOLONTARIO (relativamente agli investitori istituzionali si vedano i punti da 17 a 19 e da 29 a 30 delle note illustrative)***	
Full Name / *Cognome e Nome (5)* [14]		
Date of Birth / *Data di nascita* [15]	City of Birth / *Città di nascita* [16]	Country of Birth / *Stato di nascita* [17]
Identification Number ***(see point 13.1 of the instruction) / Codice identificativo (si veda punto 13.1 delle istruzioni*** [18]	Cod. (3) / *Cod. (3)* [19]	
Full Address / *Indirizzo completo estero* [20]	Postal Code / *Codice postale* [21]	
City / *Città* [22]	Country / *Stato* [23]	Country Code / *Codice Stato* [24]
	DECLARATION-REQUEST OF THE BENEFICIARY OR THE LEGAL or VOLUNTARY REPRESENTATIVE ***DICHIARAZIONE DEL BENEFICIARIO O DEL RAPPRESENTANTE LEGALE O VOLONTARIO***	

The undersigned …………………………………….…….(name of the person indicated in point 2 or 14)
Il sottoscritto ………………………………………………(nome della persona indicata al punto 2 o 14)

DECLARES:
DICHIARA:

That name indicated in field 2 of this application is:

☐ the beneficial owner of the tax-exempted income or
☐ a foreign institutional investor, not subject to tax

and that:

1. Is resident/established in the Country indicated in field 12 of this application;
2. Is not resident/established in Italy according to art. 2 and art. 87 of Italian consolidated tax act, approved with Presidential Decree 22 December 1986, nr. 917

☐ Is not resident / established in any of the countries and territories identified by decrees of Italian Ministry of Finance, issued in accordance with art. 76, c. 7-bis of Italian consolidated tax act, approved with Presidential Decree 22 December 1986, nr. 917

or

☐ Is not a subject indicated in the decrees issued in accordance with art. 76, c. 7-bis of Italian consolidated tax act, approved with Presidential Decree 22 December 1986, nr. 917, as per art. 76, c.7-bis

Che il soggetto indicato al punto 2 della presente autocertificazione è:

☐ *l'effettivo beneficiario dei proventi da non assoggettare ad imposta* *oppure*

☐ *un investitore istituzionale estero, privo di soggettività tributaria*

e che:

1. *E' residente/costituito nello Stato indicato al punto 12 della presente autocertificazione;*
2. *Non è residente/costituto in Italia ai sensi dell'art. 2 e dell'art. 87 del TUIR approvato con D.P.R. 22 dicembre 1986, n. 917*

☐ *Non è residente/costituito in uno degli Stati o territori indicati nei decreti emanati ai sensi dell'articolo 76, comma 7-bis, del TUIR approvato con decreto del Presidente della Repubblica 22 dicembre 1986, n. 917*

oppure

☐ *Non è un soggetto individuato dai decreti emanati ai sensi dell'articolo 76, comma 7-bis, del TUIR approvato con decreto del Presidente della Repubblica 22 dicembre 1986, n. 917 ai fini dell'applicazione del medesimo l'articolo 76, comma 7-bis.*

That the information contained herein is true and that he (it) commits himself to communicate any new circumstances that may impede the application of the tax exemption.
Che tutte le informazioni contenute nella presente autocertificazione sono vere e che comunicherà immediatamente ogni nuova circostanza che osti alla non applicazione dell'imposta.

[25]

Signed / *Firma*... Date /*Data*...

(1) Enter here: 1 for individual; 2 for limited company; 3 for partnership; 4 for other entities.
Indicare: 1 se persona fisica; 2 se società di capitali; 3 se società di persone; 4 se altri soggetti.
(2) For institutional investors not subject to tax as defined in the instruction point 19, enter here the name of the institutional investor. See also point 18.
Nel caso di investitori istituzionali privi di soggettività tributaria- così come definiti al punto 19 delle istruzioni, indicare il nome dell'organismo di investimento. Si veda inoltre il punto 18.

(3) Enter here:
1 if the identification number has been issued by the Tax Authority in the country of residence;
2 if the identification number has been issued by an Administrative Authority in the country of residence;
3 if the identification number has been specifically attributed for the avoidance of withholding tax by the Tax Authority in the country of residence;
4 if the identification number has been specifically attributed for the avoidance of withholding tax by an Administrative Authority in the country of residence.
Indicare:
1 se il codice identificativo è stato rilasciato dall'Autorità fiscale del Paese di residenza;
2 se il codice identificativo è stato rilasciato da una Autorità amministrativa del Paese di residenza;
3 se il codice identificativo è stato appositamente attribuito ai fini della non applicazione dell'imposta sostitutiva dall'Autorità fiscale del Paese di residenza;
4 se il codice identificativo è stato appositamente attribuito ai fini della non applicazione dell'imposta sostitutiva dall'Autorità amministrativa del Paese di residenza.
(4) This section must be completed by the 1st or 2nd level bank, if any.
A cura della banca di primo o secondo livello, a seconda dei casi.
(5) This field must be completed by the name of the legal representative of the managing company if field nr. 3 has been completed.
Gli investitori istituzionali privi di soggettività tributaria devono indicare in questo campo il nome del rappresentante legale o volontario del soggetto gestore indicato al punto 3 della presente autocertificazione.

Sezione II
Section II

DECLARATION OF FIRST LEVEL BANK
DICHIARAZIONE DELLA BANCA DI PRIMO LIVELLO

Name of the First Level Bank / *Nome della Banca di Primo Livello* 26		
Domicile (address) / *Domicilio (indirizzo)* 27	City / *Città* 28	
SWIFT CODE / *CODICE SWIFT* 29	Country / *Paese* 30	Postal Code / *Codice Postale* 31

We hereby certify that the beneficial owner, mentioned in Section I, holds Italian securities in custody with the second level bank, paying interest which the final beneficiary receives and that all the declarations contained in the present form, made by the final beneficiary / his legal representative are true, according to the best of our knowledge.
Si attesta che il beneficiario indicato nella Sezione I possiede i titoli italiani depositati presso la banca di secondo livello dai quali derivano i proventi che il beneficiario percepisce e che le dichiarazioni contenute nel presente modello, rilasciate dal beneficiario stesso o dal suo rappresentante, sono esatte secondo quanto consta a questo Ente medesimo.

We assume the responsibility to provide the second level bank with all the information, concerning all movements of the above mentioned securities, as required to verify that the final beneficiary indicated in section I is the true owner of the securities.
Si assume l'impegno a fornire alla banca di secondo livello, con riferimento ad ogni operazione di movimentazione dei predetti titoli, le informazioni necessarie a verificare l'appartenenza dei titoli stessi all'effettivo beneficiario indicato nella Sezione I.

We assume the responsibility to provide the second level bank with a banker's affidavit for every additional intermediary present between the first level bank and the final beneficiary and with any information required to avoid withholding tax and in order to make every communication available to the Italian Tax Authorities.
Si assume l'impegno a fornire alla banca di secondo livello gli affidavit per ciascuno degli intermediari che si interpongono tra il beneficiario e questo Ente creditizio o finanziario, nonché gli elementi informativi necessari per la non applicazione dell'imposta sostitutiva e per le conseguenti comunicazioni alla Amministrazione fiscale italiana.

The present form will be sent to the second level bank, within 15 days of its receipt, together with the banker's affidavit and required information.
Il presente modello verrà inoltrato alla banca di secondo livello entro 15 giorni dalla sua ricezione unitamente agli affidavit ed agli elementi informativi.

Date / *Data*.. Signed and stamped / *Firmato e timbrato*: ....…………… 32

EXPLANATORY NOTES

INTRODUCTION

1. This application form must be used to request the exemption from the substitute tax (as provided for by article 7, paragraph 2, letter a), of the legislative decree no. 239/1996) in respect of interest, premiums and similar proceeds on bonds and similar securities, both public and private. The application form can be downloaded from www.agenziaentrate.it and www.tesoro.it/publicdebt.
2. The application form must be used by persons, including foreign institutional investors not subject to income tax or to other similar taxes, which are resident in countries allowing an adequate exchange of information and which are not included among the States, territories or subjects listed in the ministerial decrees issued in accordance with article 76, paragraph 7-bis, of the Income Tax Code (decree of the President of the Republic no. 917 of 22 December 1986, (the "***T.U.I.R.***").
3. The present list of the countries allowing an adequate exchange of information is that contained in the ministerial decree of 4 September 1996 and subsequent amendments and supplements (to be found by visiting: www.agenziaentrate.it and www.tesoro.it/publicdebt). In order to identify countries, territories or subjects with a privileged tax regime, until the decrees are issued in accordance with article 76, paragraph 7-bis, of the T.U.I.R., reference must be made to those listed in the ministerial decree dated 24 April 1992 (ref.: www.agenziaentrate.it and www.tesoro.it/publicdebt). In case the above mentioned decree refers to particular categories of subjects, the aforesaid tax exemption does not apply to those categories.[(1)]
4. For the purposes of the above mentioned exemption, the term "institutional investors" refers to those entities which, regardless of their legal or tax status in their country of residence, have as their principal activity that of managing investments on their own account or on behalf of third parties, such as insurance companies, investment companies, investment funds, SICAV (Open-end investment companies) and pension funds.
5. The application form can be submitted in order to certify the existence of prerequisites for the following tax reliefs:
   - 5.1 the exemption from tax on income listed in article 81, paragraph 1, letters c-bis to c-quinquies, of the T.U.I.R., as regulated by article 5, paragraph 5, of the legislative decree dated 21 November 1997, no. 461;
   - 5.2 the 15% tax refund on income distributed to qualifying non-resident shareholders of Italian collective investment undertakings (*organismi di investimento collettivo del risparmio italiani*), as per art. 9, paragraph 1 to 3, of the legislative decree dated 21 November 1997, no. 461;
   - 5.3 the exemption from the "investment fund substitute tax" to the benefit of Italian collective investment undertakings reserved for non-residents, as per art. 9, paragraph 4, of the legislative decree dated 21 November 1997, no. 461.
6. The application form must be submitted in order to certify the prerequisites for the exemption from withholding tax on interest, premiums and other proceeds (*redditi di capitale*) as provided for by art. 26-bis of Presidential Decree dated 29 September 1973, no. 600;

USE OF THE APPLICATION FORM

7. Completion and submission of the application form is necessary in order to obtain exemption from tax on the following income and gains:
   - 7.1 Interest, premiums and similar proceeds deriving from:
     - 7.1.1 bonds and similar securities issued by banks;
     - 7.1.2 bonds and similar securities issued by joint-stock companies whose shares are negotiated in an Italian regulated market, as well as other securities treated as such, for example securities issued in accordance with article 5 of the Law dated 30 April 1999, no. 130;

1 Ministerial Decree dated 24 April 1992 has been replaced by Ministerial Decree dated 23 January 2002.

7.1.3 bonds and other securities detailed in article 31 of Presidential Decree of 29 September 1973, no. 601, which are issued in Italy, as well as other securities treated as such which are issued in Italy. For example: Government bonds, securities issued by State autonomous organisations or agencies, local authorities, public service monopolies, international organisations established in accordance with international agreements ratified in Italy (such as, EBRD, EIB, ECSC, IBRD, EURATOM);

7.1.4 bonds and similar securities issued by former public entities which have been transformed into joint-stock companies in accordance with a specific provision of the law;

7.1.5 securities issued in Italy by local authorities (such as BOC);

7.2 Interest on deposits and current accounts other than deposits and current accounts with banks and post offices.

7.3 Perpetual annuities as provided for by articles 1861 and 1869 of the civil code.

7.4 Compensation for sureties and similar forms of guarantee.

7.5 Income from repurchase agreements or buy and sell back agreements (*pronti contro termine e riporti*) on securities and currencies (with the exclusion of manufactured dividends paid during the life of the agreement, if any).

7.6 Income from securities lending transactions (with the exclusion of manufactured dividends paid during the life of the agreement, if any).

8 The application form can be used by non-resident subjects mentioned at paragraph 2 for the tax exemption on the following income and gains:

8.1 capital gains from the disposal of shares of companies resident in Italy (article 81, paragraph 1, letter c-bis T.U.I.R.);

8.2 capital gains from the disposal of securities other than shareholdings (article 81, paragraph 1, letter c-ter T.U.I.R.);

8.3 income deriving from the right or obligation to sell forward or buy forward financial instruments, currencies, precious metals or goods, or to receive or make one or more forward payments in relation to interest rates, prices or the value of financial instruments, foreign currencies, precious metals or goods or any other financial parameter (article 81, paragraph 1, letter c-quater T.U.I.R.);

8.4 capital gains and other proceeds, other than those previously indicated in 8.3, from the sale or redemption of debt-claims, financial instruments and other similar contracts including those producing either a positive or a negative differential in relation to an uncertain event (article 81, paragraph 1, letter c-quinquies T.U.I.R.).

9 Section II of the application form must be completed only in respect to income referred to sub paragraph 7.1.

10 The application form can be submitted by non resident (as indicated in previous paragraph 2) investors in Italian collective investment vehicles also to certify the right to obtain the refund of 15% of income obtained on such investment, as provided for by art. 9, paragraphs from 1 to 3 of the legislative decree dated 21 November 1997, no. 461.

11 The application form can also be used to apply for the exemption from the substitute tax on the net asset value increase of Italian collective investment vehicles, as provided for by article 9, paragraph 4, of the legislative decree dated 21 November 1997, no. 461 to the benefit of Italian collective investment vehicles whose shares or parts have been exclusively underwritten by qualifying nonresident persons as per article 6, paragraph 1, of the legislative decree dated 1 April 1996, no. 239. Each participant in the above-mentioned collective investment vehicles must submit a separate application form, or another similar application or certificate.

COMPLETION OF THE APPLICATION FORM

12 In order to be valid, the application form must include all fields (1) to (25). However, fields (4) to (6) must be filled in only if the beneficial owner is an individual.

13 Section I must be completed in all its parts. However:

13.1 the identification code of the beneficial owner (field 7), or of the legal representative or representative agent (field 18) must be indicated only if it has been assigned by the competent foreign tax or other administrative authority, in compliance with the applicable foreign laws and regulations;

13.2 fields from (14) to (24) must be filled in only if the application form is undersigned by the legal representative or representative agent;

13.3 by ticking the appropriate box in the section "Declaration of the beneficial owner or the legal representative or the representative agent" the person signing the application form must state that the person indicated in field 2 of the form is:

13.3.1 the beneficial owner of the proceeds eligible for exemption

or

13.3.2 a foreign institutional investor not subject to tax;

13.4 the person signing the application form must state that the beneficial owner is resident or is incorporated in the Country indicated in field (12) of the application form and that he is neither resident nor incorporated in Italy pursuant to articles 2 and 87 of T.U.I.R..

13.5 by ticking the appropriate box, the person signing the application form must declare:

13.5.1 not to be resident or incorporated in one of the countries or territories listed in the decrees issued in accordance with article 76, paragraph 7-bis, of the T.U.I.R. approved by D.P.R. of 22 December 1986, no. 917.

or

13.5.2 not to be a person identified by the decrees issued in accordance with article 76, paragraph 7-bis, of the T.U.I.R. approved by D.P.R. of 22 December 1986, no. 917 for the purposes of the application of the above mentioned paragraph 7-bis.

14 The application form can take a free format, however, it must include all the fields and information specified in the previous paragraphs 12 and 13, in addition to the date and the applicant's signature. Empty fields may be omitted.

15 If the application form is used to apply for the exemption from the substitute tax on interest, premiums and other similar proceeds on bonds and similar securities, both public and private – in accordance with legislative decree dated 1 April 1996, no. 239 – it must also contain the statements included in section II (statements issued by the first level bank).

16 The application form must be submitted – duly dated and signed – to the following institutions:

16.1 to the first level bank (at least two counterparts), when used to claim the exemption from the substitute tax on interest, premiums and other similar proceeds on bonds and similar securities, both public and private, in accordance with the ministerial decree dated 4 December 1996, no. 632;

16.2 to the persons that are obliged to submit communications in accordance with article 10 of the legislative decree dated 21 November 1997, no. 461, for the exemption from the substitute tax on capital gains and other types of financial income in accordance with article 5, paragraph 5, of the legislative decree dated 21 November 1997, no. 461;

16.3 to withholding agents, when used to claim the exemption from withholding tax in accordance with art. 26-bis of D.P.R. of 29 September 1973, no. 600;

16.4 to investment fund management company, to SICAV or to the person in charge of placing shares and securities (in accordance with article 8, paragraph 4, of the legislative decree dated 21 November 1997, no. 461), when used to claim the refund of an amount equal to 15% of the income received by qualifying non-resident investors in Italian collective investment undertakings, in accordance with article 9, paragraphs from 1 to 3, of the legislative decree dated 21 November 1997, no. 461;

16.5 to the fund management company or to the SICAV, in order to certify the participants' prerequisites for the exemption from the substitute tax on the net assets value for the Italian collective investment undertakings whose shares or parts have been exclusively underwritten by qualifying non resident persons, in accordance with art. 9, paragraph 4, of the legislative decree dated 21 November 1997, no. 461.

17 With regards to the signature of the application form, an institutional investor (as specified by paragraph 4 of these notes), which is subject to income tax or to other similar taxes in its country of residence, is considered to be the beneficial owner exclusively with respect to income and gains derived from financial instruments in its proprietary books and not from those of its clients. These institutional investors are subject to the rules generally applicable to non-resident investors.

18 Foreign institutional investors that are not subject to income tax or to other similar taxes in their country of residence or establishment – as specified in the next paragraph 19 – are considered to be the beneficial owners of income and gains received, and the statements indicated in section I should be made by the relevant management body or the relevant legal representative or representative agent.

19 For the purposes of the rules referred to under paragraphs from 1 to 6 above, foreign institutional investors are not considered to be subject to income tax or to other similar taxes when excluded or exempt from income tax or other similar taxes in the State in which they are established (as is the case, for instance, of pension funds and investment funds).

SPECIAL RULES FOR THE EXEMPTION FROM THE SUBSTITUTE TAX ON INTEREST, PREMIUMS AND OTHER INTEREST ON BONDS AND SIMILAR SECURITIES, BOTH PUBLIC AND PRIVATE

20 The first level bank (see under paragraph 21 below) shall check that the application form has been filled in all its parts and complete the form with the required declaration. The ''first level bank'' files a copy of the form together with the necessary documentation. A second copy must be sent to the second level bank (see under paragraph 22 below) within 15 days from the date of receipt by the first level bank, together with the *affidavit,* as provided for by the ministerial decree dated 4 December 1996, no. 632. All necessary information concerning the exemption from withholding tax must also be submitted to the second level bank.

21 The first level bank must be a credit or a financial institution (other than a bank or similar financial institution having direct relations with the Ministry of Economy and Finance), acting as intermediary for the depositing of securities held by the second level bank.

22 The second level bank must be an Italian bank or a resident brokerage company (SIM), or a permanent establishment in Italy of a bank or of a non resident brokerage company (SIM), holding direct telematic relations with the Ministry of Economy and Finance – Income Agency – where securities are directly or indirectly deposited. Non resident entities and companies, participating in a centralised management system of securities, and holding direct relations with the Ministry of Economy and Finance – Income Agency, are considered to be equivalent to banks and other abovementioned companies. The second level bank is not liable for the content of the application form or for the enclosed documentation.

23 If the securities are deposited directly with the second level bank, the application form must be submitted to this bank, which – after the necessary checks – files the bank's copy. In this case, section II must not be filled in.

24 In accordance with article 8, paragraph 3-bis and 3-ter, of the legislative decree dated 1 April 1996, no. 239, the procedure indicated in the these explanatory notes is not applicable to income received by the following institutions:

24.1 EIB, BERS, BIRS, BIS, ECSC, EURATOM, European Council, North Atlantic Treaty Organisation, as well as other international bodies and organisations established in accordance with international agreements ratified in Italy;

24.2 Central Banks, even if investing State reserves, that are eligible for the exemption from the substitute tax as provided for by article 6 of the legislative decree dated 1 April, no. 239.

25 The procedure is not applicable to interest and other proceeds on securities deposited, directly or indirectly, by Central Banks, which are members of the European System of Central Banks (ESCB), or by the European Central Bank with subjects, specified by the ECB in the list of the securities settlement systems, eligible for ESCB transactions (article 8, paragraph 3-bis, of the legislative decree dated 1 April 1996, no.239).

VALIDITY

26 The application form is valid until withdrawn or revoked, and must not be submitted in the case that a certificate, declaration or other similar document meant for equivalent or other uses was previously submitted to the same financial intermediary. For entities, which have already submitted an application form 116/IMP which was valid on 31 December 2001 and in compliance with the previous rules, this application form already filed and all included attachments shall remain valid until withdrawn or revoked and no further application form or certificate is required.

27 Any change to information included in section I notified with the application form, or with previously forwarded certificates or other similar documentation, requires the submission of a new application form. However, changes of address or the identification code of the legal representative or of the representative agent, do not require submission of a new application form, but must be notified to the subject to whom the form was previously forwarded.

28 Separate application forms must be completed and submitted in the case of securities deposited with different financial institutions. This procedure will be valid until an adequate system of communication has been established which permits banks to avoid requesting submission of the form already submitted to another intermediary.

29 All application forms must be attached with a copy of a document evidencing who is the legal representative or the representative agent of the beneficiary of interests or other proceeds (such as a general or special attorney). With regard to institutional investors which are not subject to tax and which are not incorporated entities (such as may the case of certain investment funds and pension funds) and whose investments are managed by a management company, the form should be submitted attaching a copy of a deed providing the following information:

29.1 identification of the management company (company name, address, etc.);

29.2 details of the legal representative of the afore-said company;

30 For institutional investors which are not subject to tax but with a representative body, either incorporated – for example, SICAVs – or not incorporated -such as pension funds – the form should be submitted attaching only a copy of the deed providing the identification data of either the legal representative or the representative agent.

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