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Pursuant to Article 2, paragraph 3 of Italian Law No.130 of 30th April 1999

ARES FINANCE S.r.l.

(incorporated in the Republic of Italy)

€384,000,000 Class A Asset Backed Floating Rate Notes due 2011
€57,000,000 Class B Asset Backed Floating Rate Notes due 2011
€49,000,000 Class C Asset Backed Floating Rate Notes due 2011
€45,000,000 Class D Asset Backed Floating Rate Notes due 2011
€30,000,000 Class E Asset Backed Floating Rate Notes due 2011
€15,000,000 Class F Asset Backed Floating Rate Notes due 2011
€53,200,000 0.10 per cent. Class R Asset Backed Fixed Rate Notes due 2011

Application has been made to the Irish Stock Exchange (the "Irish Stock Exchange") for the €384,000,000 Class A Asset Backed Floating Rate Notes due 2011 (the "Class A Notes"), the €57,000,000 Class B Asset Backed Floating Rate Notes due 2011 (the "Class B Notes"), the €49,000,000 Class C Asset Backed Floating Rate Notes due 2011 (the "Class C Notes"), the €45,000,000 Class D Asset Backed Floating Rate Notes due 2011 (the "Class D Notes"), the €30,000,000 Class E Asset Backed Floating Rate Notes due 2011 (the "Class E Notes"), the €15,000,000 Class F Asset Backed Floating Rate Notes due 2011 (the "Class F Notes") and the €53,200,000 0.10 per cent. Class R Asset Backed Fixed Rate Notes due 2011 (the "Class R Notes" and, together with the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, the "Notes") of ARES FINANCE S.r.l., a special purpose limited liability company (*società a responsibilità limitata*) organised under the laws of the Republic of Italy (the "Issuer") to be admitted to the Official List of the Irish Stock Exchange. A copy of this document, which comprises approved listing particulars with regard to the Issuer and the Notes in accordance with the requirements of the Irish European Communities (Stock Exchange) Regulations, 1984 (as amended) (the "Regulations") has been delivered to the Registrar of Companies in Ireland in accordance with the Regulations.

This document is issued pursuant to Article 2, paragraph 3 of Italian Law No. 130 of 30th April 1999, as amended from time to time (the "Securitisation Law") and constitutes a *prospetto informativo* for the Notes in accordance with the Securitisation Law.

The Notes will have the following characteristics:

Notes	Initial Principal Amount	Rate of Interest	Issue Price to Investors	Expected Ratings on Issue Fitch	Moody's	S&P
Class A	€384,000,000	Six-Month EURIBOR plus 0.45%	100%	AAA	Aaa	AAA
Class B	€57,000,000	Six-Month EURIBOR plus 0.75%	100%	AA	Aa1	AA
Class C	€49,000,000	Six-Month EURIBOR plus 1.15%	100%	A	Aa2	A
Class D	€45,000,000	Six-Month EURIBOR plus 2.20%	100%	BBB+	A2	BBB+
Class E	€30,000,000	Six-Month EURIBOR plus 3.00%	100%	BBB–	A3	BBB–
Class F	€15,000,000	Six-Month EURIBOR plus 6.00%	100%	BB	Baa2	BB
Class R	€53,200,000	0.10%	100%	N/A	N/A	N/A

Interest is payable on 25th March and 25th September in each year (or if such day is not a Business Day (as defined in the Terms and Conditions of the Notes (the "Conditions")), the next succeeding Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day) (each such date an "Interest Payment Date"). Interest will be payable (i) on the Class A Notes, at the rate offered in the Euro-zone inter-bank market ("EURIBOR") for six month Euro deposits ("Six-Month EURIBOR") plus 0.45 per cent. per annum, (ii) on the Class B Notes, at the rate of Six-Month EURIBOR plus 0.75 per cent. per annum, (iii) on the Class C Notes, at the rate of Six-Month EURIBOR plus 1.15 per cent. per annum, (iv) on the Class D Notes, at a rate of Six-Month EURIBOR plus 2.20 per cent. per annum, (v) on the Class E Notes, at the rate of Six-Month EURIBOR plus 3.00 per cent. per annum, (vi) on the Class F Notes, at a rate of Six-Month EURIBOR plus 6.00 per cent. per annum, save that, in respect of each of the foregoing, interest for the first Interest Period will be calculated using a linear interpolation of EURIBOR for six and seven month deposits in Euro, (vii) on the Class R Notes at a rate of 0.10 per cent. per annum. The Class R Notes are also entitled to receive Additional Interest as described herein.

The principal source of payment of interest and repayment of principal on the Notes will be from Collections and Recoveries made in respect of a portfolio of Claims (each as defined in the Conditions) relating to certain non-performing residential, industrial and commercial credit facilities classified as defaulted (*sofferenze*) or distressed (*incagli*) by Banca Nazionale del Lavoro S.p.A. ("BNL") a bank incorporated under the laws of Italy and connected rights thereto purchased by the Issuer from BNL, pursuant to the terms of a transfer agreement between the Issuer and BNL dated 21st December 2000 (the "Transfer Agreement").

Payment under the Notes may be subject to withholding or deduction for or on account of tax, in accordance with Italian Legislative Decree No. 239 of 1st April 1996 (see "Taxation" below). Upon the occurrence of any withholding or deduction for or on account of tax from any payments under the Notes, neither the Issuer, nor either of the Trustees, nor the Paying Agents or any other person shall have any obligation to pay any additional amount(s) to any holder of Notes of any class.

The Notes will be limited recourse obligations solely of the Issuer. In particular, the Notes will not be obligations or responsibilities of, or guaranteed by, either of the Trustees, the Paying Agents, the Cash Manager, either of the Operating Banks, the Servicer, the Portfolio Adviser, the Corporate Services Provider, the Hedging Provider, the Liquidity Facility Provider (each as defined below), BNL in any capacity, or any affiliate thereof, the shareholders of the Issuer, the directors of the Issuer, Goldman Sachs International ("GSI") in any capacity or any affiliate thereof, J. P. Morgan Securities Ltd. ("JPMSL") in any capacity or any affiliate thereof, any Residual Interest Holders (as defined below) in any capacity or any affiliate thereof. 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. Claims against the Issuer by the holders of the Notes ("Noteholders" which expression shall, where the context permits, include the holders of any coupons in respect of the Notes or any class thereof) and the Issuer Secured Creditors (as defined in the Conditions) will be limited to the Security (as defined in the Conditions). See Condition 3. GSI in its capacity as a joint lead manager and JPMSL in its capacity as joint lead manager are together hereinafter referred to as the "Managers".

The Class A Notes are expected, on issue, to be rated AAA by Fitch Ratings Ltd. ("Fitch"), Aaa by Moody's Investors Service, Inc. ("Moody's"), and AAA by Standard & Poors' Rating Agencies, a division of the McGraw Hill Inc. group of companies ("S&P"), and together with Fitch and Moody's, (the "Rating Agencies"). The Class B Notes are expected, on issue, to be rated AA by Fitch, Aa1 by Moody's and AA by S&P. The Class C Notes are expected, on issue, to be rated A by Fitch, Aa2 by Moody's and A by S&P. The Class D Notes are expected, on issue, to be rated BBB+ by Fitch, A2 by Moody's and BBB+ by S&P. The Class E Notes are expected, on issue, to be rated BBB– by Fitch, A3 by Moody's and BBB– by S&P. The Class F Notes are expected, on issue, to be rated BB by Fitch, Baa2 by Moody's and BB by S&P. The Class R Notes will not be rated by any rating agency. Credit ratings address the timely payment of interest and the ultimate payment of principal on the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and the ultimate payment of interest and principal on the Class F Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant Rating Agency.

Each class of Notes will initially be represented by a temporary global note (the "Temporary Global Note"), without interest coupons, which will be deposited with a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on or about the Issue Date. Each Temporary Global Note will be exchangeable for interests in a permanent global note (the "Permanent Global Note"), without interest coupons, on or after the Exchange Date (as defined below) upon certification as to non-U.S. beneficial ownership. Each Permanent Global Note will be exchangeable for definitive Notes in bearer form only in the limited circumstances in denominations of €100,000, as the case may be, not less than 60 days following the request of the Issuer or the holder in the circumstances set out in it. See "Provisions Applicable to Notes while in Global Form".

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

Joint Lead Managers

Goldman Sachs International **JPMorgan**

17th September 2001

Important Notice

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer (which has taken 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.

BNL has provided the information under the section headed ''Banca Nazionale del Lavoro'', Barclays Bank PLC (''Barclays'') has provided the information under the section headed ''The Liquidity Facility Provider'' and, in its capacity as an Interest Rate Cap Provider, has provided the information in respect of itself under the section headed ''Hedging Providers – Interest Rate Cap Counterparties'', Whitehall 2001 (as defined below – See ''Residual Interest Holders''), in its capacity as a Residual Interest Holder, has provided the information in respect of itself under the section headed ''Residual Interest Holders'', Goldman Sachs International (''GSI''), in its capacity as a Residual Interest Holder, has provided the information in respect of itself under the section headed ''Residual Interest Holders and, in its capacity as an Interest Rate Cap Provider, has provided the information in respect of itself under the section headed ''Hedging Providers – Interest Rate Cap Counterparties'', Morgan Guaranty Trust Company of New York (''MGT'') has provided the information in respect of itself under the section headed ''Hedging Providers – Interest Rate Swap Counterparty'', S.G.C. – Società Gestione Crediti S.p.A. (''SGC'') has provided the information in respect of itself under the section headed ''The Servicer and Portfolio Adviser'', Archon Group Italia S.r.l. (''Archon'') has provided the information under the section headed ''The Servicer and Portfolio Adviser'' in respect of itself, Gabetti Patrigest S.p.A. (''Gabetti'') has provided the information in respect of itself under the sections headed ''The Servicer and Portfolio Adviser'' and ''Cash Flow Analysis'', and Pirelli & C. Agency S.p.A. (''Pirelli'') has provided the information in respect of itself under the sections headed ''The Servicer and Portfolio Adviser'' and ''Cash Flow Analysis''. BNL, Barclays, Whitehall 2001 (in such capacity), GSI (in such capacity), SGC, Archon, MGT, Gabetti and Pirelli each accept responsibility for the information it has provided in respect of itself which is contained in this document and to the best of the knowledge and belief of each of them, respectively, (each having taken all reasonable care and made all due enquiries to ensure that such is the case), such information as has been provided is true. Save as aforesaid, none of BNL, MGT, Barclays, Whitehall 2001 (in such capacity), GSI (in such capacity), SGC, Archon, Gabetti or Pirelli have been involved in the preparation of, and do not accept responsibility for, this document or any part thereof.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (the ''Securities Act'') and the Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. Persons.

None of the Issuer, the Trustees, the Managers or any other party to the Transaction Documents (as defined in the Conditions) has undertaken or will undertake any investigation, searches or other actions to verify the details of the Portfolio (as defined below) sold by BNL to the Issuer, nor has the Issuer, the Trustees, the Managers or any other party to the Transaction Documents undertaken, nor will they undertake, any investigations, searches, or other actions to establish the creditworthiness of any borrower.

No person has been authorised to give any information or to make any representation not contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of Citicorp Trustee Company Limited as the Note Trustee and the Security Trustee (collectively, the ''Trustees'' and each a ''Trustee''), the Issuer, the Managers (in any capacity) or any affiliate of either Manager, the Residual Interest Holders (in any capacity) or any affiliate of any Residual Interest Holder, the Paying Agents, the Cash Manager, the Operating Banks, the Hedging Provider, the Liquidity Facility Provider, the Servicer, the Portfolio Adviser, the Corporate Services Provider, MGT, BNL (in any capacity), the shareholders of the Issuer, the directors of the Issuer or any affiliate thereof. 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 information contained herein since the date hereof or that the information contained herein is correct as at any time subsequent to the date hereof.

The Notes constitute direct, secured, limited recourse obligations of the Issuer. 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 Noteholders, the other Issuer Secured Creditors and to any third party creditor in respect of any costs, fees or expenses incurred by the Issuer to such third party creditor in relation to the securitisation of the amounts derived from the Portfolio and will not be available to any other creditors of the Issuer. The Issuer Secured Creditors will agree that amounts deriving from the Portfolio will be applied by the Issuer in accordance with the order of priority of application of Issuer Available Funds

contained in the Security and Intercreditor Agreement (See "Transaction Summary Information – Priority of Payments" below).

The Notes will be secured, in each case, over certain assets of the Issuer pursuant to and as more fully described in the section entitled "Description of Principal Transaction Documents – Security and Intercreditor Agreement" and "Security Arrangements". (See also "Selected Aspects of Italian Law Relevant to the Portfolio" and Condition 3).

The distribution of this document and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this document (or any part of it) comes are required by the Issuer and the Managers 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 United States of America, the Republic of Italy and the United Kingdom), 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 "Subscription and Sale" below.

The contents of this Offering Circular should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Notes.

In connection with the distribution of the Notes, GSI may over-allot or effect transactions which stabilise or maintain the market price of the notes at levels which might not otherwise prevail. Such transactions may be effected on the Irish Stock Exchange in the over-the-counter market or otherwise. Such stabilising, if commenced, may be discontinued at any time.

In this Offering Circular, references to "ITL", "Lit" and "Lire" are to the lawful currency of the Republic of Italy prior to 1st January 1999 and references to "€", "EUR" and "Euro" are to the single currency introduced in the member states of the European Community which adopted the single currency at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union of 7th February 1992, and references to "U.S.$" are to the lawful currency of the United States of America, and references to "£" are to the lawful currency of the United Kingdom.

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Transaction Summary Information

The following information is a summary of the principal parties to the transaction, the principal features of the Notes and the cashflow underlying the Notes and is qualified in its entirety by reference to the detailed information presented elsewhere in this document and in the Transaction Documents. Investors should thoroughly consider the Offering Circular in its entirety, including the information set forth herein under ''Certain Investment Considerations'' and ''Transaction Summary of Information – Priority of Payments'', prior to investment in the Notes.

Overview

The Issuer is a special purpose limited liability company (*società a responsibilità limitata*) incorporated in the Republic of Italy under Article 3 of Italian law No.130 of 30th April 1999 (*legge sulla cartolarizzazione dei crediti*) (the ''Securitisation Law'') and registered with the Companies Register of Milan with the number 28843/2000. (See ''The Issuer'' below).

Pursuant to a transfer agreement dated 21st December 2000 (the ''Transfer Agreement'') between Banca Nazionale del Lavoro S.p.A. (''BNL'' or the ''Originator'') and the Issuer, BNL sold the Portfolio (as defined below – See ''The Portfolio'' and ''Description of Principal Transaction Documents – Transfer Agreement'') to the Issuer without recourse (*pro soluto*) in accordance with and pursuant to Articles 1 and 4 of the Securitisation Law.

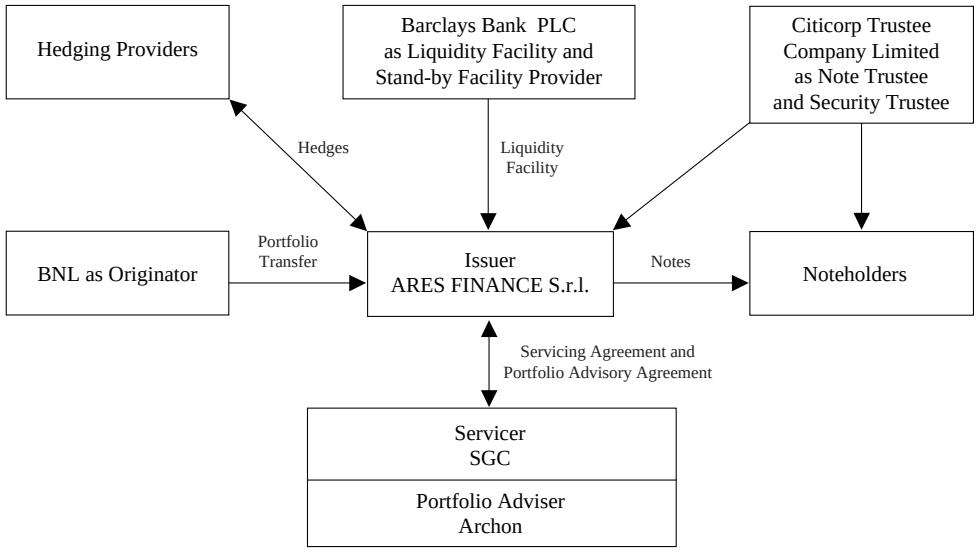
As at 30th November 2000, the Portfolio consisted of a total of 7,569 loans to 3,948 borrowers with an aggregate gross book value (''Gross Book Value'' or ''GBV'') of €1,540,493,490 GBV. There are 5,891 Fondiari Loans (as defined below – see ''The Portfolio'') which account for 39.3% of the total by GBV, 728 Industriali Loans (as defined below – see ''The Portfolio'') which account for 46.3% of the total by GBV and 950 Connected Loans (as defined below – see ''The Portfolio'') which account for 14.4% of the total by GBV. The average Fondiario Loan size is €102,871, the average Industriali Loan size is €978,782 and the average Connected Loan size is €233,605. The Fondiari Loans and the Industriali Loans are secured on real estate assets in Italy (see ''Selected Aspects of Italian Law Relevant to the Portfolio''). The Connected Loans are unsecured. However, each borrower under a Connected Loan is also a borrower under at least one Fondiari Loan or Industriali Loan.

The Issuer will appoint S.G.C. – Società Gestione Crediti S.p.A. (''SGC'') and Archon Group Italia S.r.l. (''Archon'') as the Servicer and the Portfolio Adviser, respectively, (as those expressions are defined below) to service the assets in the Portfolio. Archon is an affiliate of The Goldman Sachs Group, Inc.

It is anticipated that, as at the Issue Date, GSI and Whitehall 2001 (as defined below – see ''Residual Interest Holders'') will indirectly hold all the economic interest in the Class E Notes, the Class F Notes and the Class R Notes (any such Noteholders being the ''Residual Interest Holders'').

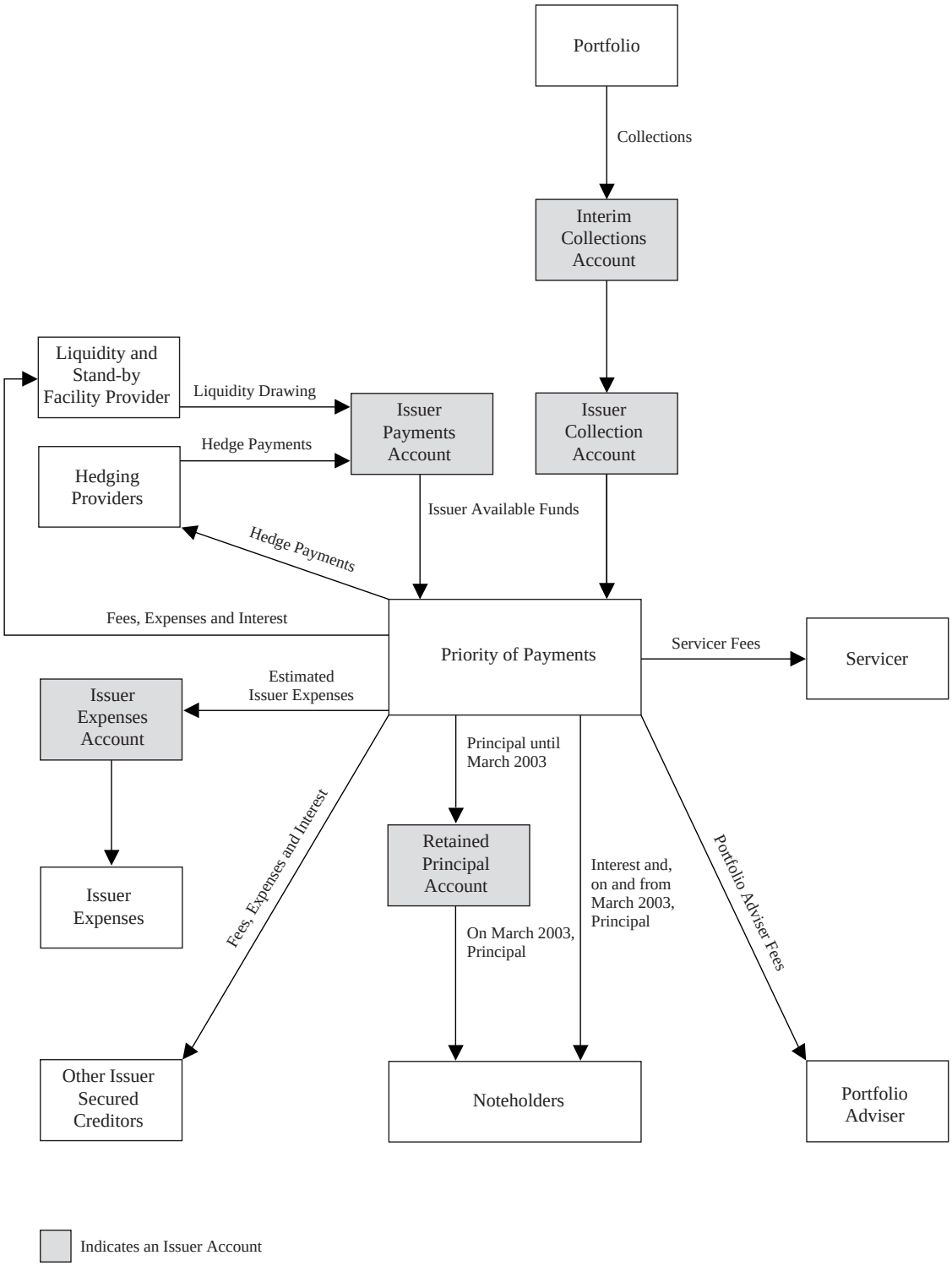
Structure Diagram

The following diagram provides a summary description of the principal parties in the transaction structure.



Cashflow Overview

Set out below is a diagramatic representation of the principal accounts and cashflows in the transaction. However, prospective investors should note that this is not an exhaustive description of all such accounts and cashflows.



Principal Features of the Notes

	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class F Notes	Class R Notes
Initial Principal Amount	€384,000,000	€57,000,000	€49,000,000	€45,000,000	€30,000,000	€15,000,000	€53,200,000
Rate of Interest [(1)]	Six-Month EURIBOR +0.45%	Six-Month EURIBOR +0.75%	Six-Month EURIBOR +1.15%	Six-Month EURIBOR +2.20%	Six-Month EURIBOR +3.00%	Six-Month EURIBOR +6.00%	0.10% per annum
Issue Price	100%	100%	100%	100%	100%	100%	100%
Expected Weighted Average Life (Years)[(2)]	1.86	2.52	2.84	3.02	3.02	3.02	N/A
Expected Principal Payment Window[(2)]	Mar 2003–Mar 2004	Mar 2004–Mar 2004	Mar 2004–Sep 2004	Sep 2004–Sep 2004	Sep 2004–Sep 2004	Sep 2004–Sep 2004	N/A
Final Maturity Date	2011	2011	2011	2011	2011	2011	2011
% of Total Issue	60.7%	9.0%	7.7%	7.1%	4.7%	2.4%	8.4%
Cumulative % of GBV	24.9%	28.6%	31.8%	34.7%	36.7%	37.7%	41.1%
Cumulative Principal[(3)] to Collateral Value[(4)]	31.0%	35.6%	39.6%	43.2%	45.6%	46.8%	51.1%
Expected Ratings on Issue[(5)]:							
Fitch	AAA	AA	A	BBB+	BBB–	BB	N/A
Moody's	Aaa	Aa1	Aa2	A2	A3	Baa3	N/A
S&P	AAA	AA	A	BBB+	BBB–	BB	N/A
Form at Issue	Global Bearer	Global Bearer	Global Bearer	Global Bearer	Global Bearer	Global Bearer	Global Bearer
Listing	Application for Listing on the Irish Stock Exchange	Application for Listing on the Irish Stock Exchange	Application for Listing on the Irish Stock Exchange	Application for Listing on the Irish Stock Exchange	Application for Listing on the Irish Stock Exchange	Application for Listing on the Irish Stock Exchange	Application for Listing on the Irish Stock Exchange
Clearing	Euroclear and Clearstream, Luxembourg	Euroclear and Clearstream, Luxembourg	Euroclear and Clearstream, Luxembourg	Euroclear and Clearstream, Luxembourg	Euroclear and Clearstream, Luxembourg	Euroclear and Clearstream, Luxembourg	Euroclear and Clearstream, Luxembourg
Common Code	013490449	013490465	013490503	013490520	013490538	013490554	013490635
ISIN	XS0134904498	XS0134904654	XS0134905032	XS0134905206	XS0134905388	XS0134905545	XS0134906352

Note:

(1) The Class R Notes are also entitled to receive Additional Interest (if any).

(2) Based on certain assumptions (see "Cash Flow Analysis" below). Amounts available for the repayment of principal on the Notes on any Interest Payment Date prior to the Interest Payment Date falling in March 2003 will be deposited in the Retained Principal Account and will be paid to Noteholders on the Interest Payment Date falling in March 2003.

(3) Cumulative Principal means the Principal Amount at the Issue Date for the relevant class of Notes and all Notes ranking senior to such class of Notes.

(4) Collateral Value means the aggregate collateral value as more particularly described under the section headed "The Portfolio".

(5) Credit ratings address the timely payment of interest and the ultimate payment of principal on the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes and the ultimate payment of interest and principal on the Class F Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant Rating Agency.

Summary of the Notes

The Notes	On or about the Issue Date, the Issuer will issue the €384,000,000 Class A Asset Backed Floating Rate Notes due 2011, the €57,000,000 Class B Asset Backed Floating Rate Notes due 2011, the €49,000,000 Class C Asset Backed Floating Rate Notes due 2011, the €45,000,000 Class D Asset Backed Floating Rate Notes due 2011, the €30,000,000 Class E Asset Backed Floating Rate Notes due 2011, the €15,000,000 Class F Asset Backed Floating Rate Notes due 2011 (together, the "Floating Rate Notes"), and the €53,200,000 0.10% Class R Asset Backed Fixed Rate Notes due 2011 (together with the Floating Rate Notes, the "Notes"). The Notes will be constituted by the Trust Deed and will constitute direct, secured, limited recourse obligations of the Issuer. The authorised denomination of each class of Notes will be €100,000. The Notes of each class will be issued in bearer form without interest coupons and will initially be represented by a Temporary Global Note with respect to that class. Each Temporary Global Note will be exchangeable, on the Exchange Date (as defined below), for interests in a Permanent Global Note upon certification of non-U.S. beneficial ownership. Each Temporary Global Note and Permanent Global Note (each a "Global Note") will only be exchangeable for definitive Notes in bearer form in limited circumstances (see "Provisions Applicable to the Notes while in Global Form"). The Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg as operator of the relevant clearing systems in which the Notes are to be held on behalf of the holders for the time being of the Notes.
Interest	Each of the Notes will bear interest on its Principal Amount Outstanding (as defined in the Conditions) from and including the Issue Date. Subject as provided below, interest on such Notes will be payable in arrear in Euro on 25th March and 25th September in each year (provided that, if such day is not a Business Day (as defined in the Conditions) then interest on such Notes will be payable on the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day) (each an "Interest Payment Date") in respect of the Interest Period (as defined below) ending immediately prior thereto. The first Interest Payment Date will be 25th March 2002 in respect of the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date. Thereafter, each interest period will commence on (and include) an Interest Payment Date to (but excluding) the next following Interest Payment Date (each an "Interest Period"). The holders of the Class F Notes and the Class R Notes will only be entitled to receive payments of interest (excluding, in respect of the Class R Notes only, Additional Interest) on the Class F Notes and the Class R Notes (as applicable) on any Interest Payment Date to the extent that the Issuer has funds available for the purpose after making payment on such Interest Payment Date of any liabilities ranking in priority or *pari passu* thereto in accordance with the Priority of Payments set out in Condition 5. Interest will accrue on such Notes, but will not be due and payable until the earlier of (i) the Interest Payment Date on which the Issuer has sufficient funds to make such payment in accordance with the Priority of Payments set out in Condition 5, (ii) the Final Maturity Date or (iii) the date on

	which the Class F Notes or the Class R Notes, as the case may be, become immediately due and repayable under Condition 11 other than due to a shortfall of interest as set out in Condition 6.10. (See Condition 6.10). The rate of interest payable from time to time in respect of each class of Notes will be: (i) in respect of the Floating Rate Notes, the aggregate of Six-Month EURIBOR (or in respect of the first Interest Period shall be a linear interpolation of the rate for six and seven month deposits in Euro) and a margin of: (a) 0.45% per annum, in the case of the Class A Notes; (b) 0.75% per annum, in the case of the Class B Notes; (c) 1.15% per annum, in the case of the Class C Notes; (d) 2.20% per annum, in the case of the Class D Notes; (e) 3.00% per annum, in the case of the Class E Notes; and (f) 6.00% per annum, in the case of the Class F Notes. (ii) in respect of the Class R Notes, 0.10% per annum together with Additional Interest (if any) comprising Senior Additional Interest Amounts and Junior Additional Interest Amounts in accordance with Condition 6.4 (see "Terms and Conditions of the Notes").
Withholding Tax	Any non-Italian resident Noteholder (i) who is not resident for tax purposes in a country with which the Republic of Italy has a double taxation treaty which recognises the Italian fiscal authorities' right to the exchange of information or (ii) who is resident in such a country but who cannot benefit from the provisions of the relevant double taxation treaty or (iii) who, although entitled to the benefit from the provisions of a double tax treaty between the Republic of Italy and its country of tax residence providing for an exchange of information clause, does not comply in a timely manner with the procedures and requirements provided in order to be exempt from a deduction or withholding under Italian Legislative Decree 1st April 1996 No. 239 ("Law 239") and/or any relevant application rules, or has not filed an appropriate form (which as at the date of this Offering Circular is Form No. 116-IMP) required by Law 239, will receive amounts of interest payable on the Notes net of Italian withholding tax which as at the date of this Offering Circular is applied at the rate of 12.5% (which rate may however be reduced to zero under applicable double tax treaties entered into by Italy, if any) (any such deduction or withholding, a "Law 239 Withholding"). Upon the occurrence of any Law 239 withholding or any other withholding or deduction howsoever described for or on account of tax from any payments under the Notes, none of the Issuer, the Trustees, the Paying Agents nor any other person shall have any obligation to pay any additional amount(s) to any holder of Notes of any class. (See "Taxation").
Final Redemption	Save as described below, and unless previously redeemed in full and cancelled, the Issuer will redeem each class of Notes at their respective Principal Amounts Outstanding on the Interest Payment Date falling in March 2011 (the "Final Maturity Date").
Mandatory Redemption	On each Interest Payment Date from and including the Interest Payment Date in March 2003, the Notes will be subject to

	mandatory redemption (in accordance with Condition 7.2) in whole or in part prior to the Final Maturity Date if, at the close of business on any Calculation Date preceding any such Interest Payment Date, there are Available Capital Funds or any Retained Principal Amounts (each as defined in the Conditions). The Issuer shall be obliged to apply such Available Capital Funds or any Retained Principal Amount in redeeming each class of Notes in whole or in part *pro rata* within the relevant class on the Interest Payment Date immediately following the relevant Calculation Date in the order of priority set out in the Pre-Enforcement Priority of Payments. (See "Priority of Payments" below and "Terms and Conditions of the Notes").
Optional Redemption	The Issuer may, provided no Issuer Enforcement Notice has been served, redeem all (but not part only) of the Notes at their Principal Amount Outstanding, together with accrued but unpaid interest and, with respect to the Class R Notes, Additional Interest (if any) calculated in accordance with Condition 6.4, to the date fixed for redemption on any Interest Payment Date from and including the Interest Payment Date in March 2003 subject to the Issuer: (i) giving not more than 120 nor less than 30 days' prior notice in writing to the Note Trustee and the Noteholders (in accordance with the Conditions) of its intention to redeem all (but not part only) of the Notes; and (ii) having provided the Note Trustee with a certificate signed by the sole director (where there is only one director of the Issuer) or by two directors of the Issuer to the effect that it will be in a position, on the next succeeding Interest Payment Date, to discharge its obligation under (1) items (i) to (xxi) (inclusive) of the Pre-Enforcement Priority of Payments and (2) any additional taxes payable by the Issuer by reason of such early redemption of the Notes (see "Terms and Conditions of the Notes").
Optional Redemption for Tax Reasons	On any Interest Payment Date prior to the Final Maturity Date, the Issuer may redeem all (but not part only) of the Notes at their respective Principal Amount Outstanding, together with any accrued but unpaid interest and, with respect to the Class R Notes, Additional Interest (if any) calculated in accordance with Condition 6.4, to the date fixed for redemption, if it is required (by reason of a change in law, interpretation or administration thereof) to deduct or withhold (other than in respect of a Law 239 Withholding) in respect of any class of Notes, any payment of principal or interest for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political sub-division thereof or any authority thereof or therein or any other applicable taxing authority having jurisdiction, subject to the Issuer: (i) giving not more than 120 nor less than 30 days' prior notice in writing to the Note Trustee and the Noteholders (in accordance with the Conditions) of its intention to redeem all (but not part only) of the Notes; and (ii) providing to the Note Trustee: (a) a legal opinion (in form and substance satisfactory to the Note Trustee) from a firm of lawyers (approved in writing by the Note Trustee), opining on the relevant change in law;

(b) a certificate from the sole director (where there is only one director of the Issuer) or from two directors of the Issuer to the effect that the obligation to make such a payment cannot be avoided; and

(c) a certificate from the sole director (where there is only one director of the Issuer) or from two directors of the Issuer to the effect that it will have the funds on such Interest Payment Date to discharge its obligations under, (1) items (i) to (xxiii) (inclusive) of the Pre-Enforcement Priority of Payments and (2) any additional taxes payable by the Issuer by reason of such early redemption of the Notes.

Any certificate or legal opinion given by or on behalf of the Issuer may be relied on by the Note Trustee without further investigation and shall be conclusive and binding on the Noteholders and on the other Issuer Secured Creditors. (See "Terms and Conditions of the Notes").

Purchase of the Notes — The Issuer may not purchase any Notes at any time.

Residual Interest Holders — As at the Issue Date, the Residual Interest Holders will indirectly hold an economic interest in the Class E Notes, the Class F Notes and the Class R Notes. The Residual Interest Holders will be under no obligation to maintain their interest in such Notes and may sell such holding at any time. (See "Residual Interest Holders" below).

Security for the Notes — 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 Noteholders, the other Issuer Secured Creditors and any third party creditor to whom the Issuer has incurred costs, fees and expenses in relation to the securitisation of the Portfolio.

On or before the Issue Date, the Issuer shall execute a deed of pledge (the "Deed of Pledge") pursuant to which the Issuer shall pledge in favour of the Security Trustee all monetary claims and rights and all amounts (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Issuer is entitled from time to time pursuant to the Transfer Agreement, the Corporate Services Agreement, the Servicing Agreement and the Portfolio Advisory Agreement (the "Italian Law Security"). The Deed of Pledge will be governed by Italian law.

On or before the Issue Date, the Issuer will enter into a security and intercreditor agreement (the "Security and Intercreditor Agreement") pursuant to which the Issuer shall grant in favour of the Security Trustee, *inter alia*: (a) a first priority assignment by way of security of all of the Issuer's right, benefit, title and interest to and under the Agency Agreement, the Cash Management Agreement, the Liquidity Facility Agreement, any Hedges and the Subscription Agreements (each as defined in the Conditions); (b) a first priority security interest by way of fixed charge over the English Accounts; and (c) a first floating charge over, *inter alia*, the whole of its undertaking and all its property, assets and rights not charged pursuant to the relevant fixed charges save that such floating charge shall not extend to any asset situated outside England and Wales to the extent that and for so long as such security would be unlawful under the laws of another jurisdiction in which such asset is located

	(together with (a) and (b) above, the "English Law Security"). The Security and Intercreditor Agreement will be governed by English law. On or before the Issue Date, the Issuer will grant an irrevocable power of attorney governed by Italian law (the "Italian Law Power of Attorney") and an irrevocable power of attorney governed by English law (the "English Law Power of Attorney") by way of security and in favour of the Security Trustee to empower the Security Trustee, following the delivery of an Issuer Enforcement Notice (as defined in the Conditions), to take such action as the Security Trustee may deem necessary to protect the interests of the Issuer Secured Creditors (as defined in the Conditions). The English Law Security and the Italian Law Security and the rights granted by the Issuer to the Security Trustee pursuant to the Italian Law Power of Attorney and the English Law Power of Attorney and the rights of the Issuer Secured Creditors under the Securitisation Law, are hereinafter referred to as the "Security". The Security Trustee will, pursuant to the terms of the Security and Intercreditor Agreement and the Deed of Pledge, hold the Security for and on behalf of itself and the other Issuer Secured Creditors.
Limited Recourse Nature of the Issuer's Obligations	The obligations of the Issuer to the Noteholders and each of the other Issuer Secured Creditors will be direct, secured and limited recourse obligations of the Issuer. The Noteholders and the other Issuer Secured Creditors will have a claim against the Issuer only to the extent of the Issuer Available Funds (as defined in the Conditions) in each case subject to and as provided in the Security and Intercreditor Agreement and the other Transaction Documents.
Listing of the Notes	Application has been made for each class of Notes to be admitted to the Official List of the Irish Stock Exchange.
Selling Restrictions	There are restrictions on the sale of the Notes and on the distribution of information in respect thereof. (See "Subscription and Sale").
Priority of Payments	
	In respect of the obligations of the Issuer to pay interest, Additional Interest (if any and with respect to the Class R Notes only) and principal on the Notes, the Conditions will provide that the Notes of each class will rank *pari passu* among themselves. The right to receive payments of interest, Additional Interest (if any and with respect to the Class R Notes only) and principal on the Notes is subject to, *inter alia*, the rights of other Issuer Secured Creditors whose claims against the Issuer rank in priority to the Noteholders. (See "Terms and Conditions of the Notes" – Condition 5 below).
Pre-Enforcement Priority of Payments	Prior to the service of an Issuer Enforcement Notice, the Issuer Available Funds (as defined in the Conditions) shall be applied by the Issuer on each Interest Payment Date in making or providing for the following payments, in the following order of priority (in each case, only if and to the extent that payments of a higher priority have been made in full) subject, in the case of the Interest Payment Date falling in March 2003, to the prior application of any Retained Principal Amount, to redeem the Notes in accordance with Condition 7.2.2:

(i) *first*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the fees, costs and expenses of, and all other amounts due and payable to, the Note Trustee and the Security Trustee pursuant to the Transaction Documents;

(ii) *second*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of all outstanding fees, costs, expenses and all other amounts due and payable: (a) to the Paying Agents; (b) to the Cash Manager; (c) to the Servicer; (d) to the Portfolio Adviser (other than in respect of any Portfolio Adviser Additional Fee and Portfolio Adviser Adjustment Base Fee); (e) to the English Operating Bank; (f) to the Italian Operating Bank; (g) to the Corporate Services Provider; (h) to any other persons (not being Issuer Secured Creditors) to whom the Issuer owes such other amounts in accordance with all applicable laws and regulations and without breach of the terms of the Transaction Documents, including for the avoidance of doubt any tax authority (which have, in each case, not otherwise been met by the amounts standing to the credit of the Issuer Expenses Account during the preceding Collection Period) and (i) to the Issuer Expenses Account in an amount equal to the lesser of €6,000,000 and the amount of Estimated Issuer Expenses for the next succeeding Collection Period;

(iii) *third*, to pay amounts of principal, interest, commitment fees and other amounts due and payable to the Liquidity Facility Provider under the terms of the Liquidity Facility Agreement other than Liquidity Subordinated Amounts (as defined in the Conditions);

(iv) *fourth*, in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, (a) of all amounts due and payable to a Hedging Provider under any Hedge other than Hedge Subordinated Amounts (each as defined in the Conditions) and (b) all amounts of interest due and payable on the Class A Notes as at such Interest Payment Date;

(v) *fifth*, to pay interest due and payable on the Class B Notes as at such Interest Payment Date;

(vi) *sixth*, to pay interest due and payable on the Class C Notes as at such Interest Payment Date;

(vii) *seventh*, to pay interest due and payable on the Class D Notes as at such Interest Payment Date;

(viii) *eighth*, to pay interest due and payable on the Class E Notes as at such Interest Payment Date;

(ix) *ninth*, to pay interest due and payable on the Class F Notes as at such Interest Payment Date;

(x) *tenth*, subject to satisfaction of the Amortisation Test and the Claims Resolution Test, to pay Senior Additional Interest Amounts on the Class R Notes;

(xi) *eleventh*, prior to the Interest Payment Date falling in March 2003, to pay Retained Principal Amounts into the Retained Principal Account, and from and including the Interest Payment Date in March 2003, to repay principal on the Class A Notes until fully repaid;

(xii) *twelfth*, to repay principal on the Class B Notes until fully repaid;

(xiii) *thirteenth*, to repay principal on the Class C Notes until fully repaid;

(xiv) *fourteenth*, to repay principal on the Class D Notes until fully repaid;

(xv) *fifteenth*, to repay principal on the Class E Notes until fully repaid;

(xvi) *sixteenth*, to repay principal on the Class F Notes until fully repaid;

(xvii) *seventeenth*, in or towards satisfaction of all amounts due and payable as Portfolio Adviser Adjustment Base Fee;

(xviii) *eighteenth*, to pay to the Liquidity Facility Provider any Liquidity Subordinated Amounts;

(xix) *nineteenth*, to pay amounts due and payable to a Hedging Provider in respect of any Hedge Subordinated Amounts;

(xx) *twentieth*, to pay interest (excluding Additional Interest) due and payable on the Class R Notes as at such Interest Payment Date;

(xxi) *twenty-first*, firstly, the Class R Note Principal Redemption Amounts (as defined in the Conditions) towards redemption of the Class R Notes, secondly, all amounts due and payable as Portfolio Adviser Additional Fee (if any) and thirdly to pay all amounts due and payable as Junior Additional Interest Amounts on the Class R Notes;

(xxii) *twenty-second*, in or towards payment of any amounts due to BNL under the Transfer Agreement other than amounts due to be paid on 28th September 2001 according to the Transfer Agreement; and

(xxiii) *twenty-third*, to pay the surplus (if any) to the Issuer.

From time to time during a Collection Period, the Portfolio Adviser on behalf of the Issuer shall, in accordance with the Portfolio Advisory Agreement and the Cash Management Agreement, be entitled to direct the Italian Operating Bank to apply amounts standing to the credit of the Issuer Expenses Account in payment of sums properly incurred and due to third parties under obligations incurred in the course of the Issuer's business.

Post-Enforcement Priority of Payments

Following the service of an Issuer Enforcement Notice, the Security and Intercreditor Agreement provides that all amounts received or recovered by or on behalf of the Issuer, the Security Trustee and/or any Insolvency Official appointed by the Security Trustee in respect of the Portfolio and/or the Security, will be applied as follows (in each case, only if and to the extent that payments of a higher priority have been made in full):

(i) *first*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the fees, costs and expenses of, and all other amounts payable pursuant to the Transaction Documents to, the Note Trustee, the Security Trustee (and any Insolvency Official appointed by the Security Trustee);

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

expenses, and all other amounts due and payable but unpaid (a) to the Paying Agents; (b) to the Cash Manager; (c) to the Servicer; (d) to the Portfolio Adviser (other than in respect of any Portfolio Adviser Additional Fee and Portfolio Adviser Adjustment Base Fee); (e) to the English Operating Bank; (f) to the Italian Operating Bank; (g) to the Corporate Services Provider; and, (h) if the relevant Issuer Trigger Event is (1) an event of the type referred to in Condition 11.1, 11.2 or 11.3 all outstanding fees, costs and expenses incurred by or on behalf of the Issuer to persons who are not Issuer Secured Creditors to whom the Issuer owes such other amounts in accordance with all applicable laws and regulations and without breach of the terms of the Transaction Documents (including, for the avoidance of doubt, any tax authority) or (2) an event of the type referred to in Condition 11.4 or 11.5 all outstanding fees, costs and expenses incurred by the Issuer and required by law to be paid *pari passu* with the amounts referred to above in this sub-paragraph (ii) to the Issuer Secured Creditors;

(iii) *third*, to pay amounts of principal, interest, commitment fees and other amounts due or accrued due and payable to the Liquidity Facility Provider under the terms of the Liquidity Facility Agreement;

(iv) *fourth*, in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, (a) of all amounts due and payable to the Hedging Providers under all Hedges other than Hedge Subordinated Amounts and (b) all amounts of interest due and payable and to repay all principal on the Class A Notes;

(v) *fifth*, to pay interest due and payable and to repay all principal on the Class B Notes;

(vi) *sixth*, to pay interest due and payable and to repay all principal on the Class C Notes;

(vii) *seventh*, to pay interest due and payable and to repay all principal on the Class D Notes;

(viii) *eighth*, to pay interest due and payable and to repay all principal on the Class E Notes;

(ix) *ninth*, to pay interest due and payable and to repay all principal on the Class F Notes;

(x) *tenth*, in or towards satisfaction of all amounts due and payable as Portfolio Adviser Adjustment Base Fee;

(xi) *eleventh*, to pay any Hedge Subordinated Amounts;

(xii) *twelfth*, to pay interest due and payable and to repay all principal on the Class R Notes, together with any Additional Interest;

(xiii) *thirteenth*, to pay all amounts due and payable as Portfolio Adviser Additional Fee;

(xiv) *fourteenth*, in or towards payment of any amounts due and payable to BNL under the Transfer Agreement other than amounts due to be paid on 28th September 2001 according to the Transfer Agreement; and

(xv) *fifteenth*, to pay the surplus (if any) to the Issuer.

Administration of the Portfolio and Cash Management

Transfer of the Portfolio	On the Transfer Date and pursuant to the terms of the Transfer Agreement, BNL assigned and transferred to the Issuer without recourse (*pro soluto*) the Portfolio of Claims (each as defined in the Conditions) relating to certain Fondiari Loans, Industriali Loans and Connected Loans (each as defined below, see "The Portfolio") in accordance with Article 58 of the Banking Act (as defined in the Conditions) and in accordance with and subject to Articles 1 and 4 of the Securitisation Law. (See "Description of Principal Transaction Documents – Transfer Agreement").
Warranties and Indemnities in Relation to the Portfolio	Pursuant to the terms of the Transfer Agreement, BNL has given certain representations and warranties in favour of the Issuer in relation to the Portfolio and has agreed to indemnify the Issuer in respect of certain liabilities of the Issuer incurred in connection with the purchase and ownership of the Portfolio. (See "Description of Principal Transaction Documents – Transfer Agreement" and "Investment Considerations – "Legal and Tax Considerations", "Limited Representations, Warranties and Indemnities from BNL as Originator" below).
Servicing and Collection Procedures	On the Transfer Date, the Issuer, BNL, Archon and SGC entered into an interim servicing agreement (the "Interim Servicing Agreement") under which BNL agreed to perform certain functions in connection with the servicing of the Portfolio. SGC and Archon have been performing a majority of the servicing functions in relation to the Portfolio since the Transfer Date. Collections received by the Issuer since the Transfer Date have been retained in the Interim Collection Account (after deduction of relevant costs, fees and expenses). On the Issue Date the net amount of these Collections will be applied such that (i) a portion will be used to pay expenses incurred by the Issuer (including any fees due to be paid to SGC and Archon in respect of services rendered from (and including) the Transfer Date to (but excluding) the Issue Date), (ii) a portion will be transferred into the Issuer Expenses Account in respect of Estimated Issuer Expenses for the initial Collection Period and (iii) the remainder will be transferred into the Issuer Collection Account. Pursuant to the terms of the Servicing Agreement, the Servicer has agreed to manage the Collections and Recoveries on behalf of the Issuer, and following the giving of an Issuer Enforcement Notice, if the Security Trustee so requests by notice in writing to the Issuer, in each case, in accordance with the requirements of the Securitisation Law and as set out in the Servicing Agreement. The Servicer will receive a fee for providing the services set out in, and in accordance with the terms of, the Servicing Agreement. (See "Description of Principal Transaction Documents – Servicing Agreement" below). Pursuant to the terms of the Portfolio Advisory Agreement, the Portfolio Adviser has agreed to provide to the Issuer and, following the giving of an Issuer Enforcement Notice, if the Security Trustee so requests by notice in writing to the Issuer certain administration, management, advisory, consultation and reporting services with respect to the Portfolio (including the enforcement of any Claims, the liquidation and disposal thereof and the related Real Estate Assets (as defined in the Conditions)) in accordance with all applicable laws and the Portfolio Advisory Agreement. The Portfolio Adviser will receive a fee for providing the services set out in, and in accordance

	with the terms of, the Portfolio Advisory Agreement. (See ''Description of Principal Transaction Documents'' – ''Portfolio Advisory Agreement'' below).
Management of the Collections	Collections and Recoveries in respect of the Claims are initially received by BNL on behalf of the Issuer in the Interim Collection Account (as defined below). Collections and Recoveries received into the Interim Collection Account will be transferred as directed by the Servicer to the Issuer Collection Account. (See ''Interim Collection Account'' below).
Cash Management	Pursuant to the terms of the Cash Management Agreement, the Operating Banks and the Cash Manager have agreed to provide the Issuer with account handling, cash management and reporting services in relation to monies from time to time standing to the credit of the Accounts (as defined in the Conditions). Under the terms of the Cash Management Agreement, the Cash Manager will be appointed by the Issuer to reinvest on behalf of, and at the direction of, the Issuer amounts standing to the credit of the Issuer Collection Account, the Issuer Payments Account, the Liquidity Reserve Account and the Retained Principal Account in Eligible Investments (as defined in the Conditions) as agreed from time to time. Pursuant to the terms of the Cash Management Agreement, the Cash Manager, subject to its receipt of certain information from the Operating Banks, the Servicer and/or the Portfolio Adviser, has agreed to prepare, on or prior to each Calculation Date, a report containing details of amounts received by the Issuer from any source during the Collection Period immediately preceding the relevant Calculation Date and amounts to be paid by the Issuer to each Issuer Secured Creditor on the Interest Payment Date succeeding the relevant Calculation Date in accordance with the provisions of the Security and Intercreditor Agreement. The Cash Manager will also agree to maintain certain books and records in connection with the transaction on behalf of the Issuer. In return for the services so provided, the Operating Banks and the Cash Manager will each receive a fee payable in arrears on each Interest Payment Date in accordance with the Priority of Payments. (See ''Description of Principal Transaction Documents – Cash Management Agreement'').
Other Principal Parties	
Stichting Pantelleria ***Stichting Lampedusa***	Stichting Pantelleria and Stichting Lampedusa each hold 50% of the issued capital of the Issuer. Each company is a Dutch foundation (stichting) established under the laws of The Netherlands.
TMF Management B.V.	TMF Management B.V. (''TMF'') a company incorporated under the laws of the Netherlands, will provide certain corporate services to Stichting Pantelleria and Stichting Lampedusa.
Trustees	Citicorp Trustee Company Limited will be the note trustee for and on behalf of the Noteholders (the ''Note Trustee'') pursuant to the terms of a trust deed to be dated on or before the Issue Date (the ''Trust Deed'') between the Issuer and the Note Trustee and a security trustee (the ''Security Trustee'' and together with the Note Trustee, the ''Trustees'' and each a ''Trustee'') pursuant to the Security and Intercreditor Agreement.
Servicer and Portfolio Adviser	On or before the Issue Date, the Issuer, SGC and Archon and each of the Trustees will enter into a servicing agreement (the ''Servicing

	Agreement'') whereby the Issuer will engage SGC as servicer (the ''Servicer'') to, *inter alia*, manage the Collections and Recoveries (each as defined in the Conditions) and perform the services as set out in the Servicing Agreement. SGC will be the servicer pursuant to Article 2 paragraph 3(c) of the Securitisation Law. On or before the Issue Date, the Issuer, SGC, and Archon and each of the Trustees will enter into a portfolio advisory agreement (the ''Portfolio Advisory Agreement'') whereby the Issuer will engage Archon as portfolio adviser (the ''Portfolio Adviser'') to provide expertise in, *inter alia*, managing the enforcement of, and accelerating the realisation of, the Portfolio and perform the services as set out in the Portfolio Advisory Agreement. (See ''The Servicer and the Portfolio Adviser'' below and ''Description of Principal Transaction Documents – Servicing Agreement'' and ''Portfolio Advisory Agreement'', respectively).
Cash Manager	Citibank, N.A. will be the cash manager (in such capacity the ''Cash Manager'') pursuant to a cash management agreement (the ''Cash Management Agreement'') to be dated on or before the Issue Date between, *inter alios*, the Issuer, the Principal Paying Agent, the English Operating Bank and the Italian Operating Bank (each as defined below) (together, the ''Operating Banks''), the Servicer, the Trustees, the Portfolio Adviser and the Cash Manager. (See ''Description of Principal Transaction Documents – Cash Management Agreement'').
Italian Operating Bank	On or before the Issue Date and pursuant to the terms of the Cash Management Agreement, BNL (in such capacity, the ''Italian Operating Bank'') will open the Interim Collection Account and the Issuer Expenses Account (each as defined below) in the name of the Issuer. (See ''Description of Principal Transaction Documents – Cash Management Agreement'').
English Operating Bank	On or before the Issue Date and pursuant to the terms of the Cash Management Agreement, Citibank, N.A. (in such capacity, the ''English Operating Bank'') will open the Issuer Collection Account, the Issuer Payments Account, the Liquidity Reserve Account and the Retained Principal Account (each as defined below) (together, the ''English Accounts'') in the name of the Issuer. (See ''Description of Principal Transaction Documents – Cash Management Agreement'').
Principal Paying Agent	Citibank, N.A. or any other person for the time being acting as such will be the principal paying agent (the ''Principal Paying Agent'') pursuant to the terms of an agency agreement to be dated on or before the Issue Date (the ''Agency Agreement'') between, *inter alios*, the Issuer, the Note Trustee and the Principal Paying Agent.
Irish Paying Agent	Citibank International plc or any other person for the time being acting as such will be the Irish paying agent (in such capacity, the ''Irish Paying Agent'') pursuant to the terms of the Agency Agreement.
Hedging Providers	On or before the Issue Date, the Issuer will enter into one or more Hedges (as defined below) with one or more hedging providers including the Interest Rate Swap Provider and the Interest Rate Cap Providers (each as defined below) (each, in such capacity, a ''Hedging Provider'' and together, the ''Hedging Providers''). Each Hedging Provider will have a rating assigned for its short-term unsecured,

	unsubordinated and unguaranteed debt obligations of at least F1 by Fitch, P-1 by Moody's and A-1 by S&P or as otherwise agreed by the Rating Agencies.
Liquidity Facility Provider	Barclays Bank PLC will be the liquidity facility provider (the "Liquidity Facility Provider") pursuant to the terms of a liquidity facility agreement to be dated on or before the Issue Date (the "Liquidity Facility Agreement") between the Issuer, the Trustees, the Cash Manager and the Liquidity Facility Provider. (See "Description of Principal Transaction Documents – Liquidity Facility").
Corporate Services Provider	Archon will be the corporate services provider to the Issuer (in such capacity, the "Corporate Services Provider") pursuant to the terms of a corporate services agreement to be dated on or before the Issue Date (the "Corporate Services Agreement"). The Corporate Services Provider will agree to provide certain administrative services to the Issuer. The Corporate Services Provider may resign or may be removed by the Issuer subject to the prior written approval of the Security Trustee. The resignation or the removal of the Corporate Servicer shall not become effective until a successor corporate servicer shall have assumed the Corporate Services Provider's responsibilities and obligations.
Accounts	
Interim Collection Account	The Issuer has established a Euro-denominated account (the "Interim Collection Account") in Italy with BNL into which all proceeds from the Collections of the Claims are required to be deposited pursuant to the terms of the Servicing Agreement. The balance in the Interim Collection Account after deducting the payment of amounts in respect of the Servicer Disposition Fee and Portfolio Adviser Disposition Fee (as defined below) payable to the Servicer and the Portfolio Adviser, respectively, will be transferred as directed by the Servicer to the Issuer Collection Account (as defined below) by no later than the earlier of (i) the date on which the balance in the Interim Collection Account exceeds €1,000,000, or (ii) at any earlier time the Servicer in its sole discretion deems it appropriate to do so save in the case of the balance standing to the credit of the Interim Collection Account on the Issue Date which will be assumed to pay or make provision for payment of amounts payable by the Issuer as costs and expenses in respect of the Issue of the Notes and in funding the Issuer Expenses Account to approximately €3,500,000.
Issuer Collection Account	The Issuer has established a Euro-denominated account (the "Issuer Collection Account") in England with the English Operating Bank into which all amounts transferred from the Interim Collection Account are required to be deposited.
Issuer Payments Account	The Issuer has established a Euro-denominated account (the "Issuer Payments Account") in England with the English Operating Bank for the deposit of all amounts received by the Issuer from (i) the issue of the Notes; (ii) the Hedging Providers pursuant to the Hedges (as defined below), (iii) the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement (including amounts received from the Liquidity Reserve Account (as defined below)), (iv) BNL pursuant to the Transfer Agreement and (v) save as specifically otherwise provided, any other party (other than the Issuer) to a Transaction Document to which the Issuer is a party (other than as described in (ii) to (iv) above).

Issuer Expenses Account	The Issuer has established a Euro-denominated account (the ''Issuer Expenses Account'') in Italy with the Italian Operating Bank. On the Issue Date and thereafter on each Calculation Date, the Portfolio Adviser will calculate the Issuer Expenses to be, or likely to be, due and payable at any time during the next succeeding Collection Period (the ''Estimated Issuer Expenses''). Prior to the Security becoming enforceable, the Issuer, or the Cash Manager on its behalf, will procure that an amount equal to the lesser of €6,000,000 or the amount of the Estimated Issuer Expenses will be deposited in the Issuer Expenses Account subject to and in accordance with the Priority of Payments. Money deposited into this account will be used to pay Issuer Expenses accrued or due and payable by the Issuer at any time during the next succeeding Collection Period. The Portfolio Adviser shall, in the event that actual Issuer Expenses during such Collection Period exceed the amount provisioned for Estimated Issuer Expenses, as required, fund the payment of such additional Issuer Expenses and shall be reimbursed for such funds on the next following Interest Payment Date in accordance with item (ii) in each of the Priority of Payments. On the Issue Date, the Issuer Expenses Account will be credited with approximately €3,500,000 from amounts standing to the credit of the Interim Collection Account.
Retained Principal Account	The Issuer has established a Euro-denominated account (the ''Retained Principal Account'') in England with the English Operating Bank into which the Issuer shall deposit any Issuer Available Funds available after payment of items (i) to (x) in the Pre-Enforcement Priority of Payments on any Interest Payment Date prior to the Interest Payment Date falling in March 2003 (''Retained Principal Amounts''). Retained Principal Amounts, once designated as such and deposited in the Retained Principal Account, will no longer form a part of Issuer Available Funds and will be available only to redeem Notes in accordance with Condition 7.2 on the Interest Payment Date falling in March 2003.
Liquidity Reserve Account	The Issuer has established a Euro-denominated account (the ''Liquidity Reserve Account'') in England with the English Operating Bank. Upon the occurrence of a Relevant Event (as defined in the Liquidity Facility Agreement – see ''Description of Principal Transaction Documents – Liquidity Facility and Stand-by Liquidity Facility''), the Liquidity Facility Provider shall notify the Issuer, the Cash Manager, the English Operating Bank, the Security Trustee and the Note Trustee of such occurrence and the Cash Manager on behalf of the Issuer within five days receipt of such notice (or failing whom, the Security Trustee without personal liability) may request the Liquidity Facility Provider to make available the stand-by facility in an amount equal to the then undrawn commitment under the Liquidity Facility and to credit the same to the Liquidity Reserve Account. The Issuer will only be entitled to withdraw amounts from the Liquidity Reserve Account in those circumstances where it would have been entitled to make a draw down under the Liquidity Facility. Amounts so drawn will be credited to the Issuer Payments Account and form part of the Issuer Available Funds. (See ''Summary of Principal Transaction Documents – Liquidity Facility''.)
Eligible Investments	Pursuant to the terms of the Cash Management Agreement, the Cash Manager may (but will if so directed by the Issuer) on behalf of the Issuer invest amounts standing to the credit of the Issuer Collection

	Account, the Issuer Payments Account, the Liquidity Reserve Account and the Retained Principal Account in Eligible Investments (as defined in the Conditions). Any earnings or income derived by the Issuer in respect of sums credited to the relevant English Account or, in respect of Eligible Investments relating to the Retained Principal Account shall form part of the Issuer Available Funds (as defined in the Conditions) on each Interest Payment Date.
Credit Structure	
Interest on the Accounts	The Cash Manager on behalf of the Issuer and at the direction of the Issuer may invest amounts standing to the credit of the relevant Accounts referred to above in Eligible Investments and, in addition, pursuant to the Cash Management Agreement, the English Operating Bank will pay interest on funds on deposit in the English Accounts from time to time. The Italian Operating Bank will pay interest on funds on deposit in the Italian Accounts from time to time at the rate calculated by the European Central Bank as the weighted average of all overnight unsecured lending transactions in the Euro-zone Inter-bank market less an agreed margin.
Hedging Arrangements	The Issuer will enter into hedging arrangements with each Hedging Provider (including the Interest Rate Swap Agreement and the Interest Rate Cap Agreements (each as defined below and together the ''Hedges'') on or before the Issue Date in order to hedge the interest rate risks of the Issuer in relation to amounts payable under the Notes from time to time. Such Hedges may take the form of swaps, caps or floors or other appropriate hedging arrangements acceptable to the Rating Agencies from time to time and will as at the Issue Date include (i) an interest rate swap agreement (the ''Interest Rate Swap Agreement'') to be entered into with Morgan Guaranty Trust Company of New York (the ''Interest Rate Swap Provider'') (ii) an interest rate cap agreement (the ''Goldman Interest Rate Cap'') with Goldman Sachs International (the ''Goldman Interest Rate Cap Provider'') and (iii) an interest rate cap agreement (the ''Barclays Interest Rate Cap'' and, together with the Goldman Interest Rate Cap, the ''Interest Rate Caps'') with Barclays Bank PLC (the ''Barclays Interest Rate Cap Provider'' and together with the Goldman Interest Rate Cap Provider, the ''Interest Rate Cap Providers''), each as more particularly described below – see ''Description of Principal Transaction Documents – Hedging Arrangements''. The Issuer's obligations to the relevant Hedging Provider under the Hedges will be secured pursuant to the Security and Intercreditor Agreement. Such obligations will, in the event of the Security thereunder being enforced, rank *pari passu* with the Class A Noteholders and senior to all other Noteholders other than in respect of Hedge Subordinated Amounts and Hedge Termination Payments. (See ''Priority of Payments'' above).
The Liquidity Facility	The Issuer, will pursuant to the terms of the Liquidity Facility Agreement, enter into a liquidity facility (the ''Liquidity Facility'') with the Liquidity Facility Provider in an amount equal to the product of the (i) aggregate Principal Amount Outstanding of the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes on the Calculation Date immediately preceding each Interest Payment Date or, in the case of the period ended on the first Interest Payment Date, the Issue Date and (ii) 8%. The Liquidity Facility will be a renewable 364 day committed revolving loan facility.

	Under the terms of the Liquidity Facility, the Issuer may draw down funds for the purpose of paying any amounts falling due and payable in respect of items (i) to (viii) of the Pre-Enforcement Priority of Payments (which, for the avoidance of doubt only includes interest payable on the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and does not include interest payable on the Class F Notes or the Class R Notes or any Additional Interest). (See "Summary of Principal Transaction Documents – Liquidity Facility and Liquidity Stand-by Facility" below"). Upon the occurrence of a Relevant Event (as defined in the Liquidity Facility Agreement), the Issuer is obliged to draw down the Liquidity Stand-by Facility which shall be in an amount equal to the undrawn commitment under the Liquidity Facility and to credit the same to the Liquidity Reserve Account. (See "Transaction Summary Information – Liquidity Reserve Account" above). The Issuer's obligations under the Liquidity Facility Agreement will be secured pursuant to the Security and Intercreditor Agreement. Such obligations will, in the event of the Security thereunder being enforced, rank senior to all Noteholders and the Hedging Providers. (See "Priority of Payments" above).
Call Option Agreement	On or before the Issue Date, Stichting Pantelleria, Stichting Lampedusa and Whitehall 2001 (as defined below) may enter into the Call Option Agreement in relation to the Issuer. The Call Option Agreement will contain, *inter alia*, call options in relation to the ownership of the Issuer, and provisions in relation to the transfer of quotas in the Issuer.
Letter of Undertaking	On or before the Issue Date, Stichting Pantelleria, Stichting Lampedusa, TMF and Whitehall Parallel Global Real Estate Limited Partnership 2001 may enter into the Letter of Undertaking. The Letter of Undertaking will contain, *inter alia*, an undertaking from each of Stichting Pantelleria, Stichting Lampedusa and TMF to seek the prior written consent of Whitehall Parallel Global Real Estate Limited Partnership 2001 before such parties exercise certain powers as quotaholders of the Issuer including the power to replace any managing director of the Issuer and to procure that the board of directors of the Issuer comprises at all times a nominee of Whitehall Parallel Global Real Estate Limited Partnership 2001.

Certain Investment Considerations

The following is a summary of certain aspects of the issue of the Notes of which prospective Noteholders should be aware. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Offering Circular, including in particular the following investment considerations detailed below. This summary is not intended to be exhaustive and prospective Noteholders should make their own independent evaluations of all investment considerations and should also read the detailed information set out elsewhere in this document and the Transaction Documents.

Limited Recourse Nature of Notes and Limited Sources of Repayment

The Notes will be limited recourse obligations solely of the Issuer. In particular, the Notes will not be obligations or responsibilities of, or guaranteed by, either of the Trustees, the Paying Agents, the Cash Manager, the Operating Banks, the Hedging Provider, the Liquidity Facility Provider, the Servicer, the Portfolio Adviser, BNL (in any capacity) or any affiliates thereof, the shareholders of the Issuer, or the directors of the Issuer or the Managers or any respective affiliates thereof, the Residual Interest Holders or any respective affiliates thereof. Furthermore, none of any 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.

The Issuer's principal asset is the Portfolio. The Issuer will not as of the Issue Date have any significant assets other than the Portfolio and its rights under the Transaction Documents to which it is a party. Consequently, there can be no assurance that over the life of the Notes or upon the redemption date of any of the Notes (whether on maturity or upon redemption by acceleration of maturity upon the occurrence of an Issuer Trigger Event (as defined in Condition 11) or otherwise) there will be sufficient funds available to the Issuer to repay the Notes in full.

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 and Recoveries (each as defined in the Conditions) collected on its behalf by the Servicer and of any other amounts received by the Issuer pursuant to the terms of the other Transaction Documents to which it is a party.

Upon enforcement of the security, the Security Trustee will have recourse only to the Security (as defined in the Conditions) and the proceeds from the sale of the Portfolio. Other than as provided in the Transfer Agreement, the Issuer, the Security Trustee and the Note Trustee will have no recourse to BNL or any other entity including, but without limitation, in the event that the proceeds received from the enforcement of any particular part of the Security are insufficient to repay in full the relevant Credit Facility (as defined in the Conditions).

Uncertainty of Projected Cash Flows

The projected cash flows are those which could result from the liquidation of the Portfolio (the "Projected Cash Flows") and have been determined on the basis of the Business Plans (as defined below – see "The Servicer and the Portfolio Adviser–Limited Due Diligence" below) and combined with a series of assumptions and extrapolations in relation to other assets, all of which rely on certain judgements, hypothetical assumptions and estimates have been made about future economic events, property market evolution, the Claims, the operations of the Servicer and the Portfolio Adviser and the courses of action projected by the Servicer and the Portfolio Adviser, its advisers and agents for collecting on or otherwise realising the Claims. There will be differences between such Projected Cash Flows and actual results because events and circumstances frequently do not occur as expected, and those differences may be material, both with respect to timing and the aggregate amounts realised. In addition, to the extent that the assumptions utilised in the preparation of the Projected Cash Flows are not correct, there will be differences (which may be material, both as to the timing and the amount of Collections and Recoveries (as defined in the Conditions)) between projected and actual results.

While the characteristics of the Claims known to the Servicer and Portfolio Adviser were considered in preparing the Business Plans, these same or other characteristics could adversely affect the values of the Claims and the actual cash flows realised therefrom to a greater extent than was assumed in the preparation of the Projected Cash Flows. In addition, certain other characteristics or events which were assumed not to affect the Projected Cash Flows could adversely affect Claim values and cash flows. The state of the Italian national and regional economies, the Italian real estate market, the availability of credit in Italy and the results of operations and the financial resources of the borrowers to make payments in the amounts and within the time frames assumed cannot be assured. Collections, recoveries, expenses and liabilities will often

be dependent upon the actions of third parties which are difficult to predict and are generally not within the Servicer's, the Portfolio Adviser's or the Issuer's control.

The amounts realised with respect to the Claims will depend upon, among other things, the realisable value of properties sold at auction, payoffs by the borrowers and the ability of the Servicer and/or the Portfolio Adviser to successfully restructure and manage the Claims. Accordingly, collections and other realisations on the Claims could be significantly different and could occur at substantially different times than projected or may not occur at all with respect to certain of the Claims. Similarly, operational and other expenditures and liabilities could be substantially different and could occur at different times than projected.

The Issuer may from time to time evaluate alternative courses of action with respect to the collection, operation, restructuring or other realisation on the Claims and monitor conditions affecting the Claims. As a result, it is likely that the Issuer will cause the Portfolio Adviser and the Servicer to change their course of action with respect to the Claims from time to time. Consequently, to the extent that the Issuer, Servicer and/or the Portfolio Adviser adopt, in the future, courses of action with respect to the collection, operation, restructuring or other realisation on the Claims different from those assumed in the preparation of the Business Plans on which the initial projected cash flows are based, the timing and the amount of actual sources of cash flow may differ, perhaps materially, from the sources of cash flow presented therein.

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

Prospective Noteholders should have particular regard to the section headed "Cash Flow Analysis" below in determining the likelihood or extent of any shortfall of funds available to the Issuer to meet payments of interest and/or principal due under the corresponding class of Notes.

Liquidity Risk

The Issuer is subject to the risk of failure by the Servicer and/or the Portfolio Adviser to realise, collect or recover in a timely manner sufficient funds in respect of the Portfolio in order to enable the Issuer to discharge all amounts of interest on the Notes on any Interest Payment Date. This risk is mitigated, to some extent, in respect of the Class A Notes, Class B Notes, Class C Notes, Class D Notes and the Class E Notes through the provision of the Liquidity Facility, an amount equal to the product of the aggregate Principal Amount outstanding of such Notes on the Calculation Date immediately preceding each Interest Payment Date and 8%, pursuant to which the Issuer may draw funds for the purpose of paying items (i) to (viii) of the Pre-Enforcement Priority of Payments on any Interest Payment Date, provided however, that amounts drawn down for the purpose of paying interest on (i) the Class D Notes may not at any time exceed €3,600,000 and (ii) the Class E Notes may not at any time exceed €2,400,000.

There can be no assurance that the levels of liquidity support provided will be adequate to ensure timely payment of interest due on the Notes. Prospective investors should also note that to the extent that the Issuer does not have sufficient funds to pay interest on the Class F Notes and the Class R Notes (as applicable) interest in respect of such Notes will accrue but shall not become due and payable until the earlier of (i) the Interest Payment Date on which the Issuer has sufficient funds to make such payment in accordance with the priorities set out in Condition 5, (ii) the Final Maturity Date or (iii) the date on which the Class F Notes or the Class R Notes, as the case may be, become immediately due and repayable under Condition 11 other than due to a shortfall of interest as set in Condition 6.10. (See Condition 6.10).

Credit Risk

The ability of the Issuer to meet its obligations in respect of payment of principal on the Notes or any class thereof is subject to the risk of the inability of the Servicer and/or the Portfolio Adviser to realise, collect or recover sufficient funds in respect of the Portfolio to discharge such principal obligations. This risk is addressed in part by the credit support provided to the prior ranking Notes by the Notes ranking subordinate to them.

There can be no assurance that the levels of credit support provided will be adequate to ensure full payment of all amounts due on the Notes.

Interest Rate Risk

The Issuer is subject to the risk of the Collections and Recoveries (which are referable to the contractual interest rates on the Credit Facilities) being less than that required by the Issuer in order to meet its commitments under the Floating Rate Notes calculated on a floating rate basis by reference to Six-Month EURIBOR (see "Terms and Conditions of the Notes" below) and its other obligations under the Transaction Documents. The Issuer will on or before the Issue Date enter into (i) the Interest Rate Swap Agreement under which the Issuer will pay fixed amounts to a Hedging Provider and receive floating amounts and (ii) the Interest Rate Caps so as to mitigate this risk. (See "Description of Principal Transaction Documents – Hedging Arrangements").

There can be no guarantee that the amortisation of the Floating Rate Notes will be consistent with the Swap Amortisation Schedule and the Cap Amortisation Schedule (as each term is defined below). In the event that actual Collections or Recoveries occur at a lower amount or more slowly than is reflected in the Swap Amortisation Schedule and the Cap Amortisation Schedule, the aggregate principal amount outstanding on the Floating Rate Notes may exceed the aggregate notional amount of the Hedges with the result that the Issuer will be unhedged in respect of interest payments accruing on such unhedged amount.

In certain circumstances, the Issuer may want to terminate the Hedges prior to their scheduled termination date and although voluntary termination by the Issuer will not occur if it were to adversely affect the then current rating of the Notes, variation in interest rates subsequent to any termination may occur such that the Noteholders would be adversely affected as a result of such termination.

There can be no assurance that any Hedge entered into will be adequate to ensure the timely and full payment of all amounts due on the Notes.

Variability in Average Life of the Notes

The payment experience on the Claims and the courses of action to be taken by the Servicer and/or the Portfolio Adviser with respect to the servicing, administration, collection, operation and/or restructuring of and other realisations on the Claims, as well as events outside the Servicer's, the Portfolio Adviser's and/or the Issuer's control, will affect the actual payment experience on and the weighted average life of the Notes. The weighted average life of the Notes may be affected by the timing and amount of receipts from liquidations or restructuring of the Claims, which will be influenced by the courses of action to be followed by the Portfolio Adviser with respect to the Claims and decisions to alter such courses of action from time to time, as well as by economic, geographic and other factors. Sales of Claims earlier or later or for different amounts than anticipated may significantly affect the weighted average life of the Notes. The inability of the Servicer and/or the Portfolio Adviser to reach out-of-court settlements with borrowers or to find financially able and willing purchasers of the Claims in the time frame anticipated may also affect the weighted average life of the Notes. The stream of principal payments received by a Noteholder may not be uniform or consistent. No assurance can be given as to the yield to maturity which will be experienced by a purchaser of any Notes (see "Cash Flow Analysis" below).

Risks Associated with the Portfolio

General Risks of Real Estate Investments

The amount recovered in respect of any Claim depend largely on the value of the properties over which the relevant Security is granted.

The Claims in respect of the Fondiari Loans and the Industriali Loans (each as described below in the section "The Portfolio") are secured by real estate collateral and subject to the risks inherent in investments secured by such collateral. Such risks include adverse changes in national, regional or local economic and demographic conditions in Italy, real estate values generally and in the locality of the property, interest rates, real estate tax rates, other operating expenses, inflation and the strength or weakness of the Italian national and regional economy, the supply of and demand for properties of the type involved, zoning laws or other governmental rules and policies (including environmental restrictions and changes in land use) and competitive conditions (including construction of new competitive properties and changes in land use) all of which may affect the value of the Real Estate Assets over which the relevant Security is granted and the collections and recoveries generated by them.

The performance of investments in real estate has historically been cyclical. There can be no assurance that the markets in which the Real Estate Assets are located will have the characteristics assumed at the time of the sale of such properties or refinancing of such Credit Facilities or that borrowers will behave, in light of such conditions, in the manner assumed in preparing the Cash Flow Analysis. There is a possibility of

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

No Independent Investigation in Relation to the Portfolio

None of the Issuer, the Managers, the Trustees, nor any other party to the Transaction Documents has undertaken or will undertake any investigation, searches or other actions to verify the details of the Portfolio sold by BNL to the Issuer, nor have any such persons, nor will any such persons undertake any investigations, searches or other actions to establish the creditworthiness of any borrower.

Limited Data and Due Diligence Relating to Portfolio

In connection with the transfer of the Portfolio from BNL to the Issuer, SGC and Archon undertook limited due diligence in respect of the Portfolio from data supplied to them from BNL. No assurance can be given that the due diligence undertaken by SGC and Archon accurately reflects the status of the Portfolio and such review does not in any way constitute a representation or create an implication that such review can be relied upon by any person, including any prospective Noteholder. The Issuer and the prospective Noteholders can only rely on the limited representations, warranties and indemnities given by BNL under the Transfer Agreement. (See ''Certain Investment Considerations – Limited Representations, Warranties and Indemnities from BNL as Originator'' below).

Nature of Claims

Substantially all of the Claims are currently subject to enforcement proceedings or insolvency proceedings being conducted in the Italian courts. Proceedings to recover amounts owed under the Claims will have to be pursued in the Italian courts which may involve significant delay and expenses or through negotiations with the borrowers thereunder. (See ''Selected Aspects of Italian Law Relevant to the Portfolio'').

The Claims are not insured or guaranteed against default by any governmental entity or by any insurer and there is no obligation of the Issuer or any other person to repurchase or replace any Claim except for the limited obligations of BNL to reimburse the Issuer in respect of any Claims which failed to meet the criteria on the Transfer Date and to remedy breaches of its representations and warranties made in the Transfer Agreement. (See ''Description of Principal Transaction Documents – Transfer Agreement'' and ''Certain Investment Considerations – Limited Representations, Warranties and Indemnities from BNL as Originator''). The Issuer will make no representations or warranties in the Notes or the Trust Deed concerning the collectability, value or other characteristics of any of the Claims.

Liens

Although BNL has warranted in the Transfer Agreement that the voluntary mortgages with respect to Fondiari Loans and Industriali Loans are all senior mortgage liens or junior mortgage liens which are economically equivalent to first mortgage liens, where either the debt of all prior liens has been extinguished or where prior liens are also part of the Portfolio, full due diligence has not been undertaken on the Portfolio and no assurance can be given that such warranty given by BNL is accurate. For example, the Issuer is unable to confirm whether or not such liens listed in Table 12 in ''The Portfolio'' below are actually subject to any senior lien held by third parties which could have a material adverse effect on the anticipated cashflows for the Issuer. (See also ''Certain Investment Considerations – Limited Representations, Warranties and Indemnities from BNL as Originator'').

Dependence upon and the Relationship between the Issuer, the Servicer and/or the Portfolio Adviser

The Issuer will be dependent upon its arrangements with SGC as the Servicer and/or Archon as the Portfolio Adviser to, *inter alia*, collect and realise upon the Claims and manage legal enforcement proceedings and accelerate the realisation of the Portfolio.

Pursuant to the terms of the Servicing Agreement the Servicer has, and pursuant to the terms of the Portfolio Advisory Agreement the Portfolio Adviser has, represented and warranted to the Issuer that each has

adequate resources to comply with their respective obligations under the Servicing Agreement and the Portfolio Advisory Agreement.

Failure of the Servicer and/or the Portfolio Adviser to perform their respective contractual obligations to the Issuer could have a material adverse impact upon its ability to collect and resolve the Claims, which could adversely affect the amount and timing of receipts with respect to the Claims. In the event of a material default by the Servicer under the Servicing Agreement and/or the Portfolio Adviser under the Portfolio Advisory Agreement that is not cured within any applicable grace period, the Issuer will have the right with the consent of the Security Trustee to replace the Servicer and/or the Portfolio Adviser.

No termination or resignation of the appointment of the Servicer under the Servicing Agreement and/or the Portfolio Adviser under the Portfolio Advisory Agreement, will become effective until a successor servicer and/or a successor portfolio adviser, as the case may be, (in each case approved by the Security Trustee) is appointed and shall have assumed the obligations of the Servicer and/or Portfolio Adviser, as the case may be. Such successor servicer and/or successor portfolio adviser would be required to assume responsibility for the provision of the services required to be performed under the Servicing Agreement and the Portfolio Advisory Agreement, respectively, for the Claims. The ability of a successor servicer and/or successor portfolio adviser to perform fully the required services would depend, *inter alia*, on the information, software and records available at the time of the relevant appointment. Given the limited availability of successor servicers and/or portfolio advisers in the Italian mortgage industry, there can be no assurance that a successor servicer and/or portfolio adviser would be found or that any successor servicer and/or portfolio adviser would be willing to accept such appointment or that a successor servicer and/or portfolio adviser would be able to assume and/or perform the duties of the Servicer pursuant to the Servicing Agreement and/or Portfolio Adviser pursuant to the Portfolio Advisory Agreement, as applicable. In such circumstances, the Issuer could attempt to sell the Portfolio, but there is no assurance that the amount received on such a sale would be sufficient to repay in full all amounts due to the Noteholders.

Neither the Security Trustee nor the Note Trustee has any obligation to assume the role or responsibilities of the Servicer or the Portfolio Adviser and neither of them will assume either role nor has either of the Security Trustee or the Note Trustee any obligation to seek to appoint a substitute servicer or substitute portfolio adviser, as the case may be, and neither of them will do so.

Administration by 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 respective various obligations under such documents to which they are each a party. In particular, without limitation to the foregoing, the timely payment of amounts due on the Notes may depend on the continued availability of the Hedges, and the continued availability of liquidity support under the Liquidity Facility Agreement.

If the short-term (or, as the case may be, long-term) unsecured, unsubordinated, unguaranteed debt rating of a Hedging Provider falls below that provided for in the Hedging Arrangements such person shall procure that its obligations are either guaranteed or assumed by a suitably rated financial institution or otherwise secured over collateral in an amount and on terms sufficient to insure that no outstanding rating by Fitch, Moody's or S&P in respect of the Notes, or any class thereof, will be adversely affected.

If a Relevant Event occurs under the Liquidity Facility Agreement, the Liquidity Facility Provider may be required to make available the Stand-by Facility in an amount equal to the then undrawn commitment under the Liquidity Facility and credit the same to the Liquidity Reserve Account (as defined below – see "Description of Principal Transaction Documents – Liquidity Facility and Liquidity Stand-by Facility").

Dependence on the Availability of Credit

The availability of credit to refinance borrowers and to finances sales of the Real Estate Assets (as defined in the Conditions) will be dependent upon economic conditions in the markets where the relevant properties are located, as well as the willingness and ability of lenders to make such credit available. There can be no assurance that the availability of funds in the credit markets will increase above, or will not contract below, current levels. In addition, the availability of assets similar to the Real Estate Assets and the availability of credit may affect the number of potential purchasers for the Real Estate Assets. The ability of the Issuer to pay the Notes in full will depend significantly on the Servicer's and Portfolio Adviser's ability or the ability of the borrowers to resolve or refinance the Claims. To the extent that credit is not available to finance such sales or refinancings, or less credit is available than assumed in preparing the Projected Cash Flows, the Issuer may be unable to make payments on the Notes in a timely fashion or in full.

Dependence on General Economic and Other Conditions

The ability of the Servicer and/or Portfolio Adviser to collect or resolve the Claims and the amounts realised therefrom will depend upon the condition of the Italian economy generally, as well as the economies in the regions in which the Real Estate Assets, or the borrowers or potential purchasers of the Real Estate Assets, are located. All of the Real Estate Assets are located in Italy. Changes in general or local economic and employment conditions, demographic trends, neighbourhood characteristics, real property taxes, zoning laws and laws and regulations affecting the building industry and the Real Estate Assets, or the borrowers or potential purchasers of the Real Estate Assets, among other factors, can also adversely affect the Servicer's and/or Portfolio Adviser's ability to realise cash flow from the Claims, the ability of potential purchasers to obtain financing to acquire the Claims in auction sales and the value of the Real Estate Assets. In addition, such changes may affect the disposition strategy for particular Claims or require greater than anticipated delays and expenses. There can be no assurance that such changes will not occur or that general or regional economic conditions will improve or will not deteriorate in the future.

Legal and Tax Considerations

Securitisation Law

As at the date of this Offering Circular, only limited interpretation of the application of the Securitisation Law has been issued by any Italian governmental or regulatory authority. 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.

Italian Usury Law

Italian Law No. 108 of 7th March 1996 (the "Usury Law") introduced legislation preventing lenders from applying interest rates equal to or higher than rates ("Usury Rates") set every three months on the basis of a Decree issued by the Italian Treasury (the last such Decree being issued in June 2001).

In some judgments issued during 2000, the Italian Supreme Court (*Corte di Cassazione*) ruled that the Usury Law applied both to loans advanced prior to and after the entry into force of the Usury Law. Moreover, according to a certain interpretation of the Usury Law (which was generally considered, in the Italian legal community, to have been accepted in the above mentioned rulings of the Italian Supreme Court), if at any point in time the rate of interest payable on a loan (including a loan entered into before the entry into force of the Usury Law or a loan which, when entered into, was in compliance with the Usury Law) exceeded the then applicable Usury Rate, the contractual provision providing for the borrower's obligation to pay interest on the relevant loan became null and void in its entirety.

The Italian Government has intervened in this situation with Law Decree No. 394 of 29th December 2000 ("Usury Law Decree" and together with the Usury Law, the "Usury Regulations"), converted into law by the Italian Parliament on 28th February 2001, which provides, *inter alia*, that interest is to be deemed usurious only if the interest rate agreed by the parties exceeds the Usury Rate applicable at the time the relevant agreement is reached. The Usury Law Decree also provides that, as an extraordinary measure due to the exceptional fall in interest rates in the years 1998 and 1999, interest rates due on instalments payable after 2nd March 2001 on loans already entered into on the date on which the Usury Law Decree came into force (such date being 31st December 2000) are to be substituted with a lower interest rate fixed in accordance with parameters fixed by the Usury Law Decree.

As the Usury Law Decree was converted into law at the end of February 2001, no official or judicial interpretation thereof is available as at the date of this Offering Circular. It should also be noted that the Usury Law Decree is currently being challenged on the grounds that it is contrary to the Italian Constitution and no assurance can be given as to the outcome of any such challenge.

Prospective Noteholders should note that the ability of the Issuer to maintain scheduled payments of interest and principal on the Notes may be adversely affected as a result of a Credit Facility being found to be in contravention of the Usury Regulations, thus allowing the relevant borrower to claim relief on any interest previously paid and obliging the Issuer in the future to accept a reduced rate of interest, or potentially no interest, payable on such Credit Facility.

Compounding of Interest (Anatocismo)

According to Article 1283 of the Italian Civil Code, in respect of a monetary claim or receivable, accrued interest may be capitalised from the date when any legal proceedings are commenced in respect of that monetary claim or receivable or following an agreement between the relevant parties executed after the

interest has become due, in each case, provided that interest is due from a period of not less than six months. Article 1283 of the Civil Code allows derogation from this provision in the event that there are recognised customary practices (*usi*) to the contrary. Banks in the Republic of Italy have traditionally capitalised accrued interest on a three monthly basis on the grounds that such practice could be characterised as a customary practice (*uso normativo*). However, a number of recent judgments from Italian courts (including the judgment from the Court of Cassation No. 2374/99) have held that such practices are not customary practices. Consequently if borrowers were to challenge this practice and such interpretation of the Italian Civil Code were to be upheld before other courts in the Republic of Italy there could be a negative effect on the returns generated from such Credit Facilities.

BNL has undertaken in the Transfer Agreement to indemnify the Issuer and hold it harmless in the event that the Credit Facilities and to the Claims deriving therefrom are deemed to contravene the Usury Regulations (see "Description of Principal Transaction Documents – Transfer Agreement" below). In this respect, it should be noted that Article 25 of Italian Legislative Decree No. 342 of 4th August 1999 ("Law No. 342") enacted by the Italian Government under a delegation granted pursuant to Italian Law No. 142 of 19th February 1992 has considered the capitalisation of accrued interest (*anatocismo*) made by banks prior to the date on which it came into force (19th December 1999). After such date, the capitalisation of accrued interest will still be possible upon the terms established by a resolution of the Interministerial Committee of Credit and Saving (C.I.C.R.) issued on 22nd February 2000. Law No. 342 has been challenged and the decision No. 425 of 17th December 2000 of the Italian constitutional court has declared as unconstitutional the provision of Law No. 342 regarding the validity of the capitalisation of accrued interest made by banks prior to the date on which Law No. 342 came into force.

Cost of Compliance with Certain Laws and Regulations

The Real Estate Assets are subject to various national and local statutes and regulations which may change from time to time. Failure by the borrowers or the Issuer to comply (together with an inability to remedy any such failure) and the costs of complying with such statutes and regulations could result in material diminution in the value of a Real Estate Asset which could, together with the possibility of limited alternative uses for a particular Real Estate Asset, result in a failure to realise the amounts projected in the cash flows analysis (see "Cash Flow Analysis" below).

Tax Treatment of the Issuer

The taxable income of the Issuer is determined without any special rights in accordance with Presidential Decree No. 917 of 22nd December 1986. Pursuant to the regulations issued by the Bank of Italy on 22nd March 2000 (*schemi di bilancio delle società per la cartolarizzazione dei crediti*), the assets and liabilities and the costs and revenues of the Issuer in relation to the securitisation of the Claims will be treated as off-balance sheet assets and liabilities, costs and revenues except only for overhead expenses and any other amount which the Issuer is allowed to retain out of the Issuer Available Funds to meet such overhead expenses. Based on the general rules applicable to the calculation of the net taxable income of a company, such taxable income should be calculated on the basis of accounting, i.e. on-balance sheet, earnings, subject to such adjustments as are specifically provided for by applicable income tax rules and regulations. On this basis, no taxable net income should accrue to the Issuer in the context of the securitisation of the Portfolio. It is, however, possible that the Ministry of Finance, the tax courts or another competent authority may issue regulations, letters, decisions or rulings relating to the Securitisation Law or give interpretation in respect of the applicable tax laws and regulations which might alter or affect the tax position of the Issuer as described above.

The interest accrued on the Interim Collection Account and the Issuer Expenses Account will be subject to withholding tax which, as at the date of this document, is levied at the rate of 27%.

Withholding Tax under the Notes

Payments under the Notes of any class may be subject to a deduction for Italian substitute tax in accordance with Legislative Decree No. 239 of 1st April 1996, as subsequently amended (any such deduction, a "Law 239 Withholding"). For example, any non-Italian beneficial owner of an interest payment relating to the Notes of any class (i) who is not resident, for tax purposes, in a country with which the Republic of Italy has a double taxation treaty which recognises the Italian fiscal authorities' right to the exchange of information or (ii) who is resident in such a country but cannot benefit from the provisions of the relevant double taxation treaty or (iii) who, although entitled to benefit from the provisions of a double tax treaty between the Republic of Italy and its country of tax residence providing for an exchange of information clause, does not comply in a timely manner with the procedure and requirements provided in order to be exempt from

Law 239 Withholding and/or has not filed an appropriate form (which as at the date of this Offering Circular is Form no. 116-IMP) required by Law 239 and/or any relevant applicable rules, will receive amounts of interest payable on the Notes net of Italian withholding tax. At the date of this Offering Circular such substitute tax is levied at the rate of 12.5% or such lower rate as may be applicable under the relevant double taxation treaty.

Without prejudice to the above, in the event that Notes of any class are redeemed in whole or in part prior to the date which is 18 months after the Issue Date, even in case of optional redemption or redemption for tax reasons, the Issuer will be required to pay an additional amount (tax) at a rate of 20% of interest accrued on the redeemed Notes up to the date of the early redemption.

Upon the occurrence of any withholding or deduction for or on account of tax from any payments under the Notes, none of the Issuer, the Trustees, the Paying Agents nor any other person shall have any obligation to pay any additional amount to any holder of Notes of any class.

Claims of Unsecured Creditors of the Issuer

By operation of Italian law, the right, title and interest of the Issuer in and to the Portfolio will be segregated from all other assets of the Issuer and any amounts deriving therefrom will be available on a winding up of the Issuer only (i) to satisfy, in accordance with the Post-Enforcement Priority of Payments, the obligations of the Issuer to the Noteholders and each of the other Issuer Secured Creditors and, (ii) to pay any other unsecured costs of the securitisation incurred by any other third party. Amounts derived from the Portfolio will not be available to any other creditors of the Issuer. In addition, the terms of the Security and Intercreditor Agreement will provide that no Issuer Secured Creditor can commence insolvency or winding up proceedings against the Issuer except in certain limited circumstances. However, under Italian law, any other creditor of the Issuer would be able to commence insolvency or winding up proceedings against the Issuer in respect of any unpaid debt. Prior to the winding-up of the Issuer, the Issuer will only be entitled to pay any amounts due and payable to any third parties who are not Issuer Secured Creditors in accordance with the Priority of Payments and the Transaction Documents. Following the winding-up of the Issuer, any insolvency proceedings would involve a liquidator taking control of the assets of the Issuer, which may result in delays in any payments due to the Noteholders and no assurance can be given as to the length or costs of any such insolvency proceedings.

Priority of Interest Claims

Pursuant to Article 2855 of the Italian Civil Code, the claims of a mortgage lender in respect of interest may be satisfied in priority to the claims of all other unsecured creditors in an amount equal to the aggregate of (i) the interest accrued at the contractual rate in the calendar year in which the initial stage of the foreclosure proceedings are taken and in the two preceding calendar years and (ii) the interest accrued at the legal rate (currently 3.5%) until the date on which the mortgaged property is sold. Any amount recovered in excess of this will be applied to satisfy the claims of any other creditor participating in the foreclosure proceedings. The mortgage lender will be entitled to participate in the distribution of any such excess as an unsecured creditor. The balance, if any, will then be paid to the borrower.

Where BNL as the Originator has calculated the Gross Book Value of certain Claims on the basis of the priority of interest at the contractual rate rather than the legal rate for any year other than the year of the foreclosure proceeding and the two preceding calendar years, these Claims may be overstated if and to the extent that a court rescinds the priority of accrued interest at the contractual rate and the lower legal rate (3.5%) is applied. The Cash Flow Analysis assumes that further interest in respect of Claims to which foreclosure proceedings apply is accrued at the lower legal rate.

Enforcement of Security Interests Granted over Italian Real Estate

The Portfolio consists of secured and unsecured debt obligations of persons resident in the Republic of Italy which have been classified by BNL as defaulted (*in sofferenza*) and distressed (*incagli*) (see "The Portfolio"). Cash flows to be generated by the Portfolio will be subject to the effectiveness of enforcement proceedings in respect of the Portfolio which in the Republic of Italy can take a considerable amount of time depending on the type of action required and where such action is taken. Factors which can have a significant effect on the length of the proceedings include the following: proceedings of certain courts involved in the enforcement of the Claims and realisation of the Real Estate Assets may take longer than the national average; obtaining title deeds from land registries which are in the process of computerising their records can take up to two or three years; further time is required if it is necessary first to obtain an injunction decree (*decreto ingiuntivo*) and if the borrower raises a defence or counterclaim to the proceedings. In the Republic of Italy it takes an

average of six to seven years from the time lawyers commence enforcement proceedings to the time an auction date is set for the forced sale of any assets.

Italian Law No. 302 of 3rd August 1998 (''Law 302''), allowing notaries to certify certain title matters and to conduct certain stages of the foreclosure procedures in place of the courts is expected to reduce the length of foreclosure proceedings by between two and three years, although at the date of this Offering Circular the impact which Law 302 will have on the Claims comprised in the Portfolio cannot be assessed. The projected cash flow analysis takes into account the delegation of actions to notaries pursuant to Law 302. (See ''Selected Aspects of Italian Law Relevant to the Portfolio'').

Rights of Set-Off and Other Rights of Borrowers

Under general principles of Italian law, borrowers under a Credit Facility are entitled to exercise rights of set-off in respect of amounts due under the relevant Credit Facility against any amounts payable by BNL to the relevant borrower. Under the terms of the Transfer Agreement, BNL has agreed to indemnify the Issuer in respect of any reduction in amounts received in respect of the Portfolio as a result of the exercise by any borrower of a right of set-off. (See ''Description of Principal Transaction Documents – Transfer Agreement'' below).

Limited Representations, Warranties and Indemnities from BNL as Originator

Under the Transfer Agreement, BNL has agreed to indemnify the Issuer for, *inter alia*, losses and liabilities incurred as a result of any representation or warranty being found to be untrue, incomplete or inaccurate in any material respect. However, any such representation and warranty is only expressed to be given for a period of 4 years from the Transfer Date, thereafter the right to be indemnified in respect of a breach of any such representation and warranty is lost. The other provisions of the Transfer Agreement will otherwise remain in effect in accordance with the terms thereof. Furthermore, the Issuer must request to be indemnified within 30 days of discovering that a representation or warranty is untrue, incomplete or inaccurate otherwise the right to be indemnified is lost. Neither of the Trustees is under any obligation and no action will be taken by either Trustee to require the Issuer to make any such request to be indemnified.

Under the terms of the Transfer Agreement, BNL has the right to call any Claim in respect of which an indemnity request has been made and BNL shall in such circumstances pay to the Issuer a call price equal to the relevant purchase price of such Claim (as was paid by the Issuer to BNL) and all accrued costs related to the Claim accrued at an agreed rate of interest commencing on the Valuation Date (as defined in the Transfer Agreement) up to the date BNL exercises its right to call.

In addition, in the event that any Claims do not meet the Criteria (as defined in the Transfer Agreement), and are erroneously included in the Portfolio, such Claims shall be deemed to have never been assigned and transferred to the Issuer and BNL is obliged to reimburse the Issuer for amounts paid in respect of such Claims together with an agreed rate of interest beginning from the date of payment by the Issuer to BNL of the relevant purchase price to the date of payment by way of reimbursement by BNL to the Issuer. No assurance can be given that either the limited due diligence analysis of the Portfolio conducted by SGC and Archon prior to its acquisition or the Servicer's or the Portfolio Adviser's subsequent administration of the Portfolio will be sufficient to identify all of the Credit Facilities or Real Estate Assets where a breach of representation and warranty may apply prior to the expiry of BNL's reimbursement obligation. (See ''Description of Principal Transaction Documents – Transfer Agreement'' and ''Investment Considerations – Limited Data and Due Diligence Relating to the Portfolio'').

Change of Law

The structure of the transaction and, *inter alia*, the issue of the Notes and ratings assigned to each class of Notes (except the Class R Notes) are based on Italian and English law, tax and administrative practice in effect at the date hereof, and having due regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to any possible change to Italian or English law, tax or administrative practice after the Issue Date.

Interests of the Noteholders of the Various Classes of the Notes

Because cash flows from the Portfolio will ultimately be applied to payments on the Notes of each class in accordance with the priorities described herein. (See ''Transaction Summary Information – Priority of Payments'' and ''Terms and Conditions of the Notes''.) The Servicer's and the Portfolio Adviser's decision as to when and how to hold, operate, sell, restructure or otherwise realise upon a particular Claim may affect the amount and timing of the realisation of proceeds thereon to the disadvantage of the Noteholders of one

class as against the others. Similarly, any decision whether to declare an Issuer Trigger Event may be more advantageous to one class of Noteholders as against the others.

Relationship between Noteholders and other Issuer Secured Creditors

The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Noteholders as if they formed a single class as regards all powers, trusts, authorities, duties and discretions of the Note Trustee but requiring the Note Trustee to have regard only to the interests of the Noteholders of the highest ranking class of Notes then outstanding if, in the Note Trustee's opinion, there is a conflict between the interests of such Noteholders and the interests of the Noteholders of any other subordinate class.

The Note Trustee may retire at any time upon giving not less than three months' prior notice in writing to the Issuer without assigning any reason therefor and without being responsible for any costs occasioned by such retirement. The retirement of the Note Trustee shall not become effective unless a replacement note trustee is appointed. The Issuer covenants in the Trust Deed that, in the event of a trustee (being a sole trustee or the only trust corporation) giving notice thereunder it shall use all its best endeavours to procure a new trustee of the Trust Deed (being a trust corporation) to be appointed as soon as reasonably practicable thereafter. The retirement or removal of any such trustee which would result in there being no trust corporation as a trustee of the Trust Deed shall not become effective until a successor trust corporation is appointed.

The Security and Intercreditor Agreement contains provisions requiring the Security Trustee to have regard to the interests of the Beneficiaries as a class as regards all powers, trusts, authorities, duties and discretions of the Security Trustee but requiring the Security Trustee, in the event of a conflict between the interests of the Noteholders and those of any other Beneficiaries or any combination of them to have regard only to the interests of the Noteholders or if, in the opinion of the Note Trustee, there is a conflict between the interests of the Noteholders of the highest ranking class of Noteholder and those of Noteholders of any other class or any other Beneficiaries, the interests of such highest ranking class, the interests of the Noteholders or any class of them being determined by the Note Trustee.

The Security Trustee may retire at any time upon giving not less than three months' prior notice in writing to the Issuer without giving any reason therefor and without being responsible for any costs occasioned by such retirement. The retirement or removal of the Security Trustee shall not become effective unless a replacement security trustee is appointed. The Issuer has covenanted in the Security and Intercreditor Agreement that, in the event of the Security Trustee giving notice thereunder it shall use its best endeavours to procure a new security trustee of the Security and Intercreditor Agreement to be appointed as soon as reasonably practicable thereafter.

Conflicts between the Residual Interest Holders and the Noteholders

Conflicts of interest between the Noteholders and the Residual Interest Holders may arise since no Residual Interest Holder nor any of their respective affiliates will be prohibited in any way from engaging in business activities similar to or competitive with those of the Issuer. The Residual Interest Holders and/or their respective affiliates intend to continue their present activities of actively acquiring and disposing of real estate related assets, including portfolios of assets similar to the Portfolio, in the ordinary course of their business. During the course of their business activities, the Residual Interest Holders and/or their respective affiliates may acquire, own, sell or finance properties and mortgage loans secured by properties which are in the same markets as, similar to and competitive with, the Portfolio. In such a case, the interests of some or all of the Class E Noteholders, the Class F Noteholders and the Class R Noteholders may differ from and compete with the interests of the other Noteholders though the rights of the Class E Noteholders, the Class F Noteholders and the Class R Noteholders are junior to those of the other Noteholders in accordance with the terms of the Transaction Documents. Payment of principal on the Floating Rate Notes is subordinate to payments of any Senior Additional Interest Amounts and, other than in respect of any Senior Additional Interest Amounts, interest and principal on the Class R Notes is paid after payment of interest and principal on the other Notes.

Conflicts between the Servicer and Portfolio Adviser and the Noteholders

The Noteholders are advised by the Servicer and Portfolio Adviser that the Servicer and Portfolio Adviser each intend to continue to service and actively manage assets and loans for third parties, including portfolios of assets similar to the Portfolio, in the ordinary course of their business. During the course of their business activities, the Servicer and/or the Portfolio Adviser may service mortgage loans and properties which are in the same markets or have the same borrowers and/or guarantors as the Real Estate Assets. Certain personnel of the Servicer and/or the Portfolio Adviser may perform services with respect to the Portfolio at

the same time as they are performing services with respect to assets in the same markets as the Real Estate Assets. In such a case, the interests of the Servicer and/or the Portfolio Adviser and their other clients may differ from and compete with the interests of the Noteholders and such activities may adversely affect the amount and timing of collections on or liquidations of the Portfolio.

The Issuer believes that the risks described above are the principal risks inherent in the transaction for Noteholders, but the inability of the Issuer to pay interest or repay principal on the Notes of any class may occur for other reasons and the Issuer does not represent that the above statements of risks are exhaustive. While the various structural elements described in this Offering Circular are intended to lessen some of these risks for Noteholders, there can be no assurance that these measures will be sufficient or effective to ensure the timely payment of all interest or the ultimate repayment of principal in respect of the Senior Notes and the Class E Notes and the ultimate payment of interest and principal on the Class F Notes and the Class R Notes.

The Portfolio

Overview

The Portfolio purchased by the Issuer comprises the following Claims:

(i) Mortgage loans (*mutui fondiari*) (the "Fondiari Loans"), secured and granted pursuant to mortgage financing contracts (the "Fondiari Loan Contracts"). Fondiari Loans are regulated by specific legislation, which grants certain rights to the mortgage lender which are not provided for by general legislation;

(ii) Industrial loans (*mutui industriali*) (the "Industriali Loans"), secured by voluntary and/or judicial mortgages on real estate assets and/or personal and corporate guarantees and are granted pursuant to loan or advance agreements or finance agreements (the "Industriali Loan Contracts"). The real estate assets which comprise the collateral of the Industriali Loans are not necessarily industrial in nature. Industriali Loans can be secured by residential, hospitality, office, industrial or other assets; and

(iii) Connected credit facilities (*ordinario*) (the "Connected Loans") in various technical forms not secured by mortgages and granted to borrowers of the Fondiari Loans and Industriali Loans pursuant to finance agreements in various technical forms (the "Connected Loans Contracts") (the Fondiari Loans, the Industriali Loans and the Connected Loans being hereinafter collectively referred to as the "Credit Facilities").

Loans by Type	No. of Loans	No. of Borrowers	GBV in Euros	% of Total
Industriali Loans	728	562	712,553,606	46.3%
Fondiari Loans	5,891	3,339	606,015,567	39.3%
Connected Loans	950	950	221,924,317	14.4%
TOTAL	7,569	3,948*	1,540,493,490	100.0%

* There are certain borrowers who appear in more than one category, therefore the total number of borrowers is less than the sum of the loan types.

Each of the Claims has been classified as defaulted (*in sofferenza*) or distressed (*incagli*) by BNL. The Claims consist of all rights arising under the Credit Facilities. See further "Selected Aspects of Italian Law Relevant to the Portfolio".

Valuations were carried out by Gabetti and Pirelli (each as defined below – see "The Servicer and Portfolio Adviser – Real Estate Valuations") on properties securing 68% of the Portfolio by GBV. In relation to these properties, the aggregate collateral value to GBV ratio for the related Claims was 84% on Claims of approximately €1,042 million by GBV. Extrapolations were made for the collateral value for the real estate securing the remainder of the Portfolio which was not valued. Based on the valuations and the extrapolated valuations, the aggregate estimated value of all the collateral in the Portfolio is €1,238 million, which represents 80% of GBV for the whole Portfolio.

A portion of the Claims have been resolved in that either the assets (if any) securing such Claims have been disposed of by (and for the account of) the Issuer or the Claims have been repaid by the relevant borrowers. In either case, the proceeds derived from such resolved Claims after the payment of amounts in respect of Issuer Expenses incurred up to and including the Issue Date will, on the Issue Date, be standing to the credit of the Interim Collection Account and/or the Issuer Collection Account and/or the Issuer Expenses Account.

The following tables provide an analysis of characteristics of the Portfolio by reference to GBV. The Tables have been calculated based on the database provided by BNL with adjustments made, where appropriate, on the basis of the due diligence and the servicing, except as specifically indicated otherwise. GBV has been calculated by reference to GBV outstanding as at 30th November 2000.

Table 1 – Geographic Distribution* of Fondiari and Industriali Loans by Macro-Region of Collateral

	No. of Loans	GBV in Euros	% of GBV
Central	2,663	531,196,167	40.3%
South	1,830	338,660,588	25.7%
North	847	176,987,376	13.4%
Islands	1,190	160,144,180	12.1%
Not Available	89	111,580,863	8.5%
TOTAL	6,619	1,318,569,173	100.0%

* Excludes Connected Loans. Regional Categorisation applied by SGC/Archon.

Table 1.1 – Geographic Distribution* of Fondiari Loans by Macro-Region of Collateral

	No. of Loans	GBV in Euros	% of GBV
Central	2,366	292,588,532	48.3%
South	1,659	150,474,498	24.8%
Islands	1,137	100,820,964	16.6%
North	729	62,131,573	10.3%
TOTAL	5,891	606,015,567	100.0%

*Regional Categorisation applied by SGC/Archon.

Table 1.2 – Geographic Distribution* of Industriali Loans by Macro-Region of Collateral

	No. of Loans	GBV in Euros	% of GBV
Central	297	238,607,635	33.5%
South	171	188,186,090	26.4%
North	118	114,855,803	16.1%
Islands	53	59,323,216	8.3%
Not Available	89	111,580,863	15.7%
TOTAL	728	712,553,606	100.0%

*Regional Categorisation applied by SGC/Archon.

Table 2 – Geographic Distribution* of Fondiari Loans by Region of Collateral

	No. of Loans	GBV in Euros	% of GBV
Abruzzo	472	51,752,650	8.5%
Basilicata	54	4,776,160	0.8%
Calabria	582	54,497,649	9.0%
Campania	462	41,261,927	6.8%
Emilia Romagna	87	8,280,638	1.4%
Friuli Venezia Giulia	11	1,071,298	0.2%
Lazio	1,317	182,122,884	30.1%
Liguria	114	10,781,091	1.8%
Lombardia	288	29,200,505	4.8%
Marche	126	10,352,326	1.7%
Molise	4	294,239	0.0%
Piemonte	158	11,549,137	1.9%
Puglia	561	49,938,762	8.2%
Sardegna	222	21,807,610	3.6%
Sicilia	915	79,013,354	13.0%
Toscana	320	34,854,930	5.8%
Umbria	40	4,930,864	0.8%
Valle d'Aosta	2	84,937	0.0%
Veneto	156	9,444,605	1.6%
TOTAL	5,891	606,015,567	100.0%

* Regional Categorisation applied by SGC/Archon.

Table 3 – Geographic Distribution* of Industriali Loans by Location of Collateral

	No. of Loans	GBV in Euros	% of GBV
Abruzzo	57	46,936,656	6.6%
Calabria	76	83,758,011	11.8%
Campania	65	70,380,922	9.9%
Emilia Romagna	21	21,349,055	3.0%
Friuli Venezia Giulia	1	556,783	0.1%
Lazio	140	114,977,969	16.1%
Liguria	4	9,244,906	1.3%
Lombardia	46	42,352,012	5.9%
Marche	31	23,486,591	3.3%
Molise	6	4,107,022	0.6%
Piemonte	39	25,362,072	3.6%
Puglia	30	34,047,157	4.8%
Sardegna	6	5,486,024	0.8%
Sicilia	47	53,837,191	7.6%
Toscana	32	21,726,595	3.0%
Trentino Alto Adige	1	9,256,852	1.3%
Umbria	10	6,023,746	0.8%
Veneto	27	28,083,177	3.9%
Not Available	89	111,580,863	15.7%
TOTAL	728	712,553,606	100.0%

* Regional Categorisation applied by SGC/Archon.

Table 4 – Geographic Distribution* of Fondiari Loans by Region of Tribunal

	No. of Loans	GBV in Euros	% of GBV
Abruzzo	467	50,884,622	8.4%
Basilicata	46	4,565,453	0.8%
Calabria	525	40,658,666	6.7%
Campania	452	31,755,911	5.2%
Emilia Romagna	84	7,530,092	1.2%
Friuli Venezia Giulia	11	1,071,298	0.2%
Lazio	1,245	152,618,753	25.2%
Liguria	108	8,868,729	1.5%
Lombardia	282	27,152,549	4.5%
Marche	123	9,722,191	1.6%
Molise	7	550,741	0.1%
Piemonte	155	10,577,669	1.7%
Puglia	555	46,049,197	7.6%
Sardegna	221	21,255,941	3.5%
Sicilia	912	78,246,086	12.9%
Toscana	313	40,078,785	6.6%
Umbria	58	8,064,978	1.3%
Valle d'Aosta	2	84,937	0.0%
Veneto	116	7,269,742	1.2%
No Proceedings Commenced(1)	208	58,682,832	9.7%
Not Available	1	326,394	0.1%
TOTAL	5,891	606,015,567	100.0%

* Regional Categorisation applied by SGC/Archon.

(1) "No Proceedings Commenced" applies to specific Loans where commencement of legal proceedings was delayed because of negotiations with borrowers.

Table 5 – Geographic Distribution* of Industriali Loans by Region of Tribunal

	No. of Loans	GBV in Euros	% of GBV
Abruzzo	59	51,019,388	7.2%
Calabria	79	88,149,619	12.4%
Campania	75	76,017,382	10.7%
Emilia Romagna	20	15,638,385	2.2%
Friuli Venezia Giulia	1	556,783	0.1%
Lazio	167	139,484,871	19.6%
Liguria	8	15,423,263	2.2%
Lombardia	55	54,925,918	7.7%
Marche	37	27,198,962	3.8%
Molise	6	4,107,022	0.6%
Piemonte	40	34,550,616	4.8%
Puglia	35	37,775,888	5.3%
Sardegna	6	5,486,024	0.8%
Sicilia	49	57,323,191	8.0%
Toscana	38	27,557,147	3.9%
Trentino Alto Adige	1	9,256,852	1.3%
Umbria	12	9,379,663	1.3%
Veneto	29	30,226,905	4.2%
Not Available	11	28,475,726	4.0%
TOTAL	728	712,553,606	100.0%

* Regional Categorisation applied by SGC/Archon.

Table 6 – Type of Collateral for Fondiari Loans*

	No. of Loans	GBV in Euros	% of GBV
Residential	4,416	391,343,567	64.6%
Other	501	90,326,504	14.9%
Retail	588	71,456,741	11.8%
Office	216	29,269,950	4.8%
Hotel	22	11,997,103	2.0%
Industrial	30	2,815,111	0.5%
Not Available	118	8,806,590	1.5%
TOTAL	5,891	606,015,567	100.0%

*Collateral type categorisation by SGC/Archon.

Table 7 – Type of Collateral for Industriali Loans*

	No. of Loans	GBV in Euros	% of GBV
Industrial	160	298,558,242	51.5%
Other	57	108,518,626	18.7%
Residential	40	50,010,313	8.6%
Retail	23	39,243,545	6.8%
Warehouse	20	29,514,956	5.1%
Land	14	21,825,877	3.8%
Hotel	6	15,986,327	2.8%
Office	10	15,771,015	2.7%
TOTAL	330	579,428,900	100.0%

* Based on sample equating to 81.3% of the Industriali portfolio by GBV. Sample compiled from SGC data and, where available, BNL Database. The sample relates to larger borrower positions and is not necessarily representative. Collateral type categorisation by SGC/Archon.

Table 8 – Type of Collateral for Portfolio (extrapolated)*

	GBV in Euros	% of GBV
Residential	452,843,829	34.3%
Industrial	369,967,582	28.1%
Other	223,777,456	17.0%
Retail	119,716,552	9.1%
Office	48,664,381	3.7%
Warehouse	36,296,064	2.8%
Land	26,840,407	2.0%
Hotel	31,656,314	2.4%
Not available	8,806,590	0.7%
TOTAL	1,318,569,173	100.0%

*This table is based upon a sum of the GBV data in Table 6 and a *pro rata* extrapolation of the data in Table 7.

Table 9 – Breakdown by GBV Size of Fondiari Loans

(in €,000s)	No. of Loans	GBV in Euros	% of GBV
< 50	1,284	28,937,545	4.8%
50-100	3,318	245,887,140	40.6%
100-200	967	125,720,673	20.8%
200-500	222	62,755,835	10.3%
500-1,000	52	33,378,890	5.6%
1,000-2,000	28	38,584,955	6.4%
2,000-5,000	18	53,763,829	8.9%
5,000-10,000	2	16,986,701	2.9%
> 10,000	—	—	0.0%
TOTAL	5,891	606,015,567	100.0%

Table 10 – Breakdown by GBV Size of Industriali Loans

(in €,000s)	No. of Loans	GBV in Euros	% of GBV
< 50	19	505,687	0.1%
50-100	13	1,019,405	0.1%
100-200	35	5,230,707	0.7%
200-500	210	82,922,073	11.6%
500-1,000	256	184,710,575	25.9%
1,000-2,000	132	178,341,806	25.0%
2,000-5,000	46	133,144,661	18.7%
5,000-10,000	15	103,573,788	14.5%
> 10,000	2	23,104,904	3.2%
TOTAL	728	712,553,606	100.0%

Table 11 – Breakdown of Total Borrower Exposure

	No. of Loans	No. of Borrowers	GBV in Euros	% of GBV
Exposures over 1.50%	126	1	24,685,099	1.6%
Exposures over 1.00-1.50%	85	3	52,914,190	3.4%
Exposures over 0.50-1.00%	42	14	139,623,540	9.1%
Exposures below 0.50%	7,316	3,930	1,323,270,661	85.9%
TOTAL	7,569	3,948	1,540,493,490	100.0%

Table 12 – Lien Seniority*

	No. of Loans	GBV in Euros	% of GBV
First	6,341	1,026,503,640	77.8%
Second	69	70,628,606	5.4%
Third or More	23	18,371,584	1.4%
Not Available	186	203,065,344	15.4%
TOTAL	6,619	1,318,569,173	100.0%

*BNL has represented that all Fondiari Loans are first rank or the economic equivalent. Table 12 excludes Connected Loans as they are unsecured.

Table 13 – Bankrupt and Non-Bankrupt Loans*

	No. of Loans	GBV in Euros	% of GBV
Fondiari Loans			
Bankrupt	755	88,398,820	14.6%
Not Bankrupt	5,136	517,616,746	85.4%
Total Fondiari	5,891	606,015,567	100.0%
Industriali Loans			
Bankrupt	446	448,611,109	63.0%
Not Bankrupt	194	152,741,160	21.4%
Not Available	88	111,201,337	15.6%
Total Industriali	728	712,553,606	100.0%
Total Fondiari Loans and Industriali Loans			
Bankrupt	1,201	537,009,929	40.7%
Not Bankrupt	5,330	670,357,907	50.8%
Not Available	88	111,201,337	8.4%
TOTAL	6,619	1,318,569,173	100.0%

*Excludes Connected Loans.

Table 14 – Fondiari Loans: Breakdown by *Contenzioso* Transfer Date*

	No. of Loans	GBV in Euros	% of GBV
1990 and Prior	829	74,477,808	12.3%
1991	336	32,039,491	5.3%
1992	277	25,002,007	4.1%
1993	395	34,777,572	5.7%
1994	704	67,125,925	11.1%
1995	468	39,487,877	6.5%
1996	658	63,361,210	10.5%
1997	678	61,529,736	10.2%
1998	711	83,387,094	13.8%
1999	428	40,158,379	6.6%
2000	184	24,483,151	4.0%
Not Transferred	208	58,682,832	9.7%
Not Available	15	1,502,483	0.2%
TOTAL	5,891	606,015,567	100.0%

*The *contenzioso* transfer date was the date of transfer of a loan file to the workout department of BNL, which occurred after the Loan became non-performing.

Table 15 – Legal Status of Fondiari Loans*

	No. of Loans	GBV in Euros	% of total Sample
No Proceedings Commenced(1)	40	24,884,611	8.9%
Initial Proceedings	47	5,993,209	2.1%
Production of Documents	237	30,507,396	10.9%
First Hearing	475	87,370,395	31.3%
CTU	202	17,515,173	6.3%
Pre Auction Hearing	327	24,159,822	8.7%
Auction	353	37,854,856	13.6%
Distribution	6	246,888	0.1%
Bankruptcy(2)	296	50,336,923	18.1%
TOTAL	1,983	278,869,273	100.0%

* This data table comprises data collected by SGC and not from the BNL Database and represents 46% of all Fondiari Loans by GBV.

(1) "No Proceedings Commenced" applies to specific Loans where commencement of legal proceedings was delayed because of negotiations with borrowers.

(2) Bankruptcy includes Loans in all stages of the foreclosure process where the borrower is bankrupt. The other categories do not include Loans under Bankruptcy.

Table 16 – Legal Status of Industriali Loans*

	No. of Loans	GBV in Euros	% of total Sample
No Proceedings Commenced(1)	27	40,346,318	7.5%
Initial Proceedings	2	1,004,163	0.2%
Production of Documents	5	4,217,127	0.8%
First Hearing	22	25,687,271	4.7%
CTU	5	5,939,736	1.1%
Pre Auction Hearing	10	22,129,152	4.1%
Auction	106	170,271,795	31.5%
Distribution	9	5,547,798	1.0%
Bankruptcy(2)	204	266,220,516	49.2%
TOTAL	390	541,363,877	100.0%

* This data table comprises data collected by SGC and not from the BNL Database and represents 76% of all Industriali Loans by GBV.

(1) "No Proceedings Commenced" applies to specific Loans where commencement of legal proceedings was delayed because of negotiations with borrowers.

(2) Bankruptcy includes Loans in all stages of the foreclosure process where the borrower is bankrupt. The other categories do not include Loans under Bankruptcy.

The Servicer and Portfolio Adviser

The Servicer

S.G.C. Società Gestione Crediti S.p.A.

SGC was formed in 1988 to service non-performing residential, commercial and unsecured loans in Italy. Since that time, SGC has purchased and managed approximately 70,000 unsecured and secured non-performing loans ("NPLs") with an aggregate GBV of approximately €750 million. Additionally, SGC has managed approximately 18,000 secured NPLs on an agency basis for third parties (including BNL) with an aggregate GBV of approximately €1.25 billion and previously managed approximately 1,000 of the loans in the Portfolio on an agency basis. Since 2000, SGC has managed four privately securitised portfolios with an aggregate GBV of approximately €2 billion.

SGC's core skills are:

(a) Knowledge of Italian foreclosure insolvency proceedings

- SGC was founded in 1988 to provide expertise on the Italian foreclosure and insolvency proceedings as well as out-of-court settlements for Italian banks; SGC's business is focused entirely on defaulted loan management
- Experience managing secured and unsecured claims throughout Italy both for Italian banks and international investors as well as its own portfolio
- Branches in Milan, Rome and Naples to enhance tribunal-specific knowledge as well as to facilitate contact with local borrowers, lawyers and consultants

(b) Tenured local asset management team

- Senior management have worked within SGC on average for at least 5 years and in the entire company the average employment tenure is 3 years
- Junior asset managers have a minimum of 2 years' previous experience within an Italian law firm

(c) Portfolio management

- Assessing the value of real estate collateral with external real-estate specialists
- Maintaining contact with individual borrowers while assessing the borrowers' net worth and financial position
- Active monitoring of a network of external lawyers and real estate advisers
- Cash management

(d) Technology

- Use of computerised data management systems and software specifically adapted for SGC

SGC's internal control and management structure is designed to address the most significant issues associated with servicing NPLs in Italy, namely the timing of recoveries, the costs of recovery and the likely value of the collateral at auction. Each asset manager prepares regular reports that highlight the status of legal and recovery proceedings as well as the progress of any negotiations for an out-of-court settlement. These portfolio reports shape each manager's agenda on an ongoing basis and serve to monitor the success of various resolution strategies.

SGC, as at the date of this Offering Circular, has 74 employees and is rated as an "Approved Special Servicer" in Italy by Fitch.

The information contained in the preceding paragraphs has been provided by SGC, and SGC takes responsibility therefor, for use in this Offering Circular. Save for the preceding paragraphs SGC and its affiliates have not been involved in the preparation of, and do not accept responsibility for, this Offering Circular as a whole.

The Portfolio Adviser

Archon Group Italia

Archon and its affiliate, Archon Group, L.P. ("Archon Group"), an affiliate of The Goldman Sachs Group, Inc., are part of a global asset management organisation with 2,500 employees located in the United States of America, Italy, France, Germany, Mexico, Korea, Thailand and Japan and currently manage over U.S.$14.2 billion (equivalent) of assets globally. In addition to acting as portfolio adviser for approximately

12,000 NPLs in Italy with an aggregate Gross Book Value in excess of €3.2 billion, Archon also acts as asset manager for €1.9 billion of real estate property acquisitions in Italy.

Archon's core skills are:

(a) Loan asset management
- Managing NPLs through judicial and out-of-court processes
- Experience gained via Archon Group in recovery procedures including out-of-court settlements, loan restructurings and compromise negotiations
- Experience with litigation, bankruptcy and foreclosure procedures in each market in which it has a presence

(b) Real estate asset management
- Real estate valuation and management
- Capacity to maximize property value through leasing, strategic capital expenditure and repositioning in the market

(c) Portfolio management
- Overseeing asset management activity
- Analysing of data and investor reporting

(d) – Use of computerised data management systems and proprietary software specifically designed for Archon

Archon, as at the date of this Offering Circular, has total personnel of 63.

Archon Group is rated as a "Strong" servicer by S&P and "CSS1" by Fitch in the United States of America, and "Above Average (Positive Outlook)" by S&P in France.

The information contained in the preceding paragraphs has been provided by Archon, and Archon takes responsibility therefor, for use in this Offering Circular. Save for the preceding paragraphs Archon and its affiliates have not been involved in the preparation of, and do not accept responsibility for, this Offering Circular as a whole.

Relationship between Archon and SGC

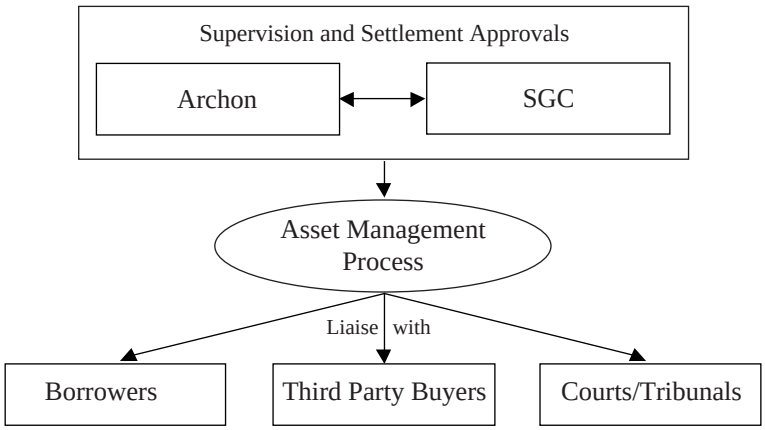
Pursuant to the Portfolio Advisory Agreement and the Servicing Agreement, Archon and SGC, respectively, have agreed to manage the Portfolio on behalf of the Issuer. Pursuant to the Portfolio Advisory Agreement, Archon as the Portfolio Adviser has agreed to provide certain administration services with respect to the Claims as well as general strategic advisory, consultation and support services with respect to the management of the Portfolio and resolution of the Claims. SGC has been appointed the Servicer in compliance with the Securitisation Law to provide certain services in connection with the collection of and administration of payments relating to the Claims which, pursuant to the Securitisation Law, are required to be undertaken by a company enrolled with the Special Registry provided for under Article 107 of the Banking Act. The Servicer will exercise all reasonable care to ensure the compliance of the securitisation to the Securitisation Law and in particular to monitor that the services provided by the Portfolio Adviser under the Portfolio Advisory Agreement are being provided in compliance with the provisions of the Securitisation Law. SGC will also prepare monthly and semi-annual reports detailing Collections and Recoveries and the payment of any fees and expenses relating to the Claims.

The arrangement between SGC and Archon combines SGC's knowledge of Italian legal processes and Archon's experience of out-of-court resolution and Archon Group's global experience of managing large NPLs and real estate portfolios.

Close co-operation and co-ordination between SGC and Archon provides for the continual monitoring of the resolution of Claims, meetings to discuss specific Claims and recovery strategies, regular comparisons/reconciliations of business plans to actual status, and regular updates on the status of legal proceedings relating to the Claims.

Factorit S.p.A. is the owner of 100% of the share capital of SGC. Archon and Factorit S.p.A. have been discussing the possible purchase by the Archon Group and/or its affiliates of the entire issued share capital of SGC. The parties have reached an understanding with respect to the price and the other primary economic terms of the SGC acquisition, and subject to board and applicable regulatory approvals and the resolution of a few remaining secondary issues the parties expect that the acquisition will be completed prior to the end of 2001.

The structure for the servicing of the Portfolio is as follows:



Limited Due Diligence

Archon and SGC conducted certain limited due diligence on the Portfolio which included, amongst other things, an examination of a sample of original loan files relating to some Claims, including a legal review, commissioning reports from and liaising with local real estate and foreclosure specialists and discussions with current borrowers.

Archon and SGC have prepared business plans for the largest 101 borrower exposures in the Portfolio, equating to approximately 37% of the Portfolio by GBV (the "Business Plans").

In addition, Archon and SGC have conducted a legal review, updating the status of the borrower exposures in the legal process, on approximately 62% of the Portfolio by GBV. On an ongoing basis, Archon and SGC will prepare business plans for each borrower exposure and all collateral in relation to that exposure. The key features of these business plans will be: a detailed legal summary, full collateral valuations, a consideration of the different potential resolution strategies for each exposure, a decision as to the most appropriate strategy to pursue, an estimation of the time required to achieve resolution and an estimation of the disposal value at which the underlying collateral is likely to be realised in the case of the chosen strategy.

Real Estate Valuations

Valuations were carried out by Gabetti Patrigest S.p.A. ("Gabetti") and Pirelli & C. Agency S.p.A. ("Pirelli") on properties securing claims corresponding to 487 borrowers representing 68% of the total GBV of the Portfolio.

Gabetti and Pirelli followed comprehensive instructions of the Portfolio Adviser in order to produce open market values of the Real Estate Assets (as defined in the Conditions). These instructions included the type of site visit to be conducted, the extent of comparables (both rent and sale when available) and other aspects of the valuations. Preliminary valuations were reviewed by the Portfolio Adviser and, where necessary, Gabetti and Pirelli were required to conduct further assessments before presenting their final valuations.

For the Real Estate Assets securing the 101 largest positions (representing 37% of the total GBV of the Portfolio), in addition to the valuations conducted by Gabetti and Pirelli, the Portfolio Adviser carried out independent assessments of value. These independent assessments of value were carried out for these positions principally because the Real Estate Assets securing these Claims tend to be large properties and so liquidity in the local property market was a concern. This is especially important as the realisations on these large Claims, both in terms of amount and timing, could have a significant impact on the Portfolio level cashflow. Based upon these independent assessments of value, the Gabetti and Pirelli valuations were reduced on a Claim by Claim basis as part of the detailed business planning process for these Claims. The average reduction for the collateral securing this group of Claims was 10%. These reduced valuations were used for projecting cash flows. (See "Cash Flow Analysis" below).

Gabetti is a firm of the Gabetti Group S.p.A., a leading Italian real estate company founded in 1949. The Group operates 115 branch offices throughout Italy employing over 600 sales and support staff. In addition 321 franchises complete coverage of the entire national territory.

The Group provides services in the areas of sales, purchases, leasing, market research, evaluation, feasibility studies and financial agency services, including asset and property management to corporate and institutional clients.

The Patrigest branch has developed a specific expertise in dealing with NPL management, operating as adviser and servicer for Italian banks and international investors.

The information contained in the preceding paragraphs in so far as it is in respect of Gabetti and Patrigest has been provided by Gabetti, and Gabetti takes responsibility therefor, for use in this Offering Circular. Save for the preceding paragraphs Gabetti and its affiliates have not been involved in the preparation of, and do not accept responsibility for, this Offering Circular as a whole.

Pirelli is an Italian based real estate agency and advisory company. It is a wholly-owned subsidiary of Pirelli & C. Real Estate S.p.A. which is a market leader as one of Italy's largest real estate asset management and service providing companies. The group currently has 500 direct employees and has a significant presence throughout Italy. Pirelli provides a wide range of services for both occupiers and investors of real estate including the brokerage of investment properties, the letting and sale of properties to end users, as well as providing specialist consultancy services for planning and technical matters, plus strategic and valuation advice to investors of large real estate portfolios.

The information contained in the preceding paragraph in so far as it is in respect of Pirelli and Pirelli & C. Real Estate S.p.A. has been provided by Pirelli, and Pirelli takes responsibility therefor, for use in this Offering Circular. Save for the preceding paragraph, Pirelli and its affiliates have not been involved in the preparation of, and do not accept responsibility for, this Offering Circular as a whole.

Asset Management Activities

SGC and Archon will together plan the overall strategy and undertake the resolution of Claims with a view to maximising, net of costs, the present value of Collections and Recoveries in respect of the Claims. The process of managing a specific position, or group of loans with a common borrower, begins with a review of the file supplied by BNL, a legal review of the loans, security for the loans and the status of any legal proceedings, a valuation and review of the collateral for the loan including the collateral securing such loan, any borrower guarantees and contact with the borrower. Once these reviews have been conducted, the asset manager assigned to the specific position must determine the optimal resolution strategy and the expected cashflow to be generated by such a strategy. This strategy, along with a description of the position and the collateral, is collated in the form of a written business plan. In preparing this business plan, the asset manager will draw on the expertise of SGC's and Archon's legal and real estate experts and also any third party experts or subcontractors that the asset manager deems appropriate, for instance local real estate brokers and lawyers. A committee whose membership will depend on the size of the position concerned would then review the asset manager's business plan. The committee will review the strategy proposed and the projected timing and will either ask the asset manager to revise the strategy, often with a request to gather additional pertinent information, or approve the business plan. The approved business plan will then provide the basis by which senior management will assess the progress being made on resolution of that loan and the performance of the asset manager. Business plans are systematically reviewed annually or more frequently in the light of developments that might cause the optimal strategy to be adjusted.

Once the business plan has been approved, the asset manager proceeds to execute the strategies set out in the relevant business plan. This may involve monitoring and facilitating the legal foreclosure process via local lawyers and notaries, pursuing negotiations with the borrower for a discounted payoff or, in the case of a bankrupt borrower, finding buyers for the collateral and then working with the receiver to expedite the sale of the collateral. In most cases, two or more strategies for recovering on the position will be followed simultaneously.

In addition to the activities described above, asset management also involves monitoring the positions and the progress in resolving them at the portfolio level both to provide extensive and timely investor reporting and also to allow senior management at SGC and Archon to discern any patterns in recoveries that might suggest improvements in the business planning and recovery execution processes.

Resolution Strategies

Key strategies in the servicing of the Portfolio include loan liquidation restructurings, out-of-court settlements with borrowers, and foreclosure and repossession.

Archon, in consultation with SGC, will seek to employ any one strategy or a combination of strategies in resolving each borrower exposure in order to realise maximum value from the assets in the Portfolio. The decision as to the most effective resolution strategy will take into account the projected time required to achieve resolution as well as the ultimate value projected to be realised. Archon employs a number of different valuation techniques in considering the projected disposal value, including review of sales data from comparable properties, capitalisation of the current or potential income of a property and the replacement cost of the property. In many cases, Archon, in consultation with SGC, will progress legal proceedings while attempting to reach out-of-court settlements with borrowers. This approach provides an alternative in case the negotiations with borrowers are not successful.

In choosing the optimal strategy, Archon will calculate the projected net proceeds of each strategy, taking into account the estimated income and expenses which will accrue. Once the likely disposal value has been assessed, Archon will make adjustments to this projected value based upon, *inter alia*, estimates of costs associated with taxes and insurance, capital improvements, settlement of the claims of any other lienholders, early lease termination expenses, costs relating to the acquisition and/or sale of the relevant property, as well as maintenance and management costs, where applicable, and will use such adjusted value in its communications with SGC. Assumptions will also be made as to the likely period of time required to achieve disposal of the property under consideration by examining sales data from comparable properties, soliciting potential purchasers and an analysis and review of the foreclosure auction process.

Cash Flow Analysis

The hypothetical cash flow scenarios set out below should not be assumed to be a prediction of future performance. Actual performance is subject to factors largely or in some cases (for example, general economic conditions and the condition of the Italian real estate markets), entirely outside the control of the Issuer, the Servicer and the Portfolio Adviser. Consequently, no assurance can be given that any of the illustrative performance scenarios set out below will prove in any way to be realistic, and they must therefore be viewed with considerable caution. (See also "Certain Investment Considerations".)

Sources of Payments

The main sources of cash generated by the Portfolio include payments received from the sale of Real Estate Assets at auction, proceeds of extra-judicial settlements, operating income and voluntary loan repayments. Most important of these are the disposition proceeds (the "Disposition Proceeds") generated through the resolution of Credit Facilities, either by judicial resolution, out-of-court settlement or voluntary sale. Estimation of the amount and timing of the receipts of Disposition Proceeds is a key component of the Business Plans prepared by the Servicer and the Portfolio Adviser in respect of each Credit Facility.

Operating income is generated primarily by the rental income from the Portfolio or voluntary assignment of rents. On the Transfer Date, the amount of operating income that could be obtained from the Portfolio was difficult to determine. Consequently, a projected amount of operating income has not been incorporated into the Projected Cash Flow other than in respect of a limited number of Loans where they have been included in the Business Plans.

While all of the Credit Facilities can be defined as defaulted or distressed, a number of borrowers may make partial payments on their obligations from time to time. Both the amounts and timing of such receipts is often variable. Accordingly, other than in respect of a limited number of Loans where they have been included in the Business Plans such payments have not been taken into account in the estimates of cash flows used herein. In addition, no value been ascribed to personal guarantees or to moveable assets (e.g. inventory) pledged pursuant to Industriali Loans.

Cash Flow Scenarios

The hypothetical cash flow scenarios (the "Cash Flow Tables") set forth below have been prepared to assist potential investors in evaluating the impact on the Weighted Average Life, Payment Windows, Coverage Amount (each as defined below) and Expected Maturity Date for each class of Notes resulting from certain assumed variations in (i) the amount of Disposition Proceeds received with respect to the Portfolio and (ii) the timing of receipt of Disposition Proceeds, in each case as compared to the Projected Cash Flows (the "Base Case").

The Projected Cash Flows were based upon the Business Plans and a series of assumptions. Therefore, the Projected Cash Flows depend upon many factors, including, but not limited to, the value of the collateral, the stage of the legal proceedings against the borrower and the court or tribunal in which the proceedings are taking place and whether the borrower is in bankruptcy. In some cases, certain factual information relevant to the Business Plans were not yet available, (for instance whether a personal guarantee was collateralised or not) and in these cases, assumptions were made. In addition, data relating to legal status and/or collateral value was not always available for all Claims. In such circumstances, the Projected Cash Flows calculated relied upon extrapolations and assumptions, principally as to collateral value and legal status.

For the properties that were not valued by Gabetti and Pirelli, values were extrapolated from the valuations conducted on the Portfolio and also the approximately 2,000 property valuations conducted by Gabetti and Pirelli on a similar portfolio of NPLs previously purchased from BNL in 1999 in a separate transaction.

For the purposes of Projected Cash Flows, property values were assumed to grow at rates of between 3% and 9% per annum depending on the region in which the property is located. These projected property values were then reduced by 10% when estimating future recoveries.

The Projected Cash Flows did not take into account that some of the Claims might have been resolved before the Issue Date and that some Collections and Recoveries may have been made prior to the Issue Date.

The Cash Flow Tables are not a prediction of whether there will be increases or decreases in Disposition Proceeds or accelerations or decelerations of the timing of receipt of Disposition Proceeds, as compared to the Base Case. The Cash Flow Tables do not purport to present an alternative to the possible outcomes that may occur.

It is expected that differences between the Projected Cash Flows and actual results will occur due to differences between actual events and conditions experienced and those assumed at the time the Projected Cash Flows were formulated. Such differences may have a material effect with respect to the timing and aggregate amounts of Disposition Proceeds. Changes in the timing and amount of Disposition Proceeds between those originally forecasted and those actually achieved will affect the Weighted Average Life, Payment Window, Coverage Amount and Expected Maturity Date for each class of Notes.

As used in the Cash Flow Tables below, the "Weighted Average Life" (or "WAL") of the referenced class of Notes is determined by (a) multiplying the amount of each estimated payment of principal thereof by the number of years from the Issue Date to the related Interest Payment Date; (b) adding the results; and (c) dividing the sum by the aggregate repayments of principal referred to in clause (a). The "Payment Window" for any class of Notes commences on the month and year in which principal payments commence and ends on the month and year in which the Notes of such class have been paid in full. The "Coverage Amount" for any class of Notes is the sum of (i) the amounts available for the payments of principal and interest on the remaining subordinate classes of Notes after the Notes of such class have been paid in full; (ii) an assessment of amounts that will be paid as interest, principal or Additional Interest on the Class R Notes after the Notes of such class have been paid in full.

The assumptions made for purposes of the Cash Flow Tables should not be construed as indicative of the range, magnitude or timing of resolutions or dispositions of Credit Facilities in the Portfolio, of the amount that may be received therefrom, of the actual amount and timing of expenses and liabilities incurred in the process.

The information contained in the Cash Flow Tables, which has not been audited or reviewed by independent public accountants and is presented for illustrative purposes only, should be viewed as hypothetical, and does not purport to represent the actual Weighted Average Life, Payment Window, Expected Maturity Date or Coverage Amount that will be experienced by any Noteholder of any class of Notes that will be provided by cash flows from the Portfolio, or the net amounts which will be received with respect to the Portfolio or the timing thereof. Consequently, prospective investors should conduct their own analysis of the effect of changes in the amount and timing of cash flows to the interest and principal payment performance of the Notes, utilising such assumptions as they deem appropriate. (See also "Certain Investment Considerations").

Cash Flow Tables

	Six Month Deceleration			Base Case			Six Month Acceleration		
	-5%	Base Case	+5%	-5%	Base Case	+5%	-5%	Base Case	+5%
Class A*									
WAL (No. of years)	2.39	2.34	2.28	1.91	1.86	1.82	1.61	1.59	1.56
Payment Window (semi-annual periods)	3/6	3/6	3/6	3/5	3/5	3/5	3/4	3/4	3/4
Expected Maturity Date	Sep 2004	Sep 2004	Sep 2004	Mar 2004	Mar 2004	Mar 2004	Sep 2003	Sep 2003	Sep 2003
Coverage Amount	280	322	365	304	347	390	322	364	407
Class B									
WAL (No. of years)	3.33	3.08	3.02	2.62	2.52	2.52	2.02	2.02	2.02
Payment Window (semi-annual periods)	6/7	6/7	6/6	5/6	5/5	5/5	4/4	4/4	4/4
Expected Maturity Date	Mar 2005	Mar 2005	Sep 2004	Sep 2004	Mar 2004	Mar 2004	Sep 2003	Sep 2003	Sep 2003
Coverage Amount	216	260	308	242	290	333	265	307	350
Class C									
WAL (No. of years)	3.52	3.52	3.29	3.02	2.84	2.54	2.45	2.16	2.02
Payment Window (semi-annual periods)	7/7	7/7	6/7	6/6	5/6	5/6	4/5	4/5	4/4
Expected Maturity Date	Mar 2005	Mar 2005	Mar 2005	Sep 2004	Sep 2004	Sep 2004	Mar 2004	Mar 2004	Sep 2003
Coverage Amount	167	211	255	193	236	280	211	254	301
Class D									
WAL (No. of years)	3.69	3.52	3.52	3.02	3.02	3.02	2.52	2.52	2.35
Payment Window (semi-annual periods)	7/8	7/7	7/7	6/6	6/6	6/6	5/5	5/5	4/5
Expected Maturity Date	Sep 2005	Mar 2005	Mar 2005	Sep 2004	Sep 2004	Sep 2004	Mar 2004	Mar 2004	Mar 2004
Coverage Amount	120	166	210	148	191	235	166	209	253
Class E									
WAL (No. of years)	4.02	3.68	3.52	3.36	3.02	3.02	2.56	2.52	2.52
Payment Window (semi-annual periods)	8/8	7/8	7/7	6/7	6/6	6/6	5/6	5/5	5/5
Expected Maturity Date	Sep 2005	Sep 2005	Mar 2005	Mar 2005	Sep 2004	Sep 2004	Sep 2004	Mar 2004	Mar 2004
Coverage Amount	90	135	180	116	161	205	135	179	223
Class F									
WAL (No. of years)	4.02	4.02	3.52	3.52	3.02	3.02	3.02	2.52	2.52
Payment Window (semi-annual periods)	8/8	8/8	7/7	7/7	6/6	6/6	6/6	5/5	5/5
Expected Maturity Date	Sep 2005	Sep 2005	Mar 2005	Mar 2005	Sep 2004	Sep 2004	Sep 2004	Mar 2004	Mar 2004
Coverage Amount	75	120	165	101	146	190	120	164	208

*In calculating the Cash Flow Tables, the Senior Additional Interest was assumed to be zero.

Principal Balances and Interest Rate on Notes

The information contained in the Cash Flow Tables reflects the aggregate initial principal balances and interest rates for each class of Notes, respectively, and is based upon the hypothetical variations in cash flows described above. For the purpose of producing the Cash Flow Tables, the terms of the Notes have also been varied, in certain respects, from the terms of the Notes as described in the Offering Circular: (i) interest is assumed to accrue on a semi-annual basis from the first day to the last day of a month and, with respect to each class of Notes, is calculated on the basis of a 365-day year consisting of twelve 30-day months; (ii) interest is assumed to accrue on each class of Floating Rate Notes at the relevant margin plus an assumed constant rate equal to the Euribor Swaps Curve as of 3rd July 2001; (iii) Interest Payment Dates are assumed to occur on the 1st day following each semi-annual period, commencing on 25th March 2002 (irrespective of whether such day is a Business Day); (iv) the Issue Date is assumed to be 18th September 2001; (v) the first Interest Payment Date is 25th March 2002; and (vi) notwithstanding the occurrence of an Issuer Trigger Event, all cash flows will be applied in accordance with priorities described under ''Transaction Summary Information – Pre-Enforcement Priority of Payments''. These assumptions differ in certain respects from the terms of the Notes as set out herein. See (''Transaction Summary Information – Summary of the Notes''.)

Timing of Cash Flow Within a Given Period

For the purposes of creating the Cash Flow Tables it is assumed that (i) all Disposition Proceeds are received or disbursed on the first day of the month in which they are anticipated to occur and (ii) reinvestment interest is earned at EURIBOR minus 0.1%.

Estimation of Servicing and Portfolio Advisory Fees

Servicing and portfolio advisory fees are estimated, for the purposes of the Cash Flow Tables, in accordance with Servicer Fees set forth in the Servicing Agreement and Portfolio Adviser Fees set forth in the Portfolio Advisory Agreement and principally include:

(i) Servicing fees of 0.75% per annum to be paid to the Servicer based on the Pro Rata Asset Balance (as defined in the Conditions);

(ii) A Servicer disposition fee of 0.75% on net disposition proceeds to be paid to the Servicer as and when Consideration (as defined in the Conditions) is collected;

(iii) Advisory fees of 1.25% per annum to be paid to the Portfolio Adviser based on the Pro Rata Asset Balance;

(iv) A Portfolio Adviser disposition fee of 0.25% on net disposition proceeds to be paid to the Portfolio Adviser as and when Consideration is collected.

Estimation of Fees in Connection with Dispositions

Court costs and legal fees are projected to cost in the aggregate approximately 4% of gross Disposition Proceeds.

Transaction Expenses

The commitment fee payable to the Liquidity Facility Provider is assumed to be equal to 0.25% per annum of the amount available under the Liquidity Facility, payable in semi-annual instalments on each Interest Payment Date.

Trustee fees, listing fees, corporate management fees and other miscellaneous fees and expenses are assumed to be an aggregate of approximately €100,000 for each Interest Period.

Changes in Disposition Values

Changes in disposition values are assumed to occur as a proportional increase or decrease of the Projected Cash Flows for each Interest Period. The assumption of proportionality of increases and decreases over the life of the securisation transaction is a simplifying assumption and it is very likely that in certain periods Collections and Recoveries may be lower or higher than projected.

Variations in Timing

Timing variations have been projected by assuming an acceleration and deceleration of 6 months, respectively, of Collections and Recoveries relating to the Projected Cash Flows.

In preparing the Cash Flow Tables, no modifications were made to the projected receipts and uses of cash to give effect to other factors that may affect the timing and amount of sources and uses of cash, including, but not limited to, changes in interest rates, the length of any period of bankruptcy or any restrictions imposed by such bankruptcy, the status of the Real Estate Assets, the effect of acceleration or deceleration in the timing of amounts received relative to the amounts that may actually be received with respect to any Real Estate Assets, or limitations that may be imposed by the contractual terms of documentation relating to the Portfolio. It is not likely that such factors will remain constant. Such factors, if taken into account, may significantly affect the hypothetical results set forth in the Cash Flow Tables.

The Issuer

Introduction

The Issuer was incorporated in the Republic of Italy pursuant to the Securitisation Law as a special purpose limited liability company *(società a responsibilità limitata)* on 17th May 2000 with its registered office at Corso Venezia No. 54, 20121 Milan, Italy registered with the Registry of Companies of the Chamber of Commerce of Milan, under Rec. No. 03546590260/2001 and with the R.E.A. (*Registro Economico Amministrativo*, Economic and Administrative Registry) of Milan under Rec. No. 1638849, and registered in the Special Registry held by the Bank of Italy pursuant to Article 107 of the Banking Act (as defined in the Conditions) under Rec. No. 32455.8. Since the date of its incorporation the Issuer has not engaged in any business other than transactions relating to the purchase of the Portfolio, no dividends have been declared or paid and no indebtedness, other than the Issuer's costs and expenses of incorporation, interim servicing fees and general corporate and administration fees has been incurred by the Issuer. The Issuer has no employees. The authorised quota capital of the Issuer is €10,329. The issued quota capital of the Issuer is €10,329, divided into two equal quotas each fully paid up. The quotaholders of the Issuer are Stichting Pantelleria and Stichting Lampedusa.

Principal Activities

The principal objects of the Issuer are set out in Article 2 of its by-laws (*statuto*) and are to acquire monetary receivables for the purposes of securitisation transactions and to issue asset backed securities.

So long as any of the Notes remain outstanding, the Issuer shall not, without the consent of the Note Trustee and as provided in the Conditions and the Trust Deed, incur any other indebtedness for borrowed moneys or engage in any business (other than acquiring, holding, managing and disposing of the Portfolio, issuing the Notes and entering into the Transaction Documents to which it is a party, and any ancillary transaction instrumental to the collection and recovery of the Claims), pay any dividends, repay or otherwise return any equity capital, have any subsidiaries, employees or premises, consolidate or merge with any other person or convey or transfer its property or assets to any person (otherwise than as contemplated in the Conditions, the Trust Deed or the Security and Intercreditor Agreement) or issue any quota.

The Issuer will covenant to observe, *inter alia*, those restrictions which are detailed in Condition 4 (Covenants).

Director and Secretary

The directors of the Issuer are as follows:

Name	Address	Occupation
Luciano Tavolotti	Via Biancospini 18, 20146 Milan, Italy	Investment Banker

The Issuer's registered office is located at Corso Venezia No. 54, 20121 Milan, Italy.

Capitalisation Statement

The capitalisation of the Issuer, as at the date of this Offering Circular, adjusted for the issue of the Notes on the Issue Date, is as follows:

	Euro
Quota capital	
€10,329 fully paid up	10,329
Borrowings(1)	
Class A Asset Backed Floating Rate Notes due 2011	384,000,000
Class B Asset Backed Floating Rate Notes due 2011	57,000,000
Class C Asset Backed Floating Rate Notes due 2011	49,000,000
Class D Asset Backed Floating Rate Notes due 2011	45,000,000
Class E Asset Backed Floating Rate Notes due 2011	30,000,000
Class F Asset Backed Floating Rate Notes due 2011	15,000,000
Class R Asset Backed Fixed Rate Notes due 2011	53,200,000

Note:

(1) In accordance with the Bank of Italy Comunicazione No 14890 dated 13th March 2000, the Notes are not part of the balance sheet or off-balance sheet accounts of the Issuer. They pertain to the segregated Portfolio and are only disclosed in the notes to the financial statements of the Issuer.

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

Accountants' Report

The following is the text of a report received by the directors of the Issuer from PricewaterhouseCoopers S.p.A., the external accountants to the Issuer.

"The Directors
ARES FINANCE S.r.l.
Corso Venezia No.54
20121 Milan
Italy

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB

and

J.P. Morgan Securities Ltd.
60 Victoria Embankment
London EC4Y 0JP

17th September 2001

Dear Sirs

ARES FINANCE S.r.l.

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the offering circular dated 17th September 2001 (the "Offering Circular") of ARES FINANCE S.r.l. (the "Company").

The Company was incorporated as a limited liability company (*società a responsibilità limitata*) on 17th May 2000 and has made up no statutory financial statements for presentation to its members and save for that disclosed in note 3 below, has not yet commenced to trade and has not declared or paid a dividend.

Basis of preparation

The financial information set out below is based on the financial records of the Company, prepared on the basis described in note 1, to which no adjustment was considered necessary.

Responsibility

The financial records are the responsibility of the directors of the Company.

The directors of the Company are 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 from the financial records, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial records underlying the financial information and whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our work 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 Company as at the date stated and complies with accounting standards and regulations applicable in Italy.

Financial information

The balance sheet of the Company as at 30th June 2001 is as follows:

	Notes	Euro
Cash at bank		7,076
Intangible fixed assets (start-up expenses)		1,035
Other assets		8,156
Total assets		16,267
Other liabilities		5,938
Quotaholders' equity	5	10,329
Total liabilities and quotaholders' equity		16,267

Notes to the financial information

1 Accounting policies

The balance sheet has been prepared in accordance with the historical cost convention and in accordance with accounting standards and regulations applicable in Italy.

2 Registration

During the period, the Company has applied for and obtained registrations in the Companies' Register of Treviso with the number 39346/2000 and in the Companies' Register of Milan with the number 28327/2001.

3 Trading activity

The Company has purchased the Portfolio (consisting of certain Claims originally owed to Banca Nazionale del Lavoro ("BNL"), of gross book value equal to Euro 1,540,493,490 on 21st December 2000 (the "Transfer Date") and also entered into, on the Transfer Date, an interim servicing agreement with BNL and others on the basis of which BNL agreed to administer and service the Portfolio on behalf of the Company. In return for the services provided, the Company agreed to pay BNL a fee as set out in the interim servicing agreement.

The information related to the Portfolio, based on the accounting standards currently applicable in Italy, have to be disclosed in the notes to the Financial Statements and are consequently not enclosed in the balance sheet.

Other than what is referred to above, the Company has not traded during the period from incorporation to 30th June 2001, nor did it receive any income, incur any expenses (other than the Company's costs and expenses related to its incorporation) or pay any dividends, nor did it employ any person.

4 Off balance sheet portfolio activity

During the six-month period ended 30th June 2001, loans with a net book value of loans totalling Euro 8,983,049 were resolved. As a result, a gain of Euro 3,857,433 was realised. The resulting residual net book value of the Portfolio as at 30th June 2001 was Euro 628,017,208.

5 Quota capital

The Company was incorporated with an authorised quota capital of Lire 20 million (Euro 10,329), comprising 20,000 quota of Lire 1,000 (Euro 0.51645) each.

Yours faithfully

PricewaterhouseCoopers S.p.A."

Banca Nazionale del Lavoro

Founded in 1913 as "Instituto di Credito per la Cooperazione" a credit provider to cooperatives, it changed its name to Banca Nazionale del Lavoro (BNL) in 1929 and subsequently grew into a full commercial bank. BNL transformed itself from an Italian state bank (80% owned by the Italian Treasury) into a limited company in 1992 and in 1998 it was privatised through a combined IPO and private placement. Through the private placement, approximately 25% of the capital was placed with Banco Bilbao Vizcaya Argentaria (10.1%), Banca Popolare di Vicenza (7.8%) and INA (7.3%).

BNL provides an extensive range of banking and financial services, including short-term and long-term credit, factoring and leasing services and fund and investment management. Consolidated data as at 31st December 2000 report total assets of €91,464 million, total equity of €4,187 million and net income of €475 million.

The information contained in the preceding two paragraphs has been provided by Banca Nazionale del Lavoro, and Banca Nazionale del Lavoro takes responsibility therefor. Save for the preceding two paragraphs, Banca Nazionale del Lavoro and its affiliates have not been involved in the preparation of, and do not accept responsibility for, this Offering Circular as a whole.

The Liquidity Facility Provider

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

Barclays Bank PLC and its subsidiary undertakings (taken together, the "Group") are a United Kingdom based financial services group engaged primarily in the banking and investment banking businesses. In terms of assets employed, it is one of the largest financial services groups in the United Kingdom. The Group also operates in the financial markets of many other countries around the world. In addition to servicing domestic markets, it is a principal provider of coordinated global services to multinational corporations and financial institutions from the Group's operations in the world's main financial centres. Principal activities of the Group include retail and corporate banking, investment banking and insurance. The whole of the issued ordinary share capital of Barclays Bank PLC is owned by Barclays PLC, which is the ultimate holding company of the Group.

The short term unsecured obligations of Barclays Bank PLC are rated "F1+" by Fitch, "P-1" by Moody's and "A-1+" by S&P, and the long term obligations of Barclays Bank PLC are rated "Aa3" by Moody's and "AA" by S&P.

As at 31st December 2000, Barclays Bank PLC and it subsidiaries had total assets of £316,190 million, total net loans and advances of £198,536 million, total deposits of £208,724 million and shareholders' funds of £14,679 million (including non-equity reserves of £1,492 million). References in this paragraph to "£" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

The information contained in the preceding four paragraphs has been provided by Barclays Bank PLC, and Barclays Bank PLC takes responsibility therefor, for use in this Offering Circular. Save for the preceding four paragraphs, Barclays Bank PLC and its affiliates have not been involved in the preparation of, and do not accept responsibility for, this Offering Circular as a whole.

Hedging Providers

The Hedging Providers (which includes the Interest Rate Swap Provider and the Interest Rate Cap Providers) will each be a hedge counterparty whose ordinary business includes entering into interest rate and currency rate swaps, caps, collars, floors and other derivative products and the short-term unsubordinated and unsecured debt obligations of which are, as at the Issue Date, assigned a rating of at least F1 by Fitch, P-1 (Aa3 for its long term debt) by Moody's and A-1 by S&P.

Interest Rate Swap Provider

Morgan Guaranty Trust Company of New York will be the Interest Rate Swap Provider on the Issue Date.

Morgan Guaranty Trust Company of New York ("Morgan Guaranty") is a wholly owned bank subsidiary of J.P. Morgan Chase & Co. ("the Corporation"), a Delaware corporation whose principal office is located in New York, New York. The Corporation resulted from the merger on 31st December 2000 of J.P. Morgan & Co. Incorporated with The Chase Manhattan Corporation. Morgan Guaranty is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. Its business is subject to examination and regulation by Federal and New York State banking authorities. As of 30th June 2001, Morgan Guaranty and its subsidiaries had total assets of U.S.$201.0 billion, total net loans of U.S.$22.9 billion, total deposits of U.S.$46.4 billion, and stockholder's equity of U.S.$11.0 billion. As of 31st December 2000, Morgan Guaranty and its subsidiaries had total assets of U.S.$185.8 billion, total net loans of U.S.$24.4 billion, total deposits of U.S.$39.5 billion, and stockholder's equity of U.S.$10.9 billion. The merger of The Chase Manhattan Bank and Morgan Guaranty is currently scheduled to occur in October 2001.

Additional information, including the most recent Form 10-K for the year ended 31st December 2000 of J.P. Morgan Chase & Co. (formerly known as "The Chase Manhattan Corporation"), the 2000 Annual Report of J.P. Morgan Chase & Co. and additional annual, quarterly and current reports filed with the Securities and Exchange Commission by J.P. Morgan Chase & Co., as they become available, may be obtained without charge by each person to whom this official statement is delivered upon the written request

of any such person to the Office of the Secretary, J.P. Morgan Chase & Co., 270 Park Avenue, New York, New York 10017.

The information contained in the preceding paragraph has been provided by Morgan Guaranty Trust Company of New York, and Morgan Guaranty Trust Company of New York takes responsibility therefor, for use in this Offering Circular. Save for the preceding paragraph, Morgan Guaranty Trust Company of New York and its affiliates have not been involved in the preparation of, and do not accept responsibility for, this Offering Circular as a whole.

Interest Rate Cap Providers

Barclays Bank PLC

Barclays Bank PLC will be the Barclays Interest Rate Cap Provider on the Issue Date.

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

Barclays Bank PLC and its subsidiary undertakings (taken together, the "Group") are a United Kingdom based financial services group engaged primarily in the banking and investment banking businesses. In terms of assets employed, it is one of the largest financial services groups in the United Kingdom. The Group also operates in the financial markets of many other countries around the world. In addition to servicing domestic markets, it is a principal provider of coordinated global services to multinational corporations and financial institutions from the Group's operations in the world's main financial centres. Principal activities of the Group include retail and corporate banking, investment banking and insurance. The whole of the issued ordinary share capital of Barclays Bank PLC is owned by Barclays PLC, which is the ultimate holding company of the Group.

The short term unsecured obligations of Barclays Bank PLC are rated "F1+" by Fitch, "P-1" by Moody's and "A-1+" by S&P, and the long term obligations of Barclays Bank PLC are rated "Aa3" by Moody's and "AA" by S&P.

As at 31st December 2000, Barclays Bank PLC and it subsidiaries had total assets of £316,190 million, total net loans and advances of £198,536 million, total deposits of £208,724 million and shareholders' funds of £14,679 million (including non-equity reserves of £1,492 million). References in this paragraph to "£" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

The information contained in the preceding four paragraphs has been provided by Barclays Bank PLC, and Barclays Bank PLC takes responsibility therefor, for use in this Offering Circular. Save for the preceding four paragraphs, Barclays Bank PLC and its affiliates have not been involved in the preparation of, and do not accept responsibility for, this Offering Circular as a whole.

Goldman Sachs International

Goldman Sachs International will be the Goldman Interest Rate Cap Provider on the Issue Date.

Goldman Sachs International is a leading international investment banking organisation. Its activities include securities underwriting and distribution; trading of corporate debt and equity securities, sovereign debt and mortgage securities; trading of swaps and derivative instruments; mergers and acquisitions; financial advisory services for restructurings, private placements and lease and project financings; real estate brokerage and finance; merchant banking and stock brokerage and research. Services are provided to a substantial and diversified client base, which includes corporations, financial institutions, governments and individual investors. Goldman Sachs International is a subsidiary of The Goldman Sachs Group, Inc. For the year ended November 2000, The Goldman Sachs Group, Inc. reported in its consolidated financial statements revenues net of interest of U.S.$16.59 billion, net earnings of U.S.$3.07 billion and total shareholders' equity of U.S.$16.53 billion.

The information contained in the preceding paragraph has been provided by Goldman Sachs International, and Goldman Sachs International takes responsibility therefor, for use in this Offering Circular. Save for the preceding paragraph, Goldman Sachs International and its affiliates have not been involved in the preparation of, and do not accept responsibility for, this Offering Circular as a whole.

Residual Interest Holders

As at the Issue Date it is anticipated that GSI and Whitehall 2001 will indirectly hold all the economic interest in the Class E Notes, the Class F Notes and the Class R Notes.

Whitehall 2001

The Whitehall Street Real Estate Limited Partnerships (collectively, the ''Whitehall Funds'') are private real estate investment funds sponsored and managed by Goldman, Sachs & Co. (together with its affiliates, ''Goldman Sachs''). Goldman Sachs is the single largest investor in each of the Whitehall Funds, which are its primary vehicles for acquisitions of real estate related investments. The first Whitehall Fund was formed in 1991, and Whitehall Street Global Real Estate Limited Partnership 2001, Whitehall Parallel Global Real Estate Limited Partnership 2001 and Whitehall Street International Real Estate Limited Partnership 2001 (collectively, ''Whitehall 2001''), the most recent group to be included in the Whitehall Funds, closed in May 2001, with U.S.$2.28 billion in committed equity. Real estate related investments in the European market are normally acquired and held by companies controlled by the Whitehall Funds which are established, resident and managed in The Netherlands.

From inception to 31st December 2000, the Whitehall Funds have invested and/or committed approximately U.S.$9.5 billion of equity to acquire investments representing an aggregate cost of approximately U.S.$31.1 billion (excluding third party ownership interests). As at the end of May 2001, the Whitehall Funds had indirectly through its affiliates made investments in Italy representing an aggregate cost of approximately U.S.$3.2 billion excluding third party ownership interests.

The information contained in the preceding two paragraphs has been provided by Whitehall 2001, and Whitehall 2001 takes responsibility therefor, for use in this Offering Circular. Save for the preceding two paragraphs, Whitehall 2001 and its affiliates have not been involved in the preparation of, and do not accept responsibility for, this Offering Circular as a whole.

Goldman Sachs International

Goldman Sachs International is a leading international investment banking organisation. Its activities include securities underwriting and distribution; trading of corporate debt and equity securities, sovereign debt and mortgage securities; trading of swaps and derivative instruments; mergers and acquisitions; financial advisory services for restructurings, private placements and lease and project financings; real estate brokerage and finance; merchant banking and stock brokerage and research. Services are provided to a substantial and diversified client base, which includes corporations, financial institutions, governments and individual investors. Goldman Sachs International is a subsidiary of The Goldman Sachs Group, Inc. For the year ended November 2000, The Goldman Sachs Group, Inc. reported in its consolidated financial statements revenues net of interest of U.S.$16.59 billion, net earnings of U.S.$3.07 billion and total shareholders' equity of U.S.$16.53 billion.

The information contained in the preceding paragraph has been provided by Goldman Sachs International, and Goldman Sachs International takes responsibility therefor, for use in this Offering Circular. Save for the preceding paragraph, Goldman Sachs International and its affiliates have not been involved in the preparation of, and do not accept responsibility for, this Offering Circular as a whole.

Selected Aspects of Italian Law Relevant to the Portfolio

The Securitisation Law

The Securitisation Law was enacted on 30th April 1999 and was conceived to simplify the securitisation process and to facilitate the increased use of securitisation as a financing technique in the Republic of Italy.

The Securitisation Law applies to securitisation transactions involving the ''true'' sale (by way of non-gratuitous assignment) of receivables, where the sale is to a company created in accordance with Article 3 of the Securitisation Law and all amounts paid by the assigned borrowers are to be used by the relevant company exclusively to meet its obligations under notes issued to fund the purchase of such receivables and all costs and expenses associated with the securitisation transaction.

Ring-Fencing of the Assets

Under the terms of Article 3 of the Securitisation Law, the assets relating to each securitisation transaction will, by operation of law, be segregated for all purposes from all other assets of the company purchasing the receivables. Prior to, and on a winding up of such a company such assets will only be available to holders of the notes issued to finance the acquisition of the relevant receivables and to any third party creditor in respect of any costs, fees or expenses incurred by the issuer of the notes to such third party creditor in relation to the securitisation of the relevant assets and will not be available to any other creditors of the issuer. In addition, the assets relating to a particular transaction will not be available to the holders of notes issued to finance any other securitisation transaction or to general creditors of the issuer company.

Whilst, according to Article 3 of the Securitisation Law, only the Noteholders and the Issuer Secured Creditors would be entitled to initiate proceedings in relation to the Portfolio, pursuant to the Trust Deed, the Security and Intercreditor Agreement and the Conditions, the claims of certain other creditors will rank senior to the claims of the Noteholders by virtue of the priorities of payment agreed to therein (insofar as the Noteholders and other affected creditors have accepted that their rights should be subordinated in accordance with such priorities of payments). Pursuant to the Trust Deed, the Security and Intercreditor Agreement and the Conditions, the Security Trustee alone will be empowered to enforce the Security and, prior to and on a winding up of the Issuer (subject to Italian insolvency law), dispose of the assets contained in the Portfolio to the extent authorised to do so by the Transaction Documents and the powers of attorney given to it, and apply the proceeds of such enforcement in accordance therewith. The provisions of the Trust Deed, the Security and Intercreditor Agreement and the Conditions (each governed by English law) would be recognised by the Italian courts.

The Assignment

The assignment of the receivables under the Securitisation Law will be governed by Article 58, paragraphs 2, 3 and 4, of the Banking Act. The prevailing interpretation of this provision, which view has been strengthened by Article 4 of the Securitisation Law, is that the assignment can be perfected against the seller, assigned borrowers and third party creditors by way of publication of a notice thereof in the Italian Official Gazette (*Gazzetta Ufficiale*) (the ''Notice''), so avoiding the need for notification to be served on each assigned borrower.

As of the date of publication of the Notice, the assignment becomes enforceable against:

(i) the assigned borrowers and any creditors of the seller who have not prior to the date of publication of the Notice commenced enforcement proceedings in respect of the relevant receivables;

(ii) subject as described below, the liquidator or other bankruptcy official of the assigned borrowers (so that any payments made by an assigned borrower to the purchasing company may not be subject to any claw-back action according to Article 67 of Royal Decree No. 267 of 16th March 1942 (*Legge Fallimentare*); and

(iii) other permitted assignees of the seller who have not perfected their assignment prior to the date of publication.

The benefit of any privilege, guarantee or security interest guaranteeing or securing repayment of the assigned receivables will automatically be transferred to and perfected with the same priority in favour of the Issuer, without the need for any formality or annotation.

As from the date of publication of the Notice, no legal action may be brought against the receivables assigned or the sums derived therefrom other than for the purposes of enforcing the rights of the holders of

the notes issued for the purpose of financing the acquisition of the relevant receivables and to meet the costs of the transaction.

Notice of the assignment of the Claims pursuant to the Transfer Agreement was published in the Italian Official Gazette (*Gazzetta Ufficiale*) on 19th January 2001.

Assignments executed under the Securitisation Law are subject to revocation on bankruptcy under Article 67 of Royal Decree No. 267 of 16th March 1942 but only in the event that the securitisation transaction is entered into within three months of the adjudication of bankruptcy of the seller or issuer, as the case may be, or in cases where paragraph 1 of Article 67 applies, within six months of the adjudication of bankruptcy.

Mutui Fondiari

All of the Fondiari Loans are *mutui fondiari*. In addition to the general legislation commonly applicable to mortgage lending, *mutui fondiari* are regulated by specific legislation (*credito fondiario*), which grants certain rights to the mortgage lender which are not provided for by the general legislation. These include entitling the lender to commence or continue foreclosure proceedings after the declaration of insolvency (*fallimento*) of the affected borrower, entitling the lender of a *mutuo fondiario* to receive repayment of 90% of the purchase price paid for a mortgaged property at auction directly from the purchaser without having to await disbursement by the court, and entitling the lender to an assignment of any rentals earned by the mortgaged property, net of administration expenses and taxes.

Mutui Industriali

After the Second World War, the Italian government enacted special legislation to promote development in Italy. The legislation regulated each type of loan and/or credit (including industrial loans) that could be provided to certain entities. Only credit institutions with a special licence were permitted to grant industriali loans to such entities and only for the specific purposes identified in the legislation from time to time.

The Banking Act, which came into force on 1st January 1994, de-specialised all banking activities (including industrial lending) by permitting, *inter alia*, all banks authorised to carry on banking business in Italy (i.e. Italian banks, Italian branches of non-E.U. banks and E.U. banks) to carry on industrial lending under the special legislation applicable to such activity. Industriali Loans entered into prior to 1st January 1994 remain regulated by the legislation in force prior to that date.

Mutui industriale loans may be unsecured or secured by (a) a mortgage (*ipoteca*) on land and/or buildings; (b) a mortgage on movable goods registered in public registers (including, cars, planes, ships); (c) a pledge on movable goods not registered in public registers (provided that the borrower can not have possession of such pledged goods); (d) a special security pledge (which does not require possession on certain kinds of moveable goods connected to the undertaking of a borrower and not registered in a public register); and (e) guarantees.

Applicable Legislation

Agreements relating to *mutui fondiari* executed before 1st January 1994 are regulated by the Italian legislation on *credito fondiario* in force prior to that date which permitted only credit institutions having a special licence to grant *mutui fondiari*. All other credit institutions were not permitted to conduct mortgage lending business with the benefit of this special legislation.

On 1st January 1994, new legislation came into force under the Banking Act as a result of which all banks having a general banking licence became qualified to execute *mutui fondiari* agreements. The provisions previously in force in respect of *mutui fondiari* were replaced by the new rules and regulations contained in Articles 38 to 42 of the Banking Act. The new legislation applies only to *mutui fondiari* agreements executed, and foreclosure proceedings commenced, on or after 1st January 1994. The principal effect of the Banking Act in respect of mortgage lending is that mortgage lenders have fewer rights and privileges against borrowers than under the legislation on *credito fondiario* in force prior to the implementation of the Banking Act.

Article 38 of the Banking Act sets out the definition of credit facilities. Pursuant to the regulations implementing paragraph 2 of Article 38, credit facilities may qualify as *mutui fondiari* if the principal amount to be advanced to the borrower, together with the principal amount of any loan secured by previously recorded mortgages, does not exceed 80% of the value of the real estate assets constituting security for the new credit facility at the time of its drawdown.

Pursuant to Article 40, paragraph 2 of the Banking Act, a mortgage lender is entitled to terminate a loan agreement and accelerate the credit facility (*diritto di risoluzione contrattuale*) if the borrower has delayed

payment of an instalment for at least seven times, whether consecutively or otherwise. For this purpose, a payment is considered delayed if it is made between 30 and 180 days after the due date for payment.

Insolvency Proceedings

Insolvency proceedings (*procedure concorsuali*) conducted under Italian law may take the form of, *inter alia*, a forced liquidation (*fallimento*), a creditors' agreement (*concordato preventivo*) or a restructuring under a court supervised administration (*amministrazione controllata*). Insolvency proceedings are applicable to businesses (*imprese*) run by either companies, partnerships or individuals. An individual who is not a sole entrepreneur or an unlimited partner in a partnership is not subject to insolvency. The procedure followed will depend on factors relating to the financial status of the borrower, the court and the creditors involved. In each case, a lender must petition the court for approval of its claim against the borrower.

A borrower can be declared bankrupt (*fallito*) and subject to forced liquidation (*fallimento*) (either by its own initiative or upon the initiative of any of its creditors) if it is not able to duly fulfil its obligations in a timely manner. The borrower loses control over all its assets and the management of its business which is taken over by a court appointed receiver (*curatore fallimentare*). Once judgment has been made by the court on the basis of the evidence of the creditors and the opinion of the court appointed receiver, and the creditors' claims have been approved, the sale of the borrower's property is conducted in a manner similar to foreclosure proceedings or a forced sale of goods, as the case may be.

An insolvent borrower may avoid being subject to liquidation by proposing to its creditors a creditors' agreement. Such proposal must contain an offer to grant, within 6 months from the approval of the agreement by the court, security interests or guarantees which together with existing ones would secure at least 100% of the amounts due to secured creditors and 40% of the amounts due to unsecured creditors, or an offer to transfer all of its assets to the creditors provided that their value is sufficient to fully satisfy secured creditors and to cover the 40% of unsecured creditors' credits.

In cases where a borrower is not insolvent but has difficulty in fulfilling its obligations a supervised administration procedure is available to hold together and try to rescue its business, provided that there is definite evidence that its financial condition can be improved. In this procedure, the management of the borrower's business and assets is subject to judicial supervision and the payment of all debts of the borrower is delayed for a period not exceeding two years. The lender may receive a cash payment of the approved portion of its claim (which may be less than the total amount outstanding under the credit facility). This may, however, follow lengthy negotiations and finalisation of restructuring agreements.

Due to the complexity of the insolvency proceedings in Italy, the time involved and the availability of legal challenges and appeals by the borrower, there can be no assurance that any such insolvency proceedings would result in the payment in full of outstanding amounts under the Credit Facilities or that such proceedings would be concluded before the stated maturity of the Notes.

After insolvency proceedings are commenced, no legal action can be taken against the borrower and no foreclosure proceedings may be initiated. Moreover, all action taken and proceedings already initiated by creditors are automatically stayed. As mentioned above, this rule is derogated in the case of lenders of *mutui fondiari.*

General Foreclosure Proceedings

Mortgages may be either voluntary (*ipoteche volontarie*) where granted by a borrower or a third party guarantor by way of a deed or judicial (*ipoteche giudiziarie*) where registered in the appropriate real estate registries (*Uffici del Territorio Publicità Immobiliare* or *Uffici Tavolati*, as the case may be) following a court order or injunction to pay amounts in respect of an outstanding debt or unperformed obligation.

A mortgage lender (whose debt is secured by a voluntary or judicial mortgage) may commence foreclosure proceedings by seeking a court order or injunction for payment in the form of an enforcement order (*titolo esecutivo*), from the court in whose jurisdiction the mortgaged property is located. This court order or injunction must be served on the borrower.

If the credit facility was executed in the form of a public deed, a mortgage lender can serve a copy of the credit facility agreement, stamped by a notary public with an order for the execution thereof (*formula esecutiva*) directly on the borrower without the need to obtain an enforcement order (*titolo esecutivo*) from the court. A writ of execution (*atto di precetto*) is notified to the borrower together with either the enforcement order (*titolo esecutivo*) or the loan agreement, as the case may be.

Not earlier than ten days after filing, but not later than ninety days from the date on which notice of the writ of execution (*atto di precetto*) is served, the mortgage lender may request the attachment of the mortgaged property. The property will be attached by a court order, which must then be filed with the appropriate real estate registries (*Uffici del Territorio Publicità Immobiliare* or *Uffici Tavolati*, as the case may be). The court will, at the request of the mortgage lender, appoint a custodian to manage the mortgaged property in the interests of the mortgage lender. If the mortgage lender does not make such a request, the borrower will automatically become the custodian of such property.

The mortgage lender is required to search the land registry to ascertain the identity of the current owner of the property and must then serve notice for the request of attachment on the current owner, even if no notice of the transfer of the property from the original borrower or mortgagor to a third party purchaser has been previously served upon the mortgage lender. As mentioned above, no earlier than ten days and not later than ninety days after serving the attachment order, the mortgage lender may request the court to sell the mortgaged property. The court may delay its decision in respect of the mortgage lender's request in order to hear any challenge by the borrower to the attachment.

Technical delays may be caused by the need to append to the mortgage lender's request for attachment, copies of the relevant mortgage and land registry certificates (*certificati catastali*), which usually take some time to obtain. Law 302 should reduce the length of the foreclosure proceedings by allowing the mortgage lender to substitute such cadastral certificates with certificates obtained from public notaries and by allowing public notaries to conduct various activities which, before, were exclusively within the powers of the courts.

If the court decides to proceed with an auction (*vendita con incanto*) of the mortgaged property, it will usually appoint an expert to value the property (*Consulente Tecnico d'Uffizio* or "CTU"). The court will then order the sale by auction. On the basis of the expert's appraisal, the court determines the minimum bid price for the property at the auction. If an auction fails to result in the sale of the property, the court will arrange a new auction with a lower minimum bid price. The courts have discretion to decide whether, and to what extent, the bid price should be reduced (the maximum permitted reduction being 20% of the minimum bid price of the previous auction). In practice, the courts tend to apply the 20% reduction. In the event that no offers are made during an auction, the mortgage lender may apply to the court for a direct assignment of the mortgaged property to the mortgage lender itself. In most cases, however, the courts tend to hold auctions until the mortgaged property is sold.

The sale proceeds of the mortgaged property, after deduction of the expenses of the foreclosure proceedings, INVIM (a tax payable by the borrower in respect of any increase in the value of the mortgaged property during the time it was owned by him until 31st December 1992, but which will be abolished with effect from 1st March 2002) and any expenses for the deregistration of the mortgages, will be applied in satisfaction of the claims of the mortgage lender in priority to the claims of any other creditor of the borrower (except for the claims for taxes due in relation to the mortgaged property and for which the collector of taxes participates in the foreclosure proceedings).

Pursuant to Article 2855 of the Italian Civil Code, the claims of a mortgage lender in respect of interest may be satisfied in priority to the claims of all other unsecured creditors in an amount equal to the aggregate of (i) the interest accrued at the contractual rate in the calendar year in which the initial stage of the foreclosure proceedings are taken and in the two preceding calendar years and (ii) the interest accrued at the legal rate (currently 3.5%) until the date on which the mortgaged property is sold. Any amount recovered in excess of this will be applied to satisfy the claims of any other creditor participating in the foreclosure proceedings. The mortgage lender will be entitled to participate in the distribution of any such excess as an unsecured creditor. The balance, if any, will then be paid to the borrower.

Upon payment in full of the purchase price by the purchaser within the specified time period, title to the property will be transferred after the court issues an official decree ordering the transfer. In the event that proceedings have been commenced by creditors other than the mortgage lender, the mortgage lender will have priority over such other creditors in obtaining recourse to the assets of the borrower during such proceedings, such recourse being limited to the value of the mortgaged property.

The average length of foreclosure proceedings, from the court order or injunction of payment to distribution, is between six and seven years. In the medium-sized Central and Northern Italian cities it can be significantly less whereas in major cities or in Southern Italy the length of the procedure can significantly exceed the average. Law 302 has been passed with the aim of reducing the duration of Foreclosure Proceedings.

The Impact of Law 302

Law 302 amends the Italian Civil Procedure Code and has introduced certain rules according to which some of the activities to be carried on in a foreclosure procedure may be entrusted to a notary public duly registered with the relevant Register of a court. In particular, if requested by a creditor, the notary public may issue a notarial certificate attesting the results of the searches with the official search registry (the *Catasto*) and with the appropriate real estate registries (*Uffici del Territorio Publicità Immobiliare* or *Uffici Tavolati*, as the case may be). Such notarial certificate replaces several documents which are usually required to be attached to the motion for the auction and reduces the timing normally required to obtain the documentation from the relevant public offices. Moreover, if appointed by the foreclosure judge (the "Judge"), the notary public may execute the sale by auction by (i) determining the value of the property, (ii) deciding on the offers received after the auction and concerning the payment of the relevant price, (iii) initiating further auctions or transfers of property, (iv) executing certain formal documents relating to the registration and the filing with the land registry of the transfer decree prepared by the same notary public and issued by the Judge and (v) preparing the proceeds distribution plan and forwarding the same to the Judge.

With regard to the above, the involvement of a notary public by the Judge is permitted when (i) the Judge has not yet decided on the motion for an auction, (ii) a sale without auction has not been performed successfully and the Judge, after consultation with the creditors, decides to proceed with an auction, or (iii) a possible receivership has ceased and the Judge decides to proceed with a sale by auction. The involvement of a notary public does not seem to be possible both when a decree providing for the sale without auction has already been issued and when an auction in front of the Judge has already been fixed. If the auction is concluded without a sale, it seems possible that the Judge may delegate the power to execute further auctions to the notary public.

In consideration of the above, Law 302 may allow a significant timing reduction for processing Claims when the above mentioned activities are entrusted to a notary public.

***Mutui Fondiari* Foreclosure Proceedings**

Foreclosure proceedings in respect of *mutui fondiari* which were executed after 31st December 1993 are currently regulated by Article 41 of the Banking Act which generally provides for several exceptions to the rules applying to foreclosure proceedings. In particular, there is no requirement to serve a copy of the loan agreement directly on the borrowers, and a *mutui fondiari* lender is entitled to commence or continue foreclosure proceedings after the borrower is declared insolvent or insolvency proceedings have been commenced.

Moreover, the custodian appointed to manage the mortgaged property in the interest of the *mutui fondiari* lender pays directly to the lender the revenues recovered on the mortgaged property (net of administration expenses and taxes). After the sale of the mortgaged property, the court orders the purchaser (or the assignee in case of an assignment) to pay that part of the price corresponding to the *mutui fondiari* lender's debt directly to the lender.

Pursuant to Article 58 of the Banking Act, as amended by Article 12 of Legislative Decree No. 342 of 4th August 1999, the Issuer will be entitled to benefit from such procedural advantages which apply in favour of a lender of a *mutui fondiari* loan.

Foreclosure proceedings for *mutui fondiari* commenced on or before 31st December 1993 are regulated by Regio Decreto No. 646 of 16th September 1905 which confers on the *mutuo fondiario* lender rights and privileges which are not conferred by the Banking Act with respect to foreclosure proceedings on *mutui fondiari* commenced on or after 1st January 1994. Such additional rights and privileges include the right of the bank to commence foreclosure proceedings against the borrower even after the real estate has been sold to a third party who has substituted for the borrower under the *mutuo fondiario*, if notice of the name of such third party has not been provided to the relevant bank. Further rights include the right of the bank to apply for the real estate to be valued by the tribunal after commencement of foreclosure proceedings, at the value indicated in the *mutuo fondiario* agreement without having to have a further expert appraisal.

***Mutui Industriali* Foreclosure Proceedings**

Industriali Loans may be foreclosed in accordance with usual foreclosure proceedings where the relevant loan or credit agreement has been formalised pursuant to a public notary deed. In such a case, the public notary deed, together with the evidence of the extension of the relevant loan or credit agreement, has to be notified to the borrower and/or to the third party owner of the collateral asset.

If the loan or credit agreement has not been formalised under a public notary deed and there is no other enforceable title securing the loan or credit (such as a promissory note), a judicial order must be obtained to start foreclosure proceedings. The judicial order can be obtained through a petition to obtain a judicial injunction of payment (*decreto ingiuntivo*) or through litigation to obtain a judicial decision. Judicial injunction is a short procedure normally used when there is written evidence of the claim. Where there is no written evidence of the claim the judicial order to start foreclosure proceedings is the judicial decision (*sentenza*).

Foreclosure proceedings on real estate collateral and the relevant taxation follows the same process as for Fondiari Loans as described above with the proviso that: (a) it is necessary to notify the judicial order before starting foreclosure proceedings; (b) the lender is not entitled to commence or continue foreclosure proceedings after the owner of the attached collateral is declared insolvent; and (c) Article 41 of the Banking Act (providing for direct payment of the price to the lender) is not applicable, however there is a similar provision in Article 508 of the Italian Code of Civil Procedure, pursuant to which the direct payment in favour of the secured creditor is possible upon request, subject to the judge's discretion.

Foreclosure proceedings on pledged movable goods are less complex than in respect to that applied to real estate assets as movable assets do not require registration in any registry and so are subject to simpler judicial valuation, sale and transfer.

Insolvency proceedings against a borrower do not impact on the recovery process against a solvent guarantor (including a third party owner of the relevant collateral). The insolvency of any guarantor will not impact on the recovery process against a relevant borrower.

Forced Sale of Borrower's Goods

A lender may resort to a forced sale of the borrower's (or guarantor's) goods (*pignoramento mobiliare*) instead of or, in the case of a mortgage lender, in addition to real estate sale proceedings ("Forced Sale Proceedings").

Forced Sale Proceedings relating to movable property are directed against the borrower's attachable properties following notification of writ of execution (*atto di precetto*) to the borrower together with an enforcement order (*titolo esecutivo*). The attachment is carried out at the borrower's premises by a bailiff who removes the attached property or forbids the borrower from in any way transferring or disposing of the attached goods, and appoints a custodian thereof (in practice usually the borrower himself).

Not earlier than 10 days but not later than 90 days from the attachment, the creditor may ask the court to deliver to such creditor all moneys found at the borrower's premises, to transfer properties consisting of listed or marketed securities and to sell with or without auction the remaining attached goods.

The average length of forced sale proceedings from the court order or injunction of payment to the final pay out is about three years.

Attachment of Borrower's Credits

Attachment proceedings may be commenced in connection with due and payable debts on certain assets of a borrower (such as bank accounts, salary, etc.) or on a borrower's movable property which is located on a third party's premises.

Description of Principal Transaction Documents

The description of the agreements set out below is a summary of certain features of each agreement and is qualified by reference to the detailed provisions of each agreement. Prospective Noteholders may inspect a copy of relevant agreements upon request at the principal office of the Issuer and the specified office of the Irish Paying Agent.

Transfer Agreement

On 21st December 2000, BNL (in such capacity, the "Originator") and the Issuer entered into the Transfer Agreement, pursuant to which the Originator assigned and transferred the Portfolio of Claims to the Issuer without recourse (*pro soluto*) in accordance with Articles 1 and 4 of the Securitisation Law and subject to the terms and conditions thereof.

Annex C to the Transfer Agreement contains a list of the Credit Facilities, in respect of which the Claims have arisen, as at the Valuation Date (as defined below).

The Claims were selected by the Originator on the basis of a specific set of Criteria set out in Annex A of the Transfer Agreement. The aggregate purchase price for the Claims is equal to the net proceeds of the issue of the Notes. To take into account the fact that the purchase price has been determined by reference to the Gross Book Value of the Claims as at 30th November 2000, the Originator and the Issuer agreed to an adjustment mechanism to reflect any incorrect calculations up to 30th September 2001 (the "Payment Date").

In addition, the Transfer Agreement provides that if, after the Transfer Date, it transpires that any of the Credit Facilities do not meet the Criteria, then the Claims relating to such Credit Facilities will be deemed not to have been assigned and transferred to the Issuer pursuant to the Transfer Agreement and the Originator will be obliged to reimburse to the Issuer a sum equal to:

(a) the aggregate of all individual purchase prices of such Claims; plus

(b) interest equal to Six-Month EURIBOR calculated from the Payment Date, in respect of payments of the purchase price of such Claim made by the Issuer to the Originator, to the date of payment of the reimbursement from the Originator to the Issuer.

The Transfer Agreement further provides that if, after the Transfer Date, it transpires that any Credit Facility which meets the Criteria has not been included in the Portfolio, the Claims relating to any such Credit Facility shall be deemed to have been assigned and transferred by the Originator to the Issuer as of the Transfer Date, subject to payment by the Issuer of the purchase price for such Claims being an amount equal to:

(a) the sums actually recovered by the Issuer in respect of such Claims; minus

(b) costs and expenses incurred to recover any such Claims.

Payment of such purchase price shall be made by the Issuer to the Originator at the time the Issuer actually makes the recovery and without interest.

Pursuant to the combined provisions of Article 1 and Article 4 of the Securitisation Law, all privileges and guarantees, of any kind and nature, from whomsoever given or otherwise existing in favour of the Originator in respect of the Portfolio, maintain their validity and their ranking in favour of the Issuer following the assignment of the Claims to which they relate, without the need for any formality or annotation, other than as may be required under the Securitisation Law.

The Originator has agreed to remain a party in all foreclosure and insolvency proceedings pending as of the Transfer Date, and will act upon the instructions of the Issuer with respect to such proceedings.

Representations and Warranties

The Originator has represented and warranted under the Transfer Agreement, *inter alia*, that:

(a) it is a bank which is duly and validly existing and in good standing under Italian laws and applicable regulations and has full capacity and authority to enter into the Transfer Agreement;

(b) the Transfer Agreement has been duly authorised, executed and delivered by BNL and, *inter alia*, does not contravene (i) its corporate constitutional documents; or (ii) any applicable laws, rules or regulations; or (iii) any contractual restrictions contained in, *inter alia*, any loan or credit agreement;

(c) the obligations deriving under the Transfer Agreement constitute valid, legally binding and enforceable obligations;

(d) it has exclusive and full title to the Claims and may lawfully transfer such title;

(e) subject to (f) below, the Claims are freely assignable and transferable to the Issuer and such Claims exist and are valid at the Transfer Date;

(f) as at the Transfer Date, it was not aware of any litigation or arbitration proceedings current, pending or threatened against it or affecting the property or assets (including without limitation, the Claims, the Credit Facilities and the related mortgages) or undertaking of the Originator nor had any action or administrative proceedings been threatened or begun before any court or agency which may affect its ability to assign absolutely, irrevocably and without possibility of reversal or avoidance the Claims or which might or could affect its ability to observe and perform its obligations under the Transfer Agreement and any transaction contemplated thereby at such date and in the future;

(g) the voluntary mortgages in respect of Fondiari Loans consist of either (i) first ranking mortgages; or (ii) subsequent ranking mortgages where the obligations secured by mortgages of a higher rank have been entirely repaid; or (iii) mortgages where one or more higher ranking security is also transferred to the Issuer; or (iv) subsequent mortgages which have been registered in compliance with Article 38 et seq. of the Banking Act and applicable instructions by the Bank of Italy; and in all cases such mortgage security guarantees exclusively the Claims in respect of which they have been granted and there is no contractual agreement entered into with any third party to share in the ranking of any such mortgage security;

(h) all of the Real Estate Assets are located in the Republic of Italy;

(i) at the time of advance of the Credit Facilities and perfection of the Mortgages (as defined in the Transfer Agreement), the Real Estate Assets complied with all the applicable laws, rules and regulations concerning health, safety and environmental protection. In addition, the Originator represented and warranted to the Issuer that it had no knowledge of any hazardous materials (as defined pursuant to all applicable Italian laws, rules and regulations concerning health and safety and environmental protection) being present in or otherwise affecting the Real Estate Assets;

(j) each Real Estate Asset is free from damage or waste, is in good condition and there are no proceedings, actual or threatened, for the total or partial demolition or alteration thereof so as to materially affect its commercial status;

(k) all requirements for the execution of the Fondiari Loans and the Industriali Loans (each as defined in the Transfer Agreement) and the advance of the Fondiari Loans and the Industriali Loans have been fulfilled in accordance with all applicable laws, rules and regulations and such laws, rules and regulations were fully met and complied with at the time of such execution and advance;

(l) the mortgages which secure the Fondiari Loans and the Industriali Loans have been properly registered and are perfected pursuant to Royal Decree no. 267 of 16th March 1942 (the "Bankruptcy Law") and are irrevocable. In the event the mortgages were found to be revocable or not applicable for the recovery of the entire credit, within the limits set by law and registered, BNL shall indemnify the Issuer as set out in the Transfer Agreement;

(m) it has, in a timely manner, duly initiated and pursued Foreclosure Proceedings with respect to certain Credit Facilities and to the mortgages relating thereto. Annex C of the Transfer Agreement contains a complete list of the Credit Facilities indicating which are subject to Foreclosure Proceedings and which are subject to insolvency proceedings ("Insolvency Proceedings");

(n) all Foreclosure Proceedings have been initiated and carried out within the time limits of any statute of limitation and/or deadlines set by procedural laws, and it has not failed to take any action necessary, useful or advisable for the recovery of the amounts due under or in respect of any Claim. The statute of limitation has not run out in any Foreclosure Proceeding;

(o) in relation to all Foreclosure Proceedings or Insolvency Proceedings, as the case may be, all stamp duties (*diritti di bollo*) and registration taxes (*imposta di registro*) and other associated costs have been, in a timely manner, duly paid including, without limitation, the costs for auction sales and related publicity costs;

(p) the transfer of the Claims to the Issuer is in accordance with the Securitisation Law and all Claims meet the Criteria;

(q) all Claims possess specific objective common elements such as to constitute a portfolio of homogeneous monetary rights (*blocco*) with the meaning and for the purposes of the Securitisation Law; and

(r) it has selected the Claims on the basis of the Criteria. To the best of its knowledge, there are no (i) Credit Facilities on which it holds legal and/or beneficial title which meet the Criteria, and which have not been included in this sale and (ii) Credit Facilities contained in this sale which do not meet the Criteria.

Indemnities

The obligations of BNL to pay the amounts in respect to any indemnity under the Transfer Agreement shall not be required to be paid until such amounts in aggregate are equal to or exceed ITL 10,000,000,000 (EUR 5,163,689) (the "Grace Threshold Amount"). BNL shall only be required to pay amounts in excess of the Grace Threshold Amount .

Pursuant to the Transfer Agreement, the Originator has agreed to indemnify and hold harmless the Issuer, its officers, agents or employees or any of its permitted assigns from and against any and all damages, losses, claims, liabilities, costs and expenses awarded against, or incurred by, it arising from, *inter alia*, any representations and/or warranties made by the Originator thereunder, being untrue, incomplete or inaccurate in any material respect.

The Originator has also agreed to indemnify and hold harmless the Issuer from and against any and all damages, losses, claims, liabilities, costs and expenses awarded against, or incurred by it, arising from, *inter alia*, the application of the Usury Regulations to any interest accrued on any Credit Facility and the Claims deriving therefrom.

The Originator shall also indemnify and hold the Issuer, its officers, agents or employees or any of its permitted assigns harmless from and against any and all damages, losses, claims, liabilities, costs and expenses, including, without limitation, reasonable attorney's fees and disbursements, or any other financial consequences of any kind or nature whatsoever which may be sustained or suffered by it as a result of any claims raised by any third party against any of them arising out of any action, omission or failure of the Originator to perform its obligations which accrued at any time before the Transfer Date in connection with the Credit Facilities, the related mortgages or the Real Estate Assets.

Amount and Limitation of Indemnity

The Transfer Agreement provides that the amount to be indemnified shall be determined taking into account the individual purchase price of the relevant Claim and the fact that the Issuer has assumed a particular internal rate of return, applied to calculate the present value of the proceeds deriving from the management and recovery of the Claims and through the sale of Real Estate Assets.

The Originator's indemnities are available for a period of four years starting from the Transfer Date and, any claim under an indemnity must be made within 30 days of the notice thereof. (See "Certain Investment Considerations − Limited Representations, Warranties and Indemnities of BNL as Originator".)

The Transfer Agreement is governed by and will be construed in accordance with Italian Law.

Servicing Agreement

Pursuant to the Servicing Agreement, SGC in its capacity as Servicer has agreed to provide certain services in connection with the collection and administration of the payments deriving from the collection and recovery of the Claims, as well as monitoring services regarding the securitisation, on behalf of the Issuer and, following the giving of an Issuer Enforcement Notice, if the Security Trustee so requests, the Security Trustee. The Servicing Agreement is governed by and shall be construed in accordance with Italian law.

The Servicer will be the servicer pursuant to the Securitisation Law. The Servicer shall exercise all reasonable care to ensure the compliance of the securitisation with the provisions of the Securitisation Law and, in particular, to monitor that the services provided by the Portfolio Adviser pursuant to the Portfolio Advisory Agreement are being provided in compliance with the provisions of the Securitisation Law.

The Servicer has undertaken in relation to the Portfolio and the related Claims, *inter alia,* to:

(i) comply, with regard to the activities carried out pursuant to the Servicing Agreement, with the laws and regulations applicable in the Republic of Italy;

(ii) maintain an effective standard system of reporting in accordance with Italian general accounting principles so as to ensure compliance with the provisions of the Servicing Agreement;

(iii) hold in custody, *inter alia*, the legal and notarial title deeds with respect to the Real Estate Assets and all documents and data relating to the Credit Facilities, the Credit Contracts, any Proceedings and the Collections and Recoveries (the "Facility Documents" as more particularly defined in the Servicing Agreement) which shall be segregated and held by the Servicer as fiduciary for the benefit of the Issuer; and

(iv) deliver the Facility Documents in accordance with the terms of the Servicing Agreement (including, on the written instructions of the Issuer and as required by law) to any successor servicer or the Issuer the Facility Documents in its possession at the time of the resignation or removal of the Servicer pursuant to the terms of the Servicing Agreement.

The Servicer will carry out such duties in relation to each Claim until the latest of:

(i) the date on which the last Asset in the Portfolio has been sold; (ii) the date on which the last of the Notes has been redeemed in full (both as to principal and interest); (iii) the date on which all of the outstanding Notes have been cancelled; and (iv) the Final Maturity Date (as defined in the Servicing Agreement) unless (a) the Servicer is removed as provided under the terms of the Servicing Agreement or (b) the Servicer resigns in accordance with the terms of the Servicing Agreement.

Each of the Issuer and the Portfolio Adviser has the right to inspect and take copies of the documentation and records relating to the Claims in order to verify the activities undertaken by the Servicer pursuant to the Servicing Agreement.

Pursuant to the terms of the Servicing Agreement, the Servicer will indemnify the Issuer, the Portfolio Adviser, the Note Trustee, the Security Trustee and their respective shareholders, officers, directors and employees from and against any and all damages and losses incurred by the Issuer, the Portfolio Adviser, the Note Trustee, the Security Trustee and their respective shareholders, officers, directors and employees by reason of (i) any material breach by the Servicer of the representations and warranties given by the Servicer in the Servicing Agreement and (ii) any failure of the Servicer to perform any of its material obligations under the Servicing Agreement.

The Issuer may require an audit of documents and records retained by the Servicer in order to ascertain whether the Servicer has carried out its activities under the Servicing Agreement in compliance with Italian auditing standards and any applicable laws, regulations and standard industry practice, and in compliance with the Servicing Agreement.

The Servicer has undertaken to prepare and submit to, *inter alios*, the Cash Manager, the Issuer, the Portfolio Adviser, the Note Trustee and the Security Trustee (by not later than 10 Business Days prior to the following Interest Payment Date), semi-annual reports in the form set out in the Servicing Agreement detailing the Collections and Recoveries and withdrawal of any cash amounts relating to the Credit Facilities for the preceding Collection Period.

In addition to the semi-annual report, the Servicer will on or prior to the 7th Business Day of each month, prepare and deliver to the Issuer, the Portfolio Adviser, the Cash Manager, the Security Trustee and the Note Trustee, on an individual and a consolidated basis, a monthly report detailing the Collections and Recoveries relating to the Credit Facilities for the preceding month.

In consideration for the services provided by the Servicer under the Servicing Agreement, the Issuer will pay to the Servicer:

(i) a fee equal to 0.75% per annum of the Pro Rata Asset Balance (the "Servicer Base Fee"). The Servicer Base Fee will be paid on each Interest Payment Date in accordance with the Priority of Payments (see Condition 5).

(ii) a fee equal to 0.75% of the Considerations (the "Servicer Disposition Fee"). The Servicer Disposition Fee will be paid as and when Considerations are collected and credited to the Issuer Interim Collection Account.

Capitalised terms not otherwise defined in (i) and (ii) above shall have the meanings given to them in the Servicing Agreement.

The Servicer has acknowledged and accepted that the obligations of the Issuer in respect of the Servicer Base Fee shall be payable out of the Issuer Available Funds and in accordance with the order of priority set out in the Security and Intercreditor Agreement. Such fees accrue as payable to the Servicer from 21st December 2000, being the date when the Servicer commenced providing services in respect of the Portfolio pursuant to the Interim Servicing Agreements.

The Issuer may terminate the Servicer's appointment and appoint a successor upon one of any of the following events:

(i) If a Trigger Event (as defined in the Servicing Agreement) shall have occurred and is continuing, the Issuer, with the prior written consent of the Security Trustee, shall have the right to remove the Servicer pursuant to Article 1723, first paragraph of the Italian Civil Code and the occurrence of any such Trigger Event shall be regarded as a just cause to remove the Servicer.

(ii) The Issuer shall have the right, with the prior written consent of the Security Trustee, to remove the Servicer in the event (a) any person engaging or seeking to engage in the business of acquiring portfolios of non-performing loans in Italy acquires, directly or indirectly, a 5% or greater interest in the Servicer (or any person that controls the Servicer) or (b) any person or group of persons acting together (other than existing shareholders of Factorit S.p.A. Società di Factoring delle Banche Popolari Italiane ("Factorit") as of the

Execution Date (as defined in the Servicing Agreement) which accomplish the same through merger or consolidation with other existing shareholders of Factorit as of the Execution Date) acquires, directly or indirectly, a controlling interest in the Servicer or in any person that controls the Servicer.

(iii) The Issuer may, with the prior written consent of the Security Trustee, terminate the Servicer's appointment without cause on 3 months' written notice after the expiry of the first anniversary of the Effective Date (as defined in the Servicing Agreement) for any reason upon payment to the Servicer of an agreed fee calculated as of the close of business on the date that the Issuer delivers such notice of termination to the Servicer.

The Issuer may appoint a successor servicer with the prior written approval of the Security Trustee and provided that the successor servicer is an institution qualified to provide all the services pursuant to the Servicing Agreement. The termination or resignation of the appointment of the Servicer shall be notified to the Portfolio Adviser, the Cash Manager, the Rating Agencies, the Note Trustee and the Security Trustee by the Issuer in writing and shall not become effective until the successor servicer shall have assumed the Servicer's responsibilities and obligations. Neither the Note Trustee nor the Security Trustee have any obligation to assume the role or responsibilities of the Servicer or to appoint a successor servicer.

Portfolio Advisory Agreement

Pursuant to the Portfolio Advisory Agreement, Archon in its capacity as Portfolio Adviser has agreed to provide certain services in connection with the administration and servicing services with respect to the Claims, as well as advisory, consultation, support and servicing services with respect to the management and disposition of the Real Estate Assets (as defined in the Conditions) on behalf of the Issuer, and following the giving of an Issuer Enforcement Notice, if the Security Trustee so requests, the Security Trustee.

The Portfolio Adviser has undertaken in relation to the Portfolio and related Claims, *inter alia*, to:

(i) carry out the administration and management of each Claim and to manage any legal proceedings (*procedura giudiziale*) against any borrower or related guarantor in respect thereof (''Judicial Proceedings'') and any bankruptcy or insolvency proceedings against any borrower (''Borrower Insolvency Proceedings'' and, together with Judicial Proceedings, ''Proceedings'') in accordance with industry standards and in co-operation with BNL, BNL having undertaken to remain party to the Proceedings (in respect of which it was a party as at the Effective Date or thereafter) pursuant to the Transfer Agreement;

(ii) collect from the Servicer the data reasonably necessary to prepare the cash flows and to prepare and update the business plans for the Assets, and, in connection with the preparation of the business plans updates, to propose capital expenditure plans and reserves for adequate property upkeep and maintenance; and

(iii) manage the Real Estate Assets in all pertinent respects for purposes of protecting the interests of the Issuer in the Claims including, without limitation, the maintenance of insurance policies covering damage or destruction of the Real Estate Assets and the provision of other general property management services.

The Portfolio Adviser will carry out such duties in relation to each Claim until the latest of:

(i) the date on which the last Asset of the Portfolio has been sold, (ii) the date on which the last of the Notes has been redeemed in full (both as to principal and interest), (iii) the date on which the all of the outstanding Notes have been cancelled and (iv) the Final Maturity Date unless (a) the Portfolio Adviser is removed as provided under the terms of the Portfolio Advisory Agreement or (b) the Portfolio Adviser resigns in accordance with the terms of the Portfolio Advisory Agreement.

Each of the Issuer and the Servicer has the right at reasonable times to inspect and take copies of the documentation and records relating to the Claims in order to verify the activities undertaken by the Portfolio Adviser pursuant to the Portfolio Advisory Agreement.

Pursuant to the terms of the Portfolio Advisory Agreement, the Portfolio Adviser will indemnify the Issuer the Servicer, the Note Trustee, the Security Trustee and their respective shareholders, officers, directors and employees from and against any and all damages and losses incurred by the Issuer, the Servicer, the Note Trustee, the Security Trustee and their respective shareholders, officers, directors and employees by reason of (i) any material breach by the Portfolio Adviser of the representations and warranties given by the Portfolio Adviser in the Portfolio Advisory Agreement and (ii) any failure of the Portfolio Adviser to perform any of its material obligations under the Portfolio Advisory Agreement.

The Portfolio Adviser has undertaken to review the monthly and semi-annual reports prepared by the Servicer pursuant to the Servicing Agreement.

The Issuer may require an audit of documents and records retained by the Portfolio Adviser in order to ascertain whether the Portfolio Adviser has carried out the activities under the Portfolio Advisory Agreement in compliance with Italian auditing standards and any applicable laws, regulations and standard industry practice, and in compliance with the Portfolio Advisory Agreement.

The Portfolio Adviser shall prepare and deliver to the Issuer, the Servicer, the Cash Manager, the Security Trustee and the Note Trustee on an asset specific and consolidated basis, a semi-annual report, detailing operations of the assets for the preceding half-year by no later than 10 Business Days prior to the following Interest Payment Date) and such other additional information as the Issuer, the Servicer, the Cash Manager, the Security Trustee or the Note Trustee may reasonably request.

In return for the services provided by the Portfolio Adviser, the Issuer will pay to the Portfolio Adviser:

(i) a fee equal to 1.25% per annum of the Pro Rata Asset Balance (the "Portfolio Adviser Base Fee"). The Portfolio Adviser Base Fee will be paid on each Interest Payment Date in accordance with the Priority of Payments (see Condition 5). The Portfolio Adviser Base Fee may be subject to a positive or negative adjustment by reference to actual costs incurred by the Portfolio Adviser and the Servicer in providing relevant services (such additional amounts referred to in the Priority of Payments as the "Portfolio Adviser Adjustment Base Fee") but shall only be payable after redemption in full of all the Floating Rate Notes.

(ii) a fee equal to 0.25% of the Consideration (as defined in the Conditions) (the "Portfolio Disposition Fee"). The Portfolio Disposition Fee will be paid as and when Considerations are collected and credited to the Interim Collection Account; and

(iii) as additional compensation, the Portfolio Adviser shall also be entitled to receive a further fee equal to a specified percentage of the Class R Distributions (as defined in the Conditions) paid after the Class R Noteholders have (on an ongoing basis) received a specified internal rate of return on the Class R Notes (the "Portfolio Adviser Additional Fee").

Capitalised terms not otherwise defined in (i), (ii) and (iii) above shall have the meanings given to them in the Portfolio Advisory Agreement.

The obligations of the Issuer in respect of all fees payable to the Portfolio Adviser pursuant to the Portfolio Advisory Agreement shall be payable from the Interim Collection Account on the Issue Date for those fees accrued up to that date and, thereafter (other than in respect to the Portfolio Disposition Fee), out of the Issuer Available Funds and in accordance with the order of priority set out in the Security and Intercreditor Agreement. Such fees accrue as payable to the Portfolio Adviser from 21st December 2000, being the date when the Portfolio Adviser commenced providing services in respect of the Portfolio pursuant to the Interim Servicing Agreement.

The Issuer may terminate the Portfolio Adviser's appointment and appoint a successor upon the occurrence of either of the following events:

(i) If a Trigger Event (as defined in the Portfolio Advisory Agreement) shall have occurred and is continuing, the Issuer with the prior written consent of the Security Trustee shall have the right to remove the Portfolio Adviser pursuant to Article 1723, first paragraph of the Italian Civil Code and the occurrence of any such Trigger Event shall be regarded as a just cause to remove the Portfolio Adviser; or

(ii) The Issuer may, with the prior written consent of the Security Trustee, terminate the Portfolio Adviser's appointment without cause on 3 months' written notice after the expiry of the first anniversary of the Effective Date (as defined in the Portfolio Advisory Agreement) for any reason upon payment to the Portfolio Adviser of an agreed fee calculated as of the close of business on the date that the Issuer delivers such notice of termination to the Portfolio Adviser.

The Issuer may appoint a successor portfolio adviser only with the prior written approval of the Security Trustee and provided that the successor portfolio adviser is an institution which is qualified to provide all the services to be provided by the Portfolio Adviser under the Portfolio Advisory Agreement. The termination or resignation of the appointment of the Portfolio Adviser shall be notified to the Servicer, the Cash Manager, the Note Trustee and the Security Trustee by the Issuer in writing and shall not become effective until a successor portfolio adviser shall have assumed the Portfolio Adviser's responsibilities and obligations. Neither the Note Trustee nor the Security Trustee have any obligation to assume the role or responsibilities of the Portfolio Adviser or to appoint a successor portfolio adviser.

Cash Management Agreement

Pursuant to the Cash Management Agreement, the Operating Banks and the Cash Manager, subject to receipt of the required information from the Servicer and/or the Portfolio Adviser, have agreed to provide the Issuer with account handling, cash management and reporting services in relation to the Accounts. As at

the Issue Date, the Cash Manager will be Citibank, N.A. The Cash Management Agreement is governed by and shall be construed in accordance with English law.

The duties of the Cash Manager include, *inter alia*:

(i) managing the operation of the Issuer Collection Account, the Issuer Payments Account, the Retained Principal Account and the Liquidity Reserve Account;

(ii) making the required ledger entries;

(iii) determining the Issuer Available Funds on each Calculation Date and provisioning for payment thereof on each Interest Payment Date including, (on the Interest Payment Date falling in March 2003), of any Retained Principal Amount, as applicable and/or any Estimated Issuer Expenses);

(iv) operating the Priority of Payments and making arrangements for the payment by the Issuer of interest and principal in respect of the Notes, subject to the terms thereof and the availability of Issuer Available Funds; and

(v) subject to the receipt from each of the Servicer and the Portfolio Adviser of their reports in respect of the immediately preceding Collection Period, preparing and delivering to the Issuer, the Note Trustee, the Security Trustee, the Managers and the Rating Agencies, semi-annually a payments report containing details of, *inter alia*, amounts received by the Issuer from any source during the preceding Collection Period and the amounts to be paid by the Issuer on the Interest Payment Date relating to such Collection Period.

In return for the services so provided, the Cash Manager will receive a fee as agreed between the Issuer and the Cash Manager on or about the Issue Date, payable by the Issuer in arrear on each Interest Payment Date in accordance with the Priority of Payments.

The Servicer will, pursuant to the Cash Management Agreement, direct the Italian Operating Bank to transfer monies (less (a) the Servicer Disposition Fee and/or Portfolio Adviser Disposition Fee and (b) in respect of the amounts initially standing to the credit of the Issuer Collection Account as at the Issue Date which are to be used to fund costs and expenses of the issue of the Notes and making payment into the Issuer Expenses Account) received into the Interim Collection Account to the Issuer Collection Account by no later than the earlier of (i) the date on which the balance in the Interim Collection Account exceeds €1,000,000, or (ii) at any earlier time the Servicer in its sole discretion deems it appropriate to do so.

The appointment of the Cash Manager may be terminated by the Issuer (with the approval of the Security Trustee) upon the occurrence of certain events of default or if insolvency or similar events occur in relation to the Cash Manager or if, following the service of an Issuer Enforcement Notice in relation to the Notes, the Security Trustee is entitled to dispose of the Assets comprising the Security in accordance with the Security and Intercreditor Agreement. Following any such termination, the Issuer (with the approval of the Security Trustee) shall appoint a substitute cash manager. The termination of the appointment of any cash manager shall not become effective until a substitute cash manager has been appointed.

Liquidity Facility and Liquidity Stand-by Facility

On or about the Issue Date, the Issuer and the Liquidity Facility Provider will enter into the Liquidity Facility Agreement. The Liquidity Facility Provider will be, as at the Issue Date, Barclays Bank PLC and all advances under the Liquidity Facility will be made by its Milan Branch. The Liquidity Facility Agreement will be governed and construed in accordance with English law.

The Liquidity Facility Provider will agree to make available to the Issuer, from the Issue Date, (a) a 364 day committed facility (the "Liquidity Facility") and (b) a 364 day committed stand-by facility (the "Stand-By Facility") in an amount equal to the product of (i) the aggregate Principal Amount Outstanding (as defined in the Conditions) of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes on the Calculation Date immediately preceding each Interest Payment Date or, in the case of the period ended on the first Interest Payment Date, the Issue Date and (ii) 8%. The Issuer shall, not earlier than 60 days and not later than 30 days prior to the last day of the 364 period, request that the Liquidity Facility Provider renew the Liquidity Facility and the Stand-by Facility each for a further period of 364 days.

Under the Liquidity Facility, the Issuer may draw funds for the purpose of paying items (i) to (viii) of the Pre-Enforcement Priority of Payments on any Interest Payment Date, provided however, that amounts drawn down for the purpose of paying interest on (i) the Class D Notes may not at any time exceed €3,600,000 and (ii) the Class E Notes may not at any time exceed €2,400,000.

All amounts drawn down under the Liquidity Facility (other than pursuant to the Relevant Event (as defined below)) and all amounts of interest which are not paid and are required to be capitalised thereunder will accrue interest at a rate per annum equal to the aggregate of Six-Month EURIBOR plus a margin of

(i) 0.60% per annum for so long as any of the Class C Notes are outstanding; and (ii) 1.40% per annum thereafter, in each case, from and including the date of draw down to but excluding the date of repayment; and (iii) the Mandatory Costs (if any) (as defined in the Liquidity Facility Agreement).

Upon the occurrence of the following events (each a "Relevant Event"):

(i) the downgrade or withdrawal of the Liquidity Facility Provider's short-term, unsecured, unsubordinated and unguaranteed debt to below F1+ by Fitch, P-1 (Aa3 for its long term debt) by Moody's and A-1+ by S&P; or

(ii) the refusal by the Liquidity Facility provider to grant an extension of the Liquidity Facility Commitment Period and a Replacement Liquidity Facility Provider has not been appointed (each as defined under the Liquidity Facility Agreement),

the Liquidity Facility Provider shall give notice of the occurrence of such Relevant Event to the Issuer, the Cash Manager, the English Operating Bank, the Security Trustee and the Note Trustee at which time the Cash Manager, on behalf of the Issuer (or failing whom, the Security Trustee (without personal liability)) may request the Liquidity Facility Provider to make available the Stand-by Facility in an amount equal to the then undrawn commitment under the Liquidity Facility and to credit the same to the Liquidity Reserve Account.

The Issuer will only be entitled to withdraw amounts from the Liquidity Reserve Account in those circumstances where it would have been entitled to make a draw down under the Liquidity Facility. No amount standing to the credit of the Liquidity Reserve Account will be payable to the Liquidity Facility Provider prior to the Liquidity Commitment Termination Date (as defined in the Liquidity Facility Agreement) other than in accordance with the Priority of Payments set out in the Security and Intercreditor Agreement.

The Liquidity Facility Provider has acknowledged and accepted that it will have no claim against or recourse to any Assets or contributed capital of the Issuer for any amounts due to it under the Liquidity Facility in excess of the amount permitted to be paid from the Issuer Available Funds from time to time in accordance with the Security and Intercreditor Agreement. Under the Security and Intercreditor Agreement, on each Interest Payment Date, the Liquidity Facility Provider will be entitled to receive payments of interest and principal due under the Liquidity Facility in the priority set out in the Priority of Payments.

Hedging Arrangements

The Issuer will enter into Hedges (including the Interest Rate Swap Agreement and the Interest Rate Cap Agreements) with one or more Hedging Providers (including the Interest Rate Cap Providers and the Interest Rate Swap Provider) on or before the Issue Date in order to hedge the interest rate risks of the Issuer in relation to amounts payable under the Notes from time to time. Hedging arrangements may take the form of swaps, caps or floors or other appropriate hedging arrangements but will include the Interest Rate Swap Agreement and the Interest Rate Cap Agreements, each as may be amended with the consent of the Rating Agencies from time to time. The Issuer's obligations to the Hedging Providers under the Hedges will be secured pursuant to the Security and Intercreditor Agreement.

If the ratings of the short-term unsecured, unsubordinated and unguaranteed obligations of any Hedging Provider are at any time less than F1 by Fitch, P-1 (unless such Hedging Provider is rated at least Aa3 for equivalent long-term debt) by Moody's, or A-1 by S&P, such Hedging Provider shall replace itself with another counterparty whose short-term unsecured, unsubordinated and unguaranteed obligations satisfy the criteria set out above or collateralise its obligations under the relevant Hedge such that the rating of the Floating Rate Notes will not be adversely affected.

Interest Rate Swap Agreement

The Issuer will enter into the Interest Rate Swap Agreement with a Hedging Provider pursuant to which, on each Interest Payment Date, the Issuer will pay an amount equal to a fixed rate of 4.085% multiplied by the amount of an amortising notional balance (the "Swap Notional Balance") on such date determined by reference to a projected amortisation schedule for the Floating Rate Notes (the "Swap Amortisation Schedule") and further multiplied by the ratio which the actual number of days in the preceding Interest Period bears to 360 (the "Day Count Fraction"), and will receive an amount equal to Six-Month EURIBOR on such date multiplied by the Swap Notional Balance on such date and further multiplied by the Day Count Fraction.

The Swap Amortisation Schedule has been set having regard to various factors which could affect the timing and level of Collections and Recoveries including, *inter alia*, an estimate of the level and timing of

Collections and Recoveries consistent with the ratings assigned to the Floating Rate Notes by the Rating Agencies.

Interest Rate Caps

In addition, the Issuer will enter into the Goldman Interest Rate Cap with Goldman Sachs International and the Barclays Interest Rate Cap with Barclays Bank PLC pursuant to each of which, in the event that Six-Month EURIBOR on any Interest Payment Date is greater than 5.83%, the Interest Rate Cap Providers will pay to the Issuer an amount equal to the excess of Six-Month EURIBOR over 5.83%, multiplied by the Cap Notional Balance (as defined below) and further multiplied by the Day Count Fraction. The Cap Notional Balance will be the positive difference between the Swap Notional Balance and the lower of (i) the aggregate principal amount of the Floating Rate Notes projected to be outstanding as at such date with reference to a projected amortisation schedule for the Floating Rate Notes (the "Cap Amortisation Schedule") and (ii) the actual aggregate Principal Amount Outstanding of the Floating Rate Notes less the balance standing to the credit of the Retained Principal Account.

The Cap Amortisation Schedule is a slower amortisation schedule than the Swap Amortisation Schedule. Consequently, the balance of the Cap Amortisation Schedule on any Interest Payment Date is always greater than the balance of the Swap Amortisation Schedule.

In the event that actual Collections or Recoveries are less and/or slower than reflected in the Cap Amortisation Schedule, the aggregate Principal Amount Outstanding on the Floating Rate Notes may exceed the sum of the Cap Notional Balance and the Swap Notional Balance with the result that the Issuer will be unhedged in relation to interest accruing on such excess amounts.

Security and Intercreditor Agreement and Security Arrangements

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 Noteholders, each of the other Issuer Secured Creditors and any third party creditor to whom the Issuer has incurred costs, fees and expenses in relation to the securitisation of the Portfolio. Pursuant to the Italian Law Power of Attorney the Security Trustee, on behalf of the Issuer Secured Creditors, will be empowered, following the delivery of an Issuer Enforcement Notice to take such action as the Security Trustee may deem necessary to protect the interests of the Issuer Secured Creditors. As the rights of Issuer Secured Creditors, by operation of Italian law, are substantially similar to those of a holder of a perfected security interest, the Issuer will not create any contractual security interests over its right, title and interest in and to the Portfolio other than those contemplated by the Transaction Documents.

Security and Intercreditor Agreement

Pursuant to the Security and Intercreditor Agreement, the Issuer will, *inter alia*, grant a first fixed charge in favour of the Security Trustee all the Issuer's rights, title and interest in and to (i) amounts from time to time standing to the credit from time to time of the Issuer Collection Account, the Issuer Payments Account, the Liquidity Reserve Account and the Retained Principal Account; and (ii) any Eligible Investments purchased on behalf of the Issuer.

The Issuer will, in addition, (i) assign by way of security all of the Issuer's rights, title and interest in the Agency Agreement, the Hedges, the Liquidity Facility Agreement, the Subscription Agreements and the Cash Management Agreement, all as more particularly described in the Security and Intercreditor Agreement; and (ii) grant a floating charge over, *inter alia,* the whole of the Issuer's undertaking, property and assets to the extent not subject to the fixed charge save that such floating charge shall not extend to any asset situated outside England and Wales to the extent that and for so long as such security would be unlawful under the laws of another jurisdiction in which such asset is located.

The Security Trustee will hold the benefit of such security created over the Issuer Collection Account, the Issuer Payments Account, the Retained Principal Account, the Liquidity Reserve Account, the Eligible Investments and the Transaction Documents referred to above on trust for itself and the other Beneficiaries.

The obligations of the Issuer to each of the Issuer Secured Creditors will be limited recourse obligations of the Issuer. Each Issuer Secured Creditor will have a claim against the Issuer only to the extent of the Issuer Available Funds. Pursuant to the Security and Intercreditor Agreement, the Security Trustee on behalf of the Issuer Secured Creditors will have the right to enforce the Security upon the occurrence of an Issuer Trigger Event and to apply the proceeds obtained in respect thereof toward the satisfaction of the Issuer's obligations

and generally to act on behalf of, and for the benefit of, such Issuer Secured Creditors in exercising such rights of the Issuer Secured Creditors under the Securitisation Law and to take any action required to enforce such rights. Before exercising this right, the Security Trustee may require proper authority (in a form satisfactory to the Security Trustee) from each Noteholder. Enforcement may be delayed as a result. The Security Trustee shall not be obliged to take any action unless and until it is satisfied that it has the proper authority to do so.

The Issuer will undertake in the Security and Intercreditor Agreement to pay into:

(i) the Issuer Collection Account, all amounts transferred from the Interim Collection Account; and

(ii) the Issuer Payments Account, all amounts received from (a) the issue of the Notes, (b) the Hedging Provider pursuant to the Hedges (if any), (c) the Liquidity Facility Provider pursuant to the Liquidity Facility (including any amounts received from the Liquidity Reserve Account), and (d) save as specifically otherwise provided, any other party (other than the Issuer) to a Transaction Document to which the Issuer is a party other than as described in (b) to (c) above.

The Issuer will further undertake to ensure that the Issuer Collection Account, the Issuer Payments Account, the Liquidity Reserve Account and the Retained Principal Account are held at an Eligible Institution (as defined in the Security and Intercreditor Agreement) in England.

The Security and Intercreditor Agreement will set out the order of priority of application of the Issuer Available Funds both in respect of the Pre-Enforcement Priority of Payments and the Post-Enforcement Priority of Payments.

Under the terms of the Security and Intercreditor Agreement, the Issuer will further undertake, following the occurrence of an Issuer Trigger Event, to comply with all directions of the Security Trustee in relation to the management and administration of the Portfolio. Neither the Note Trustee nor the Security Trustee has any obligations to assume the role or responsibilities of the Servicer or Portfolio Adviser.

Neither of the Trustees will exercise their rights or the rights of the Noteholders and other Issuer Secured Creditors under the Trust Deed or the Security and Intercreditor Agreement unless: (i) there has been an Issuer Trigger Event; (ii) each Trustee has been directed so to do by an Extraordinary Resolution of the Noteholders; (iii) each Trustee has been indemnified and/or secured to its satisfaction; and (iv) each Trustee considers it has been afforded such information and access to such technical expertise as shall be necessary or desirable for it to perform such functions (but without it having any liability to incur any expense to obtain such information and technical expertise) and, in any event, neither Trustee shall be liable for failing to exercise any such right this regard unless each of the conditions referred to in (i) to (iv) above have been met, in the opinion of the Trustee. Neither the Note Trustee nor the Security Trustee are obliged to take any action under the Trust Deed or the Deed of Pledge or the Security and Intercreditor Agreement or the Securitisation Law or the Italian Law Power of Attorney or the English Law Power of Attorney which would result, in the opinion of the relevant Trustee, in them incurring any personal liability or expense or rendering themselves liable to any claim, tax or liability unless the relevant Trustee is indemnified to its satisfaction (which may include the taking of security by the relevant Trustee).

The Issuer will also at the time of entering into the Security and Intercreditor Agreement grant the Italian Law Power of Attorney and the English Law Power of Attorney in favour of the Security Trustee to empower the Security Trustee following service of the Issuer Enforcement Notice to take such action on behalf of the Issuer as the Security Trustee may deem necessary to protect the interests of the Issuer Secured Creditors in respect of the Portfolio. The English Law Power of Attorney will be governed by English law and the Italian Law Power of Attorney will be governed by Italian law.

Each of the Issuer Secured Creditors will agree that it will not take any steps whatsoever to direct the Security Trustee to enforce the Security created in its favour under or pursuant to the Security and Intercreditor Agreement or the Deed of Pledge, nor will it take any steps or pursue any action whatsoever for the purpose of recovering any debts due or owing to it by the Issuer or to petition or procure the petitioning for the bankruptcy of the Issuer or (upon registration of the Issuer in the register held pursuant to Article 107 of the Banking Act) the extraordinary administration or compulsory administration liquidation of the Issuer pursuant to the Banking Act. At any time after the Notes shall have become due and repayable and the Security created by or pursuant to the Security and Intercreditor Agreement shall have become enforceable, none of the Noteholders or any other Issuer Secured Creditor will be entitled to proceed directly against the Issuer unless the Security Trustee having become bound to do so fails to do so in a reasonable time.

The Security and Intercreditor Agreement will be governed by, and construed in accordance with, English law.

Deed of Pledge

Under the terms of the Deed of Pledge, the Issuer shall pledge in favour of the Security Trustee all monetary claims and rights and all the amounts (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Issuer is entitled from time to time pursuant to the Transfer Agreement, the Servicing Agreement and the Portfolio Advisory Agreement (all as more particularly described in the Deed of Pledge). The Deed of Pledge will be governed by Italian Law.

Neither the Note Trustee nor the Security Trustee are obliged to take any action under the Trust Deed, the Security and Intercreditor Agreement, the Deed of Pledge or the Securitisation Law or the Italian Law Power of Attorney or the English Law Power of Attorney which would result, in the opinion of the relevant Trustee, in them incurring any personal liability or expense or rendering themselves liable to any claim, tax on liability unless the relevant Trustee is indemnified to its satisfaction (which may include the taking of security by the relevant Trustee).

Call Option Agreement

On or about the Issue Date, Stichting Pantelleria, Stichting Lampedusa and Whitehall 2001 may enter into the Call Option Agreement in relation to the Issuer. The Call Option Agreement will contain, *inter alia*, call options in relation to the ownership of the Issuer, and provisions in relation to the transfer of quotas in the Issuer.

Letter of Undertaking

On or before the Issue Date, Stichting Pantelleria, Stichting Lampedusa, TMF and Whitehall Parallel Global Real Estate Limited Partnership 2001 may enter into the Letter of Undertaking. The Letter of Undertaking will contain, *inter alia*, an undertaking from each of Stichting Pantelleria, Stichting Lampedusa and TMF to seek the prior written consent of Whitehall Parallel Global Real Estate Limited Partnership 2001 before they exercise certain powers as quotaholders of the Issue including the power to replace any managing director of the Issuer and to procure that the board of directors of the Issuer comprises at all times a nominee of Whitehall Parallel Global Real Estate Limited Partnership 2001.

Use of Proceeds

The proceeds from the issue of the Notes, being Euro 633,200,000, together with proceeds standing to the credit of the Issuer Collection Account will be applied by the Issuer in paying the purchase price for the Portfolio pursuant to the Transfer Agreement, the premium for the purchase of the Interest Rate Caps comprising part of the Hedges, and in meeting the expenses of the Issuer in connection with the issue of the Notes and the completion of the transactions described herein and in the Transaction Documents.

Provisions Applicable to Notes while in Global Form

The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class R Notes (each of which shall be in the denomination of €100,000) will each be represented initially by a temporary global note (respectively the "Class A Temporary Global Note", the "Class B Temporary Global Note", the "Class C Temporary Global Note", the "Class D Temporary Global Note", the "Class E Temporary Global Note", the "Class F Temporary Global Note", the "Class R Temporary Global Note" and together, the "Temporary Global Notes") in bearer form, without coupons, in the aggregate principal amount of €633,200,000.

The Temporary Global Notes will be deposited on behalf of the subscribers of the relevant class of Notes with a common depositary (the "Common Depositary") for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on the Issue Date. Upon deposit of the Temporary Global Notes, Euroclear or Clearstream, Luxembourg will credit each subscriber of the Notes with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid.

Interests in the Temporary Global Notes will be exchangeable on or after the Exchange Date (provided that certification of non-U.S. beneficial ownership by the relevant Noteholders has been received) for interests in permanent global notes (respectively the "Class A Permanent Global Note", the "Class B Permanent Global Note", the "Class C Permanent Global Note", the "Class D Permanent Global Note", the "Class E Permanent Global Note", the "Class F Permanent Global Note", the "Class R Permanent Global Note and together the "Permanent Global Notes") in bearer form, without coupons, each Permanent Global Note in an equivalent principal amount to the relevant Temporary Global Note (the expression "Global Notes" meaning the Temporary Global Notes and the Permanent Global Notes or any of them, as the context may require). The Permanent Global Notes will also be deposited with the Common Depositary. The Global Notes will be transferable by delivery.

The Permanent Global Notes will be exchangeable for definitive Notes of the relevant class with coupons attached and in bearer form in certain limited circumstances described below.

Interest and, where applicable, principal on each Global Note will be payable against presentation of that Global Note by the Common Depositary to the Paying Agents provided that (i) no payment of interest on a Global Note may be made by, or upon presentation of such Global Note to, any Paying Agent in the United States of America and (ii) certification of non-U.S. beneficial ownership by the relevant Noteholder has been received by Euroclear or Clearstream, Luxembourg as described above. Each of the persons appearing from time to time in the records of Euroclear or of Clearstream, Luxembourg as the holder of a Class A Note, a Class B Note, a Class C Note, a Class D Note, a Class E Note, a Class F Note or a Class R Note (as the case may be) will be entitled to receive any payment made in respect of that Note in accordance with the respective rules and procedures of Euroclear or, as the case may be, Clearstream, Luxembourg. Each such person must give a certificate as to non-U.S. beneficial ownership as of the date on which the Issuer is obliged to exchange the relevant Temporary Global Note for the relevant Permanent Global Note, which date shall be no earlier than the Exchange Date.

For so long as each of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class R Notes are represented by Global Notes, the Notes represented by such Global Note will be transferable in accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg.

A record of each payment made on a Global Note, distinguishing between any payment of principal and any payment of interest, where appropriate, will be endorsed and such record shall be *prima facie* evidence that the payment in question has been made.

If (i) the Issuer would suffer a material disadvantage in respect of the Notes whilst in Global form which would not be suffered were the Notes in definitive form and a certificate to such effect is signed by the sole director (if there is only one director of the Issuer) or by two directors of the Issuer is delivered to the Note Trustee; or (ii) either Euroclear or Clearstream, Luxembourg is closed for business 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 and no alternative clearing system satisfactory to the Note Trustee is available; or (iii) as a result of any amendment to, or change in, the laws or regulations of the Republic of Italy (or any political subdivision thereof) or of any authority therein 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 become effective on or after the Issue Date, the Issuer or any Paying Agent is or will be required to

make any deduction or withholding from any payment, in respect of any class of Notes, which would not be required were such class of Notes in definitive form, then the Issuer will issue definitive Notes in the relevant class in exchange for the whole outstanding interest in the respective Permanent Global Notes within thirty days of the occurrence of the relevant event but, in no event, prior to the expiry of forty days after the Issue Date and subject to certification of non-U.S. beneficial ownership.

So long as each class of Notes is represented by the relevant Global Note and such Global Note is held on behalf of a clearing system, notices to Noteholders of the relevant class may be given by delivery of the relevant notice to that clearing system, for communication by it to entitled accountholders in substitution for publication as required by the Conditions except that so long as the Notes, or any class thereof (as the case may be) are listed on the Irish Stock Exchange and the rules of that Exchange so require, notices shall also be published in a leading newspaper having general circulation in Dublin (which is expected to be the *Irish Times*).

The holder of each Permanent Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of holders of the relevant class of Notes and, at any such meeting, as having one vote in respect of each €100,000 principal amount of Notes of the class for which the Permanent Global Note may be exchanged.

Claims against the Issuer in respect of the principal and, where applicable, interest on Notes or any class thereof (as the case may be) while such Notes are represented by the relevant Permanent Global Notes will become void unless the relevant Permanent Global Note is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in the Conditions) for the relevant class of Notes.

Cancellation of any class of Notes required by the Conditions to be cancelled will be effected by reduction in the Principal Amount Outstanding of the corresponding Permanent Global Note.

Terms and Conditions of the Notes

The following are the terms and conditions of the Notes (the "Conditions") in the form in which they will appear in the Trust Deed (as defined below).

The €384,000,000 Class A Asset Backed Floating Rate Notes due 2011 (the "Class A Notes"), the €57,000,000 Class B Asset Backed Floating Rate Notes due 2011 (the "Class B Notes"), the €49,000,000 Class C Asset Backed Floating Rate Notes due 2011 (the "Class C Notes"), the €45,000,000 Class D Asset Backed Floating Rate Notes due 2011 (the "Class D Notes"), the €30,000,000 Class E Asset Backed Floating Rate Notes due 2011 (the "Class E Notes"), the €15,000,000 Class F Asset Backed Floating Rate Notes due 2011 (the "Class F Notes") and the €53,200,000 Class R Asset Backed Fixed Rate Notes due 2011 (the "Class R Notes", and together with the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, and the Class F Notes, the "Notes") issued by ARES FINANCE S.r.l. (the "Issuer") are constituted by a trust deed dated on or around 18th September 2001 (the "Trust Deed", which expression includes such trust deed as from time to time modified, supplemented, amended or novated in accordance with the provisions therein contained) and made between the Issuer and Citicorp Trustee Company Limited as note trustee for the holders for the time being of the Notes of each class (the "Noteholders", holders of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class R Notes being respectively, the "Class A Noteholders", the "Class B Noteholders", the "Class C Noteholders", the "Class D Noteholders", the "Class E Noteholders", the "Class F Noteholders" and the "Class R Noteholders" (all together, the "Noteholders")) and (in such capacity, the "Note Trustee", which expression shall include its successors, assigns and any further or other person or persons for the time being acting as note trustee or note trustees pursuant to the Trust Deed).

The Notes also have the benefit of an agency agreement dated on or before 18th September 2001 (the "Issue Date") (as amended or supplemented from time to time, the "Agency Agreement") between the Issuer, Citibank, N.A. as English Operating Bank (the "English Operating Bank"), Citibank, N.A. as principal paying agent (the "Principal Paying Agent", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the "Paying Agents", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee.

References herein to the "Agents" are to the Principal Paying Agent, the Paying Agents and any reference to an "Agent" is to any one of them.

Any reference below to a "class" of Notes or a "class" of Noteholders shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes or the Class R Notes as the case may be, or to the respective holders thereof.

Copies of the Trust Deed, the Security and Intercreditor Agreement, the Cash Management Agreement, the Liquidity Facility Agreement, the Agency Agreement, the Hedges, and the other Transaction Documents to which the Issuer is a party are available for inspection during normal business hours at the specified office of the Principal Paying Agent.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement and the other Transaction Documents.

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Security and Intercreditor Agreement, the Deed of Pledge, and the Agency Agreement and the other Transaction Documents applicable to them.

Capitalised terms which are not otherwise defined in these Conditions shall bear the meanings given to them in the Trust Deed and the Security and Intercreditor Agreement.

In these Conditions:

1 Definitions

"Accounts" means, collectively, the Italian Accounts and the English Accounts and "Account" means any of them;

"Additional Interest" means any Senior Additional Interest Amounts and Junior Additional Interest Amounts payable in respect of the Class R Notes to the Class R Noteholders on any Interest Payment Date in accordance with the provisions of Condition 6.4;

"All-in-Cost" has the meaning given to it in the Portfolio Advisory Agreement;

"Archon" means Archon Group Italia S.r.l.;

"Asset" has the meaning given to it in the Portfolio Advisory Agreement;

"Available Capital Funds" means in respect of any class of Notes as at any Interest Payment Date from and including the Interest Payment Date falling in March 2003, the Issuer Available Funds less all amounts required pursuant to the Security and Intercreditor Agreement to be paid by the Issuer in priority to or *pari passu* with the repayment of principal under such class of Notes;

"Banking Act" means Italian Legislative Decree No. 385 of 1st September 1993;

"Beneficiaries" has the meaning given to it in the Security and Intercreditor Agreement;

"BNL" means Banca Nazionale del Lavoro S.p.A.;

"Business Day" shall mean any day (other than a Saturday or Sunday) on which banks are generally open for business in Milan, Ireland and London and on which TARGET is open for business;

"Calculation Date" means five Business Days prior to any Interest Payment Date;

"Call Option Agreement" means the call option agreement dated on or before the Issue Date between the Issuer, Whitehall B.V., Stichting Pantelleria and Stichting Lampedusa;

"Cash Management Agreement" means the cash management agreement dated on or before the Issue Date between, *inter alios*, the Issuer, the Operating Banks, the Cash Manager, the Servicer, the Portfolio Adviser, the Note Trustee and the Security Trustee;

"Cash Manager" means Citibank, N.A. or its permitted successors or assigns from time to time;

"Claims" means each and every right arising under the Credit Facilities and under the Credit Contracts, including, but not limited to:

(a) all rights in relation to all outstanding principal amounts of the Credit Facilities;

(b) all rights in relation to interest (including legal, contractual, compensatory, default or other interest) accrued on the Credit Facilities up to the Transfer Date;

(c) all rights in relation to interest (including legal, contractual, compensatory, default or other interest) which will accrue on the Credit Facilities as from the Transfer Date;

(d) all rights in relation to the reimbursement of expenses, and in relation to any losses, costs, indemnities and damages, with respect to or in connection with the Credit Facilities and the guarantees and insurances connected to them, including the rights and claims in relation to the reimbursement of legal and judicial expenses and other expenses incurred in connection with the collection and recovery of all amounts due in relation to the Claims irrespective of whether or not such Claims are registered in BNL's accounting books and/or accrued as of the Transfer Date,

all the above together with the mortgages and all other security interests and guarantees, all pledges and all privileges and priority rights supporting such rights and claims, and all other ancillary rights (*accessori*) pertaining thereto, as well as any and all other rights, claims and actions (including any action for damages), substantial and procedural actions and defences inherent or otherwise ancillary to such rights and claims and to the exercise thereof in accordance with the provisions of the relevant Credit Contract and all other documents and agreements connected to them and/or pursuant to the applicable law, including, but not limited to, the contractual right of termination by reason of failure to perform (*diritto di risoluzione contrattuale per inadempimento*) or other reason and the right to accelerate the obligations of the assigned borrowers (*diritto di dichiarare i debitori ceduti decaduti dal beneficio del termine*), as well as any other rights of BNL in relation to any and all insurance policies taken out in connection with the Credit Facilities;

"Class R Distributions" shall mean, with respect to a particular Collection Period, the aggregate amount paid by the Issuer to the Class R Noteholders pursuant to the terms and conditions of the Class R Notes (comprising payments of principal, interest, redemption proceeds or any other amounts);

"Class R Note Principal Redemption Amount" means an amount equal to 10% of the Principal Amount Outstanding of the Class R Notes or, following redemption in full of all the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and Class F Notes, such other percentage as may be agreed between the Issuer and the Class R Noteholders;

"Collection Date" means the last Business Day in February and August in each year;

"Collection Period" means each period of six months commencing on (and including) a Collection Date and ending on (but excluding) the next succeeding Collection Date, and in the case of the first Collection Period, commencing on the Issue Date and ending on (but excluding) 1st March 2002;

"Collections" means all immediately available funds received by the Issuer from time to time in respect of the Claims pursuant to the Servicing Agreement and/or any other Transaction Document;

"Consideration" shall mean (x) with respect to the sale or disposition of an Asset, the gross purchase price *less* (i) any taxes payable by the Issuer in connection with such sale or disposition (including, without limitation, any value added tax, stamp, transfer and registration taxes) and (ii) all costs and expenses relating to such sale or disposition (including, without limitation, brokerage fees, legal fees and other selling costs and expenses); and (y) with respect to a Credit Facility, all principal payments and payments of interest that were past due as of the Issue Date which are received by the Issuer on account of the indebtedness evidenced thereby *less* any collection costs relating to such payments and (z) with respect to any purchase money mortgage loan granted by the Issuer, all payments of principal and interest if and when collected by the Issuer *less* any collection costs relating to such payments;

"Corporate Services Agreement" means the corporate services agreement dated on or before the Issue Date between the Issuer, the Corporate Services Provider, the Security Trustee and the Note Trustee;

"Corporate Services Provider" means Archon Group Italia S.r.l.;

"Credit Contracts" has the meaning given to it in the Security and Intercreditor Agreement;

"Credit Facilities" has the meaning given to it in the Security and Intercreditor Agreement;

"Deed of Pledge" means the deed of pledge dated on or before the Issue Date between the Issuer and the Security Trustee;

"Eligible Institution" has the meaning given to it in the Security and Intercreditor Agreement;

"Eligible Investments" means:

(a) demand or time deposits, certificates of deposit and short-term unsecured debt obligations including commercial paper provided that:

  (i) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the issuing entity or, if such investment is guaranteed, of the guaranteeing entity, are rated A1 by S&P and F1 by Fitch or the long-term unsecured and unguaranteed debt obligations of the issuing entity or, if such investment is guaranteed, of the guaranteeing entity are rated AA by S&P and Fitch; and

  (ii) (if such investments mature no later than one month after the acquisition thereof) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the issuing entity or, if such investment is guaranteed, of the guaranteeing entity, are rated P-1 by Moody's or the long-term unsecured and unguaranteed debt obligations of the issuing or guaranteeing entity are rated at least A2 by Moody's or (if such investments mature no later than 3 months, but more than one month after such acquisition) at least A1 by Moody's or (if such investments mature no later than six months but more than three after the acquisition) at least Aa3 by Moody's or (if such investments mature no later than one year, but more than 6 months, after such acquisition) rated Aa1 by Moody's;

(b) a fund which is rated at least AAA/Aaa by at least two Rating Agencies; or

(c) any other obligation the investment in which would not adversely affect the then current rating(s) of the Notes,

provided that each such investment must (i) be denominated in Euro, (ii) mature on or before the first Interest Payment Date after the date on which such investment is made or acquired or in respect of amounts that would otherwise be retained in the Retained Principal Account prior to the Interest Payment Date in March 2003, mature on or before the Interest Payment Date in March 2003 and (iii) in respect of the Issuer's interest therein, be capable of being secured in favour of the Security Trustee.

"English Accounts" means each of the Issuer Collection Account, the Issuer Payments Account, the Retained Principal Account and the Liquidity Reserve Account and "English Account" means any one of them;

"English Law Power of Attorney" has the meaning given to it in the Security and Intercreditor Agreement;

"English Law Security" has the meaning given to it in Condition 3;

"English Law Transaction Documents" means the Agency Agreement, the Cash Management Agreement, the Notes, the Subscription Agreements, the Hedges, the Liquidity Facility Agreement, the Trust Deed, the Call Option Agreement, the Corporate Services Agreement and the Security and Intercreditor Agreement;

"English Operating Bank" means an Eligible Institution in England and, as at the Issue Date, is Citibank, N.A.;

"Estimated Issuer Expenses" means on each Calculation Date, the amount of Issuer Expenses which the Portfolio Adviser estimates will be due and payable during the Collection Period following such Calculation Date less any amount standing to the credit of the Issuer Expenses Account on such date;

"Estimated Receipts" means the aggregate of the following amounts calculated by or on behalf of the Issuer and notified to the Cash Manager as amounts expected to be received after the relevant Calculation Date but before the next Interest Payment Date but only to the extent the same are actually received:

(a) all amounts to be received from the Liquidity Facility Provider pursuant to the terms of the Liquidity Facility;

(b) all amounts to be received by the Issuer pursuant to any Hedge;

(c) all amounts of interest expected to accrue and be credited to the Issuer Collection Account, the Issuer Payments Account, the Liquidity Reserve Account (if any) and the Retained Principal Account; and

(d) any other amounts expected to be received by the Issuer;

"Euro-zone" means the region comprised of member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community, as amended;

"Extraordinary Resolution" has the meaning given to it in the Trust Deed;

"Final Maturity Date" means the Interest Payment Date falling in March 2011;

"Floating Rate Notes" means the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes;

"Hedge Subordinated Amounts" means any amounts to be paid by way of refund of tax credits which the Issuer has received in respect of any withholding or deduction on account of tax made by the Hedging Provider to the extent the Hedging Provider has grossed up payments under a Hedge and any amounts due on termination of a Hedge due to the occurrence of an event of default under such Hedge in respect of which the Hedging Provider is the defaulting party;

"Hedges" means the hedging arrangements entered into or to be entered into by the Issuer and the Hedging Provider including, without limitation, any form of swaps, caps or floors or other appropriate derivative arrangements acceptable to the Rating Agencies from time to time and "Hedge" means any one of them;

"Hedging Provider" means the counterparty or counterparties of the Issuer under the Hedges;

"Insolvency Event" in respect of a company or corporation means:

(a) the initiation of or consent to insolvency proceedings by such company or corporation or any other person or the presentation of a petition for the making of an administration order (other than in the case of the Issuer) where, in the opinion of the Note Trustee, such proceedings are not being disputed in good faith with a reasonable prospect of success; or

(b) the making of an administration order in relation to such company or corporation; or

(c) an encumbrancer (excluding, in relation to the Issuer, the Security Trustee or any receiver or manager appointed by the Security Trustee) taking possession of the whole or (in the opinion of the Note Trustee) any substantial part of the undertaking or assets of such company or corporation; or

(d) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or (in the opinion of the Note Trustee) any substantial part of the undertaking or assets of such company or corporation (excluding, in relation to the Issuer, by the Security Trustee or any receiver or manager appointed by the Security Trustee) where such order, appointment, possession or process (as the case may be) is not discharged or otherwise ceases to apply within 30 days; or

(e) the making of an arrangement, composition, reorganisation with or conveyance to or assignment for the creditors of such company or corporation generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company or corporation generally; or

(f) the passing by such company or corporation of an effective resolution or the making of an order by a court of competent jurisdiction for the winding up or dissolution of such company or corporation (except, in the case of the Issuer, a winding up for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Note Trustee or by an Extraordinary Resolution in relation to the Issuer and otherwise, the Security Trustee); or

(g) the appointment of an Insolvency Official in relation to such company or corporation or in relation to the whole or (in the opinion of the Note Trustee) any substantial part of the undertaking or assets of such company or corporation (excluding, in relation to the Issuer, the appointment of an administrative receiver or other receiver or manager appointed by the Security Trustee pursuant to the Security and Intercreditor Agreement);

and for the purposes of this definition any reference to "Insolvency Proceedings" shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company or corporation is incorporated or of any jurisdiction in which such company or corporation carries on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, arrangement, adjustment, protection or relief of borrowers;

"Insolvency Official" has the meaning given to it in the Security and Intercreditor Agreement;

"Insolvent" means, in relation to the Issuer:

(a) the Issuer ceases or threatens to cease to carry on the whole or (in the opinion of the Note Trustee) a substantial part of its business or the Issuer becomes subject to compulsory administration or winding-up under the Banking Act; or

(b) an order is made or an effective resolution is passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved in writing by the Note Trustee or pursuant to an Extraordinary Resolution of the Noteholders of the highest ranking Notes then outstanding;

"Interest Payment Date" means 25th March and 25th September in each year (or if such day is not a Business Day, the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day);

"Interest Period" means each period from (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date, provided that the first Interest Period shall begin on (and include) the Issue Date and end on (but exclude) the Interest Payment Date in March 2002;

"Interim Collection Account" has the meaning given to it in the Security and Intercreditor Agreement;

"Issue Date" means the date of issue of the Notes, expected to be on or about 18th September 2001;

"Issuer Available Funds" means, in respect of any Interest Payment Date, the aggregate amount standing to the credit of the Issuer Collection Account, the Issuer Payments Account and the Liquidity Reserve Account (if any) as at the Collection Date immediately preceding such Interest Payment Date together with all Estimated Receipts;

"Issuer Collection Account" has the meaning given to it in the Security and Intercreditor Agreement;

"Issuer Expenses" means all fees, costs and expenses incurred by the Issuer in the day-to-day running of its business;

"Issuer Expenses Account" has the meaning given to it in the Security and Intercreditor Agreement;

"Issuer Payments Account" has the meaning given to it in the Security and Intercreditor Agreement;

"Issuer Secured Creditors" means the Note Trustee and the Security Trustee, the Noteholders, the Paying Agents, the Cash Manager, the English Operating Bank, BNL in its own capacity under the Transfer Agreement and as the Italian Operating Bank, the Hedging Providers, the Liquidity Facility Provider, the Servicer, the Portfolio Adviser and the Corporate Services Provider;

"Issuer Trigger Event" has the meaning given to it in Condition 11;

"Italian Accounts" means the Interim Collection Account and the Issuer Expenses Account;

"Italian Law Power of Attorney" has the meaning given to it in the Security and Intercreditor Agreement;

"Italian Law Security" has the meaning given to it in Condition 3;

"Italian Law Transaction Documents" means the Servicing Agreement, the Portfolio Advisory Agreement, the Deed of Pledge and the Transfer Agreement;

"Italian Operating Bank" means BNL or its successors in the capacity of Italian Operating Bank under the Security and Intercreditor Agreement;

"Law 239" means Italian Legislative Decree 1st April 1996 No. 239 as amended as at the Issue Date;

"Law 239 Withholding" means any withholding or deduction for or on account of Italian tax pursuant to Law 239;

"Liquidity Facility" has the meaning given to it in the Security and Intercreditor Agreement;

"Liquidity Facility Agreement" has the meaning given to it in the Security and Intercreditor Agreement;

"Liquidity Facility Provider" has the meaning given to it in the Security and Intercreditor Agreement;

"Liquidity Subordinated Amounts" means (a) any additional amounts in respect of withholding taxes and increased costs payable to the Liquidity Facility Provider (after application of all amounts in the Liquidity Reserve Account (if any) for such purpose) under the Liquidity Facility Agreement, and (b) any other amounts (other than principal, interest and/or commitment fees) due to the Liquidity Facility Provider;

"Operating Banks" means the English Operating Bank and the Italian Operating Bank;

"Participating Member State" means, at any time, any member state of the European Union that has adopted the Euro as its lawful currency in accordance with the treaty establishing the European Community, as amended;

"Portfolio" means the portfolio of Claims and rights connected thereto deriving from certain Italian non-performing residential, industrial and commercial Credit Facilities and the Credit Contracts in respect thereof together with, where available, the Real Estate Assets;

"Portfolio Adviser" means Archon or any successor portfolio adviser appointed under the Portfolio Advisory Agreement;

"Portfolio Adviser Additional Fee" has the meaning given to it in the Portfolio Advisory Agreement;

"Portfolio Adviser Adjustment Base Fee" has the meaning given to it in the Portfolio Advisory Agreement;

"Portfolio Adviser Base Fee" has the meaning given to it in the Portfolio Advisory Agreement;

"Portfolio Advisory Agreement" means the portfolio advisory agreement dated on or before the Issue Date and made between the Issuer, the Portfolio Adviser, SGC, the Note Trustee and the Security Trustee;

"Post-Enforcement Priority of Payments" means the provisions relating to the order of priority of payments as set out in Condition 5.2;

"Powers of Attorney" means the Italian Law Power of Attorney and the English Law Power of Attorney granted by the Issuer in favour of the Security Trustee;

"Pre-Enforcement Priority of Payments" means the provisions relating to the order of priority of payments as set out in Condition 5.1;

"Principal Amount Outstanding" means, on any day:

(a) in relation to each class, the aggregate principal amount outstanding of all Notes in such class;

(b) in relation to a Note, the principal amount of the Note upon issue less the aggregate amount of all Principal Payments in respect of that Note which have become due and payable (whether or not actually paid) on or prior to that date;

"Principal Payment" means the principal amounts redeemable in respect of each Note of each class;

"Priority of Payments" means as the context requires, either the Pre-Enforcement Priority of Payments and/or the Post-Enforcement Priority of Payments;

"Pro Rata Asset Balance" shall mean for any Collection Period the average of (x) the aggregate All-in-Cost of the Assets as of the first day of such Collection Period and (y) the aggregate All-in-Cost of the Assets as of the last day of such Collection Period;

"Rating Agencies" means Fitch Ratings Ltd. ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Agencies, a division of the McGraw Hill Inc. group of companies ("S&P");

"Real Estate Assets" means certain real estate assets secured by mortgages and/or other security interests relating to Credit Facilities assigned and transferred to the Issuer pursuant to the terms of the Transfer Agreement;

"Recoveries" means any payment, other than cash, received by the Servicer in respect of the Claims pursuant to the Servicing Agreement and/or any other Transaction Document;

"Relevant Margin" means (a) 0.45% per annum in respect of the Class A Notes, 0.75% per annum in respect of the Class B Notes, 1.15% per annum in respect of the Class C Notes, 2.20% per annum in respect of the Class D Notes, 3.00% per annum in respect of the Class E Notes and 6.00% per annum in respect of the Class F Notes;

"Retained Principal Account" has the meaning given to it in the Security and Intercreditor Agreement;

"Retained Principal Amount" has the meaning given to it in the Security and Intercreditor Agreement;

"Securitisation Law" means Law No. 130 of 30th April 1999 (*legge sulla cartolarizzazione dei crediti*), as amended;

"Security" means the English Law Security and the Italian Law Security and the rights granted by the Issuer pursuant to the Powers of Attorney and the rights of the Issuers Secured Creditors under the Securitisation Law;

"Security and Intercreditor Agreement" means the security and intercreditor agreement dated on or before the Issue Date between, *inter alios*, the Issuer, the Cash Manager, the Liquidity Facility Provider, the Servicer, the Portfolio Adviser, the Hedging Provider, the Principal Paying Agent, the English Operating Bank, the Italian Operating Bank and each of the Trustees;

"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 Citicorp Trustee Company Limited as security trustee, which expression shall include its successors, assigns and any further or other person or persons for the time being acting as security trustee pursuant to the Security and Intercreditor Agreement.

"Servicer Base Fee" has the meaning given to it in the Servicing Agreement;

"Servicing Agreement" means the servicing agreement dated on or before the Issue Date and made between the Issuer, SGC, Archon, the Note Trustee and the Security Trustee;

"SGC" means S.G.C. – Società Gestione Crediti S.p.A.;

"Shortfall" means in relation to any Interest Payment Date the amount (if any), calculated on the Calculation Date in accordance with Condition 6.9;

"Stand-by Facility" has the meaning given to it in the Liquidity Facility Agreement;

"Subscription Agreements" has the meaning given to this term in the Security and Intercreditor Agreement;

"TARGET" means the Trans-European Automated Real Time Gross Transfer System (or any successor thereto);

"TARGET Banking Day" shall mean a day (other than a Saturday or a Sunday) on which TARGET is open;

"Transfer Agreement" has the meaning given to it in the Security and Intercreditor Agreement;

"Transaction Documents" means the English Law Transaction Documents, the Italian Law Transaction Documents and the Powers of Attorney, each being a "Transaction Document"; and

"Trustees" means the Security Trustee and the Note Trustee and "Trustee" means either one of them.

2 Form, Denomination and Title

2.1 The Notes are in bearer form in the denomination of €100,000 and each authorised holding will be an integral multiple thereof.

2.2 The holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein or any writing thereon or any notice of any previous loss or theft of such Note) and no person shall be liable for so treating such holder.

3 Status, Ranking and Security

3.1 The Notes constitute direct, secured and limited recourse obligations of the Issuer and are secured over and by certain assets of, and rights in relation to, the Issuer pursuant to the English Law Security and the Italian Law Security (each as defined below and together with the rights due to the Beneficiaries under the Securitisation Law, and the rights granted by Issuer to the Security Trustee pursuant to the Powers of Attorney, the "Security").

In addition, by operation of Italian law, the Issuer's right, title and interest in and to the Portfolio is 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 Issuer Secured Creditors in the orders of priority set out in the Security and Intercreditor Agreement and to any third party creditors in respect of costs, fees and expenses incurred by the Issuer to such third party creditors in relation to the securitisation of the Portfolio.

3.1.1 The security expressed to be created by the Security and Intercreditor Agreement includes:

(i) an English law first priority security interest by way of first fixed charge over all amounts standing to the credit from time to time of the English Accounts and any Eligible Investments;

(ii) an English law first priority assignment by way of security over the Issuer's rights, benefits, title and interest in and to each of the Agency Agreement, Liquidity Facility Agreement, each Hedge, the Cash Management Agreement, the Notes, the Trust Deed and the Subscription Agreements; and

(iii) a first floating charge over, *inter alia*, the whole of the Issuer's undertaking and all its property, assets and rights not charged pursuant to the relevant fixed charges save that such floating charge shall not extend to any asset situated outside England and Wales to the extent that and for so long as such security would be unlawful under the laws of another jurisdiction in which such asset is located (together with (i) and (ii) above, the "English Law Security").

3.1.2 The English Law Security created by the Security and Intercreditor Agreement will be granted in each case in favour of the Security Trustee who will hold such security for the benefit of the Beneficiaries, including the Noteholders.

3.1.3 The security expressed to be created by the Deed of Pledge includes an Italian law pledge of all monetary claims and rights and all the amounts (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Issuer is entitled from time to time pursuant to the each of the Italian Law Transaction Documents, (the "Italian Law Security").

3.1.4 The Security shall be held by the Security Trustee on trust for the Beneficiaries, including the Issuer Secured Creditors and the Noteholders.

3.2 The Notes of each class rank *pari passu* without preference or priority amongst themselves. The rights of the Noteholders of the different classes in respect of the priority of payment of interest and principal are set out in Condition 5.

3.3 The Note Trustee shall have regard to the interests of the Noteholders as if they formed a single class as regards all powers, trusts, authorities, duties and discretions of the Note Trustee, but the Note Trustee shall have regard only to the interests of Noteholders of the highest ranking class of Notes then outstanding if, in the opinion of Note Trustee, there is a conflict between the interests of such Noteholders and the Noteholders of any other subordinate class of Noteholders.

3.4 The Security and Intercreditor Agreement contains provisions requiring the Security Trustee to have regard to the interests of the Issuer Secured Creditors as a class as regards all powers, trusts, authorities, duties and discretions of the Security Trustee, but requiring the Security Trustee to have regard only to the interests of Noteholders if, in the opinion of the Security Trustee, acting on instructions of the Note Trustee, there is a conflict between the interests of the Noteholders, and the interests of any other Issuer Secured

Creditor (or any combination of them) or to the interests of Noteholders of the most senior class of Notes outstanding if, in the opinion of the Note Trustee, there is a conflict between the interests of Noteholders of such class of Notes and any other class of Notes or the Issuer Secured Creditors, the interests of the Noteholder or any class of them being determined in each case by the Note Trustee.

3.5 The Security Trustee may agree to make amendments or modifications to the Security and Intercreditor Agreement, or any other document, including the Deed of Pledge, the rights and benefits in respect of which are comprised in the Security, where such amendment or modification is made to correct a manifest error or is of a formal, minor or technical nature or which is not, in the opinion of the Security Trustee, materially prejudicial to the interests of the Beneficiaries.

No amendment or modification may be made to any Transaction Document that is materially prejudicial to (a) the interests of the Noteholders (or the relevant class thereof) without the consent of the Noteholders given by Extraordinary Resolution or (b) to the interests of any Issuer Secured Creditor without the prior written consent of the relevant Issuer Secured Creditor(s).

No amendment or modification may be made to any Transaction Document that has the effect of reducing the amount payable in respect of any outstanding fees, costs and expenses incurred by or on behalf of the Issuer to persons who are not Issuer Secured Creditors to whom the Issuer owes such other amounts in accordance with all applicable laws and regulations without breach of any Transaction Document (including, for the avoidance of doubt, any tax authority) or reducing the amount payable as outstanding fees, costs and expenses incurred by the Issuer and required by law to be paid *pari passu* with the amounts required to be paid under the Post-Enforcement Priority of Payments.

3.6 Each Noteholder, by purchasing this Note, authorises the Note Trustee to exercise, subject to Condition 12, on behalf of such Noteholder all of that Noteholder's right, title and interest in and to and in respect of the Portfolio under the Securitisation Law and further authorises the Note Trustee to grant such right to the Security Trustee. Further, each Noteholder acknowledges that the Note Trustee has the authority and the power to act in the name of and as agent and/or representative of Noteholders in respect of Noteholders' rights, title and interest in and to and in respect of the Portfolio under the Securitisation Law and for the purposes of enforcing the Italian Law Security and to grant a like authority and/or subdelegate the agency in respect of such rights to the Security Trustee. Each Noteholder acknowledges and agrees that it will not separately take any action to enforce any rights it may have other than under and in accordance with the Transaction Documents. Prior to exercising any such right, each Trustee may require authority to be given by each Noteholder (in a form satisfactory to each Trustee) and shall not be obliged to take any action until such authority has been given. Protection or enforcement of the Security may be delayed as a result.

4 Covenants

For so long as any amounts remain outstanding in respect of the Notes of any class, the Issuer shall not, save with the prior written consent of the Note Trustee or as provided in or envisaged by any of the Transaction Documents, *inter alia,*:

4.1 Negative Pledge

create, or permit to subsist, any Security Interest whatsoever over any of its assets or sell, lend, part with or otherwise dispose of all or any part of its assets (including any uncalled capital) or its undertaking, present or future;

4.2 Restrictions on Activities

(a) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage;

(b) have any subsidiaries, *società controllata* (as defined in Article 2359 of the Italian Civil Code), or any employees or premises;

(c) 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 shall 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;

4.3 Dividends or Distributions

pay any dividend or make any other distribution or return or repay any equity capital to its quotaholders, or issue any further quota;

4.4 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;

4.5 Merger

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person, other than incidental to the resolution and liquidation of the Portfolio or in connection with a transaction that will result in repayment of the Notes in full;

4.6 No Variation or Waiver

permit the validity or effectiveness of any of the Transaction Documents to which it is a party, or the priority of the Security Interests created thereby, to be amended, terminated or discharged, or consent to any variation of, or exercise any powers of consent or waiver pursuant to the terms of the Trust Deed, these Conditions, the Security and Intercreditor Agreement, the Deed of Pledge or any of the other Transaction Documents to which it is a party, or permit any party to any of the Transaction Documents to which it is a party, or any other person whose obligations form part of the Security, to be released from such obligations, save as envisaged in the Transaction Documents to which it is a party;

4.7 Bank Accounts

have an interest in any bank account other than the Accounts; or

4.8 Statutory Documents

amend, supplement or otherwise modify its articles (*statuto*) or constitutional documents (*atto costitutivo*).

5 Priority of Payments

5.1 Pre-Enforcement Priority of Payments

Prior to the service of an Issuer Enforcement Notice, the Issuer Available Funds shall be applied by the Issuer on each Interest Payment Date in making or providing for the following payments, in the following order of priority (in each case, only if and to the extent that payments of a higher priority have been made in full) subject, in the case of the Interest Payment Date falling in March 2003, to the prior application of any Retained Principal Amount, to redeem the Notes in accordance with Condition 7.2.2:

(i) *first*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the fees, costs and expenses of, and all other amounts due and payable to, the Note Trustee and the Security Trustee pursuant to the Transaction Documents;

(ii) *second*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of all outstanding fees, costs, expenses and all other amounts due and payable; (a) to the Paying Agents; (b) to the Cash Manager; (c) to the Servicer; (d) to the Portfolio Adviser (other than in respect of the Portfolio Adviser Additional Fee and the Portfolio Adviser Adjustment Base Fee); (e) to the English Operating Bank; (f) to the Italian Operating Bank; (g) the Corporate Services Provider, (h) any other persons (not being Issuer Secured Creditors) to whom the Issuer owes such other amounts in accordance with all applicable laws and regulations and without breach of the terms of the Transaction Documents, including for the avoidance of doubt any tax authority (which have, in each case, not otherwise been met by the amounts standing to the credit of the Issuer Expenses Account during the preceding Collection Period) and (h) to the Issuer Expenses Account in an amount equal to the lesser of €6,000,000 and the amount of Estimated Issuer Expenses for the next succeeding Collection Period;

(iii) *third*, to pay amounts of principal, interest, commitment fees and other amounts due and payable to the Liquidity Facility Provider under the terms of the Liquidity Facility Agreement other than Liquidity Subordinated Amounts;

(iv) *fourth*, in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, (a) of all amounts due and payable to the Hedging Provider under any Hedges other than Hedge

Subordinated Amounts and (b) all amounts of interest due and payable on the Class A Notes as at such Interest Payment Date;

(v) *fifth*, to pay interest due and payable on the Class B Notes as at such Interest Payment Date;

(vi) *sixth*, to pay interest due and payable on the Class C Notes as at such Interest Payment Date;

(vii) *seventh*, to pay interest due and payable on the Class D Notes as at such Interest Payment Date;

(viii) *eighth*, to pay interest due and payable on the Class E Notes as at such Interest Payment Date;

(ix) *ninth*, to pay interest due and payable on the Class F Notes as at such Interest Payment Date;

(x) *tenth*, subject to satisfaction of the Amortisation Test and the Claims Resolution Test, to pay Senior Additional Interest Amounts on the Class R Notes;

(xi) *eleventh*, prior to the Interest Payment Date falling in March 2003, to pay Retained Principal Amounts into the Retained Principal Account, and from and including the Interest Payment Date in March 2003, to repay principal on the Class A Notes until fully repaid;

(xii) *twelfth*, to repay principal on the Class B Notes until fully repaid;

(xiii) *thirteenth*, to repay principal on the Class C Notes until fully repaid;

(xiv) *fourteenth*, to repay principal on the Class D Notes until fully repaid;

(xv) *fifteenth*, to repay principal on the Class E Notes until fully repaid;

(xvi) *sixteenth*, to repay principal on the Class F Notes until fully repaid;

(xvii) *seventeenth*, in or towards satisfaction of all amounts due and payable as Portfolio Adviser Adjustment Base Fee;

(xviii) *eighteenth*, to pay to the Liquidity Facility Provider any Liquidity Subordinated Amounts;

(xix) *nineteenth*, to pay amounts due and payable to the Hedging Provider in respect of any Hedge Subordinated Amounts;

(xx) *twentieth*, to pay interest (excluding Additional Interest) due and payable on the Class R Notes as at such Interest Payment Date;

(xxi) *twenty-first*, firstly, the Class R Note Principal Redemption Amount towards redemption of the Class R Notes, secondly, all amounts due and payable as Portfolio Adviser Additional Fee (if any) and thirdly, to pay all amounts due and payable as Junior Additional Interest Amounts on the Class R Notes;

(xxii) *twenty-second*, in or towards payment of any amounts due to BNL under the Transfer Agreement other than amounts due to be paid on 28th September 2001 according to the Transfer Agreement; and

(xxiii) *twenty-third*, to pay the surplus (if any) to the Issuer.

5.2 Post-Enforcement Priority of Payments

Following service of an Issuer Enforcement Notice, the Security and Intercreditor Agreement provides that all amounts received or recovered by or on behalf of the Issuer, the Security Trustee and/or any Insolvency Official appointed by the Security Trustee in respect of the Portfolio and/or the Security, will be applied as follows (in each case, only if and to the extent that payments of a higher priority have been made in full):

(i) *first*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of the fees, costs and expenses of, and all other amounts payable pursuant to the Transaction Documents, the Note Trustee, the Security Trustee (and Insolvency Official appointed by the Security Trustee) ;

(ii) *second*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, the fees, costs and expenses, and all other amounts due and payable but unpaid (a) to the Paying Agents; (b) to the Cash Manager; (c) to the Servicer; (d) to the Portfolio Adviser (other than in respect of any Portfolio Adviser Additional Base Fee and Portfolio Adviser Adjustment Base Fee); (e) to the English Operating Bank; (f) to the Italian Operating Bank; (g) the Corporate Services Provider; and, (h) if the relevant Issuer Trigger Event is (1) an event of the type referred to in Condition 11.1, 11.2 or 11.3 all outstanding fees, costs and expenses incurred by or on behalf of the Issuer to persons who are not Issuer Secured Creditors to whom the Issuer owes such other amounts in accordance with all applicable laws and regulations and without breach of the terms of the Transaction Documents (including, for the avoidance of doubt, any tax authority) or (2) an event of the type referred to in Condition 11.4 or 11.5 all outstanding fees, costs and expenses

incurred by the Issuer and required by law to be paid *pari passu* with the amounts referred to above in this sub-paragraph (ii) to the Issuer Secured Creditors;

(iii) *third*, to pay amounts of principal, interest, commitment fees and other amounts due or accrued due and payable to the Liquidity Facility Provider under the terms of the Liquidity Facility Agreement;

(iv) *fourth*, in or towards satisfaction *pari passu* and *pro rata* according to the respective amounts thereof, (a) of all amounts due and payable to the Hedging Provider under all Hedges other than the Hedge Subordinated Amounts and (b) all amounts of interest due and payable and to repay all principal on the Class A Notes;

(v) *fifth*, to pay interest due and payable and to repay all principal on the Class B Notes;

(vi) *sixth*, to pay interest due and payable and to repay all principal on the Class C Notes;

(vii) *seventh*, to pay interest due and payable and to repay all principal on the Class D Notes;

(viii) *eighth*, to pay interest due and payable and to repay all principal on the Class E Notes;

(ix) *ninth*, to pay interest due and payable and to repay all principal on the Class F Notes;

(x) *tenth*, in or towards satisfaction of all amounts due and payable as Portfolio Adviser Adjustment Base Fee;

(xi) *eleventh*, to pay any Hedge Subordinated Amounts;

(xii) *twelfth*, to pay interest due and payable and to repay all principal on the Class R Notes, together with any Additional Interest;

(xiii) *thirteenth*, to pay all amounts due and payable as Portfolio Adviser Additional Fee;

(xiv) *fourteenth*, in or towards payment of any amounts due and payable to BNL under the Transfer Agreement other than amounts due to be paid on 28th September 2001 according to the Transfer Agreement; and

(xv) *fifteenth*, to pay the surplus (if any) to the Issuer.

6 Interest

6.1 Interest Payment Dates and Interest Periods

Each Note bears interest on its Principal Amount Outstanding at its Rate of Interest (as defined below) from (and including) the Issue Date. Interest in respect of the Notes is payable in Euro, semi-annually in arrear on 25th March and 25th September in each year (or if such day is not a Business Day, the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day) (each an "Interest Payment Date") in respect of the Interest Period ending immediately prior thereto. The first Interest Payment Date is 25th March 2002 in respect of the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date (the "Initial Interest Period").

Interest in respect of any Interest Period or any other period will be calculated on the basis of the actual number of days elapsed and a 360 day year.

Interest shall cease to accrue on any part of the Principal Amount Outstanding of a Note from (and including) the due date for redemption of such part unless payment of principal due and payable but unpaid is improperly withheld or refused, whereupon interest shall continue to accrue on such principal (before as well as after judgment) at the rate from time to time applicable to the Notes until the moneys in respect thereof have been received by the Note Trustee or the Paying Agents on behalf of the relevant Noteholders and notice to that effect is given in accordance with Condition 16.

6.2 Rate of Interest

6.2.1 The rate of interest (excluding for the avoidance of doubt, Additional Interest) payable from time to time in respect of the Notes of each class (the "Rate of Interest") will be determined by the Principal Paying Agent two TARGET Banking Days prior to the Issue Date in respect of the first Interest Period and thereafter two TARGET Banking Days prior to each Interest Payment Date in respect of the relevant Interest Period commencing on that date (each an "Interest Determination Date").

6.2.2 The Rate of Interest in respect of each class of Floating Rate Notes for each Interest Period shall be:

(i) the Relevant Margin; and

(ii) (a) the rate for Six-Month Euro deposits offered to prime banks in the Euro-zone inter-bank market ("Six-Month EURIBOR") (or, in respect of the first Interest Period shall be a linear interpolation of the rates for six and seven month Euro deposits) which appears on Telerate Screen Page No. 248 (or (aa) such other page as may replace Telerate Screen Page No. 248 on that service for the purpose of displaying such information or (bb) if that service ceases to display such information, such page as displays such information on such equivalent service (or, if more than one, that one which is approved in writing by the Note Trustee to replace the Telerate Screen Page) at or about 11.00 a.m. (Brussels time) on the relevant Interest Determination Date (the "Screen Rate"); or

(b) if a Screen Rate is unavailable at such time, then the rate for the relevant Interest Period shall be the arithmetic mean (rounded to four decimal places with the mid-point rounded up) of the rates notified to the Principal Paying Agent at its request by each of the Reference Banks (as defined in Condition 6.8 below) as the relevant Six-Month EURIBOR rate at or about 11.00 a.m. (Brussels time) on the relevant Interest Determination Date (or, in respect of the first Interest Period, the arithmetic mean of a linear interpolation of the rates for six and seven month Euro deposits notified by the Reference Banks). If on any such Interest Determination Date, only two of the Reference Banks provide such offered quotations to the Principal Paying Agent, the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one of the Reference Banks provides the Principal Paying Agent with such an offered quotation, the Cash Manager shall forthwith consult with the Note Trustee and the Issuer for the purposes of agreeing on one additional bank to provide such a quotation or quotations to the Principal Paying Agent on behalf of the Issuer (which bank is in the opinion of the Note Trustee suitable for such purpose) and the Rate of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed. If no such bank or banks is or are so agreed or such bank or banks as is or are so agreed does or do not provide such a quotation or quotations, then the rate for the relevant Interest Period (other than the first Interest Period) shall be the rate in effect for the last preceding Interest Period to which sub-paragraph (a) or (b) (as the case may be) of this Condition 6.2(ii) shall have applied and, in respect of the first Interest Period shall be the arithmetic mean of the rates quoted by such other major banks in the Euro-zone selected by the Principal Paying Agent on the relevant Interest Determination Date.

6.2.3 There shall be no maximum or minimum Rate of Interest.

6.2.4 The Rate of Interest for the Class R Notes (excluding any Additional Interest) shall be 0.10% per annum.

6.3 Determination of Rates of Interest and Calculation of Interest Payments

The Principal Paying Agent shall, on each Interest Determination Date (and in respect of any Additional Interest on the Interest Determination Date immediately preceding the Interest Payment Date on which Additional Interest is payable), determine and notify to the Issuer and the Note Trustee:

6.3.1 the Rate of Interest applicable to the Interest Period beginning two TARGET Banking Days after such Interest Determination Date (or in the case of the first Interest Period, beginning on and including the Issue Date) in respect of each class of Notes;

6.3.2 following determination thereof by the Cash Manager, any Additional Interest payable with respect to the Class R Notes determined in accordance with Condition 6.4; and

6.3.3 the amount (the "Interest Payment Amount") payable on each class of Notes in respect of such Interest Period. The Interest Payment Amount payable in respect of any Interest Period in respect of each class of Notes shall be calculated by applying the relevant Rate of Interest to the Principal Amount Outstanding of each class of Notes on the Interest Payment Date (or, in the case of the Initial Interest Period, the Issue Date), on the commencement of such Interest Period (after deducting therefrom any payment of principal due on that Interest Payment Date), multiplying the product of such calculation by the actual number of days in the Interest Period and dividing by 360, and in respect of each Note of that class calculated by reference to the ratio borne by the Principal Amount Outstanding of such Note to the then Principal Amount Outstanding of all Notes of that class and rounding the resultant figure to the nearest cent 0.01 (0.005 being rounded up).

6.4 Additional Interest on Class R Notes

6.4.1 If, at the close of business on the Calculation Date immediately preceding any Interest Payment Date, there are Senior Additional Interest Amounts and/or Junior Additional Interest Amounts, as notified to the Principal Paying Agent and determined by the Cash Manager (in accordance with the Cash Management Agreement), the Issuer shall, subject to Condition 5 (Priority of Payments), apply such Senior Additional

Interest Amounts and/or Junior Additional Interest Amounts, in making an additional payment of interest in respect of the Class R Notes on such Interest Payment Date.

6.4.2 The Additional Interest payable in respect of each Class R Note on any Interest Payment Date shall be a *pro rata* share of the amount of such Additional Interest payable in respect of all of the Class R Notes on such date, calculated by the Principal Paying Agent by reference to the ratio borne by the then Principal Amount Outstanding of each Class R Note to the then Principal Amount Outstanding of all Class R Notes (rounded down to the nearest cent).

6.4.3 In these Terms and Conditions the following capitalised terms will have the following meanings:

''Amortisation Test'' means the determination by the Cash Manager (acting and relying on the information provided by the Portfolio Adviser) in accordance with the Cash Management Agreement as to whether or not the Amortisation Test Balance is lower than the Amortisation Threshold Amount and if the Amortisation Test Balance is below the Amortisation Threshold Amount, the Amortisation Test shall be satisfied for the purpose of determining any Senior Additional Interest Amounts;

''Amortisation Test Balance'' means the aggregate Principal Amount Outstanding of the Floating Rate Notes on the relevant Test Date less (i) any amount to be paid, or deposited in the Retained Principal Account on the immediately succeeding Interest Payment Date and (ii) the amount (if any) standing to the credit of the Retained Principal Account;

''Amortisation Threshold Amount'' means the product of the aggregate Principal Amount Outstanding of the Floating Rate Notes on the Issue Date and the Threshold Percentage set out in the Test Schedule for the relevant Test Date;

''Claims Resolution Test'' means the determination by the Cash Manager (acting and relying on the information provided by the Portfolio Adviser) as to whether or not each of the Current Claims Resolution Ratio and the Cumulative Claims Resolution Ratio is equal to or exceeds (i) 1.2 on the Test Date falling in September 2002 (ii) 1.1 on the Test Date falling in March 2003 (iii) 1.05 on the Test Date falling in September 2003 (iv) 1.05 on the Test Date falling in March 2004 and (v) 1 on the Test Date falling in September 2004 if both such ratios do exceed the amounts set out in (i), (ii), (iii), (iv) or (v) (as applicable), the Claims Resolution Test shall be satisfied for the purpose of determining any Senior Additional Interest Amounts;

''Cumulative Claims Resolution Ratio'' means the ratio of the aggregate Disposition Proceeds from any claims partially or fully resolved for the period from 21st December 2000 to the Collection Date immediately preceding the relevant Test Date (which for the purposes of such test must represent at least 75% of all Collections in respect of all Claims) as compared to the Projected Amount allocated for such Claims;

''Current Claims Resolution Ratio'' means the ratio of the aggregate Disposition Proceeds from any claims partially or fully resolved for the Collection Period immediately preceding the relevant Test Date (which for the purposes of such test must represent at least 75% of the Collections in respect of all Claims) as compared to the Projected Amount allocated for such Claims;

''Disposition Proceeds'' means the disposition proceeds generated from the resolution of Claims, either by judicial resolution, out-of-court settlement or voluntary sale;

''Junior Additional Interest Amounts'' means an amount equal to (a) the Issuer Available Funds minus (b) either (I) if no Issuer Enforcement Notice has been served, the sum of all amounts payable by the Issuer on the relevant Interest Payment Date under items (i) to (xx) of the Pre-Enforcement Priority of Payments, the Class R Note Principal Redemption Amount, any amounts payable to BNL under the Transfer Agreement and any amounts payable as Portfolio Adviser Additional Fee on such Interest Payment Date or (II) if an Issuer Enforcement Notice has been served, the sum of all amounts payable by the Issuer on the relevant Interest Payment Date under items (i) to (xi) of the Post-Enforcement Priority of Payments, any amounts of interest payable to the Class R Noteholders other than Additional Interest and any principal due and payable on the Class R Notes, any amounts payable to BNL under the Transfer Agreement and any amounts payable as Portfolio Adviser Additional Fee on the immediately succeeding Interest Payment Date,

provided that if such amount is less than zero then such amount shall equal zero;

''Projected Amount'' shall have the meaning given to it in the Cash Management Agreement;

''Senior Additional Interest Amounts'' means zero unless the Amortisation Test and Claims Resolution Test are satisfied on the relevant Test Date, in which case it shall be an amount up to but not exceeding the Senior Additional Interest Amount set out in the Test Schedule, to the extent that there are sufficient Issuer Available Funds for paying such amounts in accordance with the Pre-Enforcement Priority of Payments, on the relevant Test Date;

"Test Date" means each Calculation Date (or such other dates agreed by the Issuer, Security Trustee, Cash Manager and the Rating Agencies); and

"Test Schedule" means the following schedule:

Test Date	Threshold Percentages	Senior Additional Interest Amount
Test Date in September 2002	87.4%	€2,000,000
Test Date in March 2003	68.6%	€1,750,000
Test Date in September 2003	48.6%	€2,000,000
Test Date in March 2004	24.8%	€2,300,000
Test Date in September 2004	8.4%	€1,900,000

6.5 Publication of the Rate of Interest and the Interest Amount and Change of Relevant Margin

The Principal Paying Agent will cause the Rate of Interest and the Interest Payment Amount applicable to each class of Notes (including any Senior Additional Interest Amounts and any Junior Additional Amounts, as applicable), for each Interest Period and the Interest Payment Date in respect of such Interest Payment Amount, together with any change in the Relevant Margin from that at the Issue Date, to be notified promptly after determination to the Note Trustee, the Principal Paying Agent and, for so long as the Notes are listed on the Irish Stock Exchange, the Irish Stock Exchange on or as soon as possible after the relevant Interest Determination Date. The Interest Payment Amount and Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or a shortening of the Interest Period or in the event of manifest error.

6.6 Determination or Calculation by Note Trustee

If the Principal Paying Agent or the Issuer, as the case may be, does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Payment Amount for each class of Notes in accordance with the foregoing provisions of this Condition 6, the Note Trustee shall:

6.6.1 determine the Rate of Interest for each class of Notes at such rate as (having regard to the procedure described above) it shall consider fair and reasonable in all the circumstances and, (as the case may be);

6.6.2 calculate the Interest Payment Amount for each class of Notes in the manner specified in Condition 6.3.2 above;

and any such determination and/or calculation shall be deemed to have been made by the Principal Paying Agent.

6.7 Notification to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6, whether by the Reference Banks (or any of them), the Principal Paying Agent, the Cash Manager, the Issuer or the Note Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Reference Banks, the Cash Manager, the Issuer, the Note Trustee, and all Noteholders and (in such absence as aforesaid) no liability to the Noteholders shall attach to the Reference Banks, the Cash Manager, the Issuer or the Note Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

6.8 Reference Banks and Cash Manager

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall at all times be three Reference Banks and a Cash Manager. The initial Reference Banks shall be the principal London office of each of Deutsche Bank AG London, Citibank, N.A. and The Chase Manhattan Bank. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank, the Issuer shall appoint such other bank as may have been previously approved in writing by the Security Trustee to act as such in its place. The Cash Manager may not resign until a successor approved in writing by the Security Trustee has been appointed.

6.9 Interest Accrual

To the extent that the Issuer has insufficient amounts available to it pursuant to Condition 6 to pay the aggregate amount of interest payable on each of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class R Notes on any Interest Payment Date in

accordance with this Condition (a "Shortfall"), such Shortfall shall accrue interest while it remains outstanding at the relevant Rate of Interest applicable to the class of Notes and shall be aggregated with the amount of and treated for the purposes of this Condition as if it were principal due on each Class A Note, Class B Note, Class C Note, Class D Note, Class E Note, Class F Note and Class R Note (as the case may be).

6.10 Deferment of interest on the Class F Notes and the Class R Notes

Without prejudice to Condition 6.9, for so long as the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes are outstanding, in the event that, on any Interest Payment Date there is a Shortfall in respect of the Class F Notes (the "Class F Note Shortfall") or the Class R Notes (the "Class R Note Shortfall"), after deducting the amounts ranking in priority to the payment of interest on the Class F Notes or the Class R Notes (excluding Additional Interest) (as applicable) from the Issuer Available Funds (the "Class F Residual Amount" and the "Class R Residual Amount", as the case may be) there shall instead be payable on such Interest Payment Date, (i) by way of interest on each Class F Note only, a *pro rata* share of the Class F Residual Amount calculated by dividing the Class F Residual Amount by the number of Class F Notes then outstanding, (ii) by way of interest on each Class R Note only, a *pro rata* share of the Class R Residual Amount calculated by dividing the Class R Residual Amount by the number of Class R Notes then outstanding. Any amounts of interest in respect of the Class F Notes or the Class R Notes which would have been payable but for the Class F Note Shortfall or the Class R Shortfall, as the case may be, and which are not paid by virtue of this Condition 6.10 shall become payable on the earlier of (i) the Interest Payment Date on which the Issuer has sufficient funds to make such payment in accordance with the priorities set out in Condition 5, (ii) the Final Maturity Date or (iii) the date on which the Class F Notes or the Class R Notes, as the case may be, become immediately due and repayable under Condition 11 other than due to a shortfall of interest as set out above.

7 Redemption, Purchase and Cancellation

7.1 Final Redemption

Unless previously redeemed and cancelled in full as provided in this Condition 7, the Issuer shall, subject as provided in Condition 8, redeem the Notes at their Principal Amount Outstanding on the Final Maturity Date.

7.2 Mandatory Pro Rata Redemption in Whole or in Part

7.2.1 If no Issuer Enforcement Notice has been delivered to the Issuer by the Note Trustee and if at the close of business on any Calculation Date from and including the Calculation Date falling in March 2003, there are Available Capital Funds, the Issuer shall apply such Available Capital Funds in making the following redemptions of the Notes in the following priority (the "Redemption Priority") on the Interest Payment Date immediately following the relevant Calculation Date:

(a) in redeeming the Class A Notes until the Class A Notes have been redeemed in full;

(b) after the Class A Notes have been redeemed in full, in redeeming the Class B Notes until the Class B Notes have been redeemed in full;

(c) after the Class A Notes and the Class B Notes have been redeemed in full, in redeeming the Class C Notes until the Class C Notes have been redeemed in full;

(d) after the Class A Notes, the Class B Notes and the Class C Notes have been redeemed in full, in redeeming the Class D Notes until the Class D Notes have been redeemed in full;

(e) after the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes have been redeemed in full, in redeeming the Class E Notes until the Class E Notes have been redeemed in full;

(f) after the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes have been redeemed in full, in redeeming the Class F Notes; and

(g) after the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes have been redeemed in full, in redeeming the Class R Notes.

7.2.2 On the Interest Payment Date falling in March 2003, the Issuer shall apply Retained Principal Amounts (if any) in redeeming the Notes in accordance with the Redemption Priority.

7.2.3 Not less than 5 Business Days prior to the relevant Interest Payment Date (the "Principal Notification Date"), the Issuer shall give notice of such redemption (which for the avoidance of doubt shall include the Class R Note Principal Redemption Amount to the extent the Issuer has sufficient Issuer Available Funds to

make a repayment of principal on the Class R Notes in accordance with Condition 5.1) and the *pro rata* amount thereof to the Note Trustee, the Security Trustee and the Principal Paying Agent.

7.2.4 The Principal Payment on any Note on any Interest Payment Date shall be a *pro rata* share of the aggregate amount determined in accordance with the provisions of this Condition 7 to be redeemable for all the Notes of that class on such date, calculated by reference to the ratio borne by the then Principal Amount Outstanding of each such Note to the then Principal Amount Outstanding of all Notes of that class (rounded down to the nearest cent), provided always that no such Principal Payment may exceed the Principal Amount Outstanding of the relevant Note.

7.3 Optional Redemption

On any Interest Payment Date on or after the Interest Payment Date falling in March 2003 and upon giving not more than 120 nor less than 30 days' prior notice to the Note Trustee and the Noteholders in writing (which notice shall be irrevocable) and provided that (i) on the Interest Payment Date on which such notice expires, no Issuer Enforcement Notice has been served by the Note Trustee, and (ii) the Issuer has, prior to giving such notice, certified to the Note Trustee and produced evidence acceptable to the Note Trustee (as specified in the Trust Deed) that on the next succeeding Interest Payment Date, it will have the necessary funds not subject to the interest of any other person to discharge all its outstanding liabilities under items (i) to (xxi) (inclusive) of the Pre-Enforcement Priority of Payments (if any) and any additional taxes payable by the Issuer by reason of such early redemption of the Notes, the Issuer may redeem all the Notes in whole but not in part only on such Interest Payment Date at their Principal Amount Outstanding together with all accrued but unpaid interest thereon up to and including the relevant Interest Payment Date.

7.4 The redemption price of Notes optionally redeemed on or after the Interest Payment Date falling in March 2003 will equal the Principal Amount Outstanding of such Notes being redeemed plus accrued but unpaid interest, without any redemption premium and includes any Additional Interest with respect to the Class R Notes.

7.5 Optional Redemption for Tax Reasons

On any Interest Payment Date, the Issuer may redeem all (but not part only) of the Notes at their respective Principal Amount Outstanding, together with accrued but unpaid interest and, with respect to the Class R Notes, Additional Interest (if any) calculated in accordance with Condition 6.4, to the date fixed for redemption at any time prior to the Final Maturity Date, if it is required (by reason of a change in law, interpretation or administration thereof) to deduct or withhold (other than in respect of a Law 239 Withholding) in respect of any class of Notes, any amount from any payment of principal or interest for or on account of any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political sub-division thereof or any authority thereof or therein or any other applicable taxing authority having jurisdiction, subject to the Issuer:

(i) giving not more than 120 nor less than 30 days' prior notice in writing to the Note Trustee and the Noteholders of its intention to redeem all (but not part only) of the Notes; and

(ii) providing to the Note Trustee:

(a) a legal opinion (in form and substance satisfactory to the Note Trustee) from a firm of lawyers (approved in writing by the Note Trustee), opining on the relevant change in law;

(b) a certificate from two directors of the Issuer to the effect that the obligation to make such a payment cannot be avoided; and

(c) a certificate from two directors of the Issuer to the effect that it will have the funds on such Interest Payment Date to discharge its obligations under: (a) items (i) through to (xxiii) (inclusive) of the Pre-Enforcement Priority of Payments; and (b) any additional taxes payable by the Issuer by reason of such early redemption of the Notes.

Any certificate or legal opinion given by or on behalf of the Issuer may be relied on by the Note Trustee without further investigation and shall be conclusive and binding on the Noteholders and on the other Issuer Secured Creditors.

7.6 Note Principal Payments, Redemption Amounts and Principal Amount Outstanding

On each Calculation Date, the Issuer shall determine or shall cause to be determined:

7.6.1 the amount of the Available Capital Funds (if any);

7.6.2 the Principal Payment (if any) due on the next following Interest Payment Date on each Note of each class;

7.6.3 the Principal Amount Outstanding of each Note of each class on the next following Interest Payment Date (after deducting any Principal Payment due to be made on that Interest Payment Date provided that such Principal Payment is in fact paid).

7.7 Calculations Final and Binding

Each determination by or on behalf of the Issuer of Available Capital Funds, any Principal Payment and the Principal Amount Outstanding of any Note of any class shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

7.8 Notice of Determination

The Issuer will, on each Principal Notification Date, cause each determination of a Principal Payment (if any), and the Principal Amount Outstanding in respect of each class to be notified forthwith to the Note Trustee, the Noteholders, the Paying Agents, and (for so long as the Notes are listed on the Irish Stock Exchange) the Irish Stock Exchange.

7.9 Determination by the Note Trustee

If the Issuer does not at any time for any reason determine a Principal Payment or the Principal Amount Outstanding in accordance with the preceding provisions of this paragraph, such Principal Payment and Principal Amount Outstanding shall be determined by the Note Trustee (but without any liability on the Note Trustee for so doing) in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer.

7.10 Notice of Redemption

Any such notice as is referred to in Conditions 7.3, 7.5, 7.8 above or 7.13 below shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes in accordance with this Condition 7.

7.11 No Purchase by Issuer

The Issuer shall not purchase any of the Notes.

7.12 Cancellation

All Notes redeemed in full and surrendered to the Issuer will be cancelled upon redemption and surrender, and may not be resold or re-issued.

7.13 Limited Recourse

7.13.1 If on the Calculation Date (the "Redemption Determination Date") immediately preceding the Final Maturity Date, the Issuer determines that the aggregate funds available to it for application in or towards payment of the Principal Amount Outstanding of the Notes of each class on such date (in accordance with the provisions of the Security and Intercreditor Agreement relating to the order of application of funds) will not be sufficient to pay in full all amounts of principal which would be, but for the operation of the provisions contained in this Condition 7.13.1, due on the Notes of each class on such date, the Issuer shall, not later than 2 Business Days following the Redemption Determination Date, give notice to the Noteholders of each class in accordance with Condition 16 and, for so long as the Notes are listed on the Irish Stock Exchange, to the Irish Stock Exchange, that:

(a) the Notes of a particular or of all classes will not be redeemed in full in accordance with Condition 7.1 on the Final Maturity Date;

(b) all other provisions of the Conditions shall continue to operate in full, subject to the provisions of Condition 7.13.2; and

(c) the Final Maturity Date shall be treated for the purposes of Condition 7.2 as an Interest Payment Date and the provisions of Condition 7.2 shall apply in respect of any funds available to the Issuer for application in or towards payment of principal due on the Notes of a class on the Final Maturity Date.

7.13.2 If on the Final Maturity Date the aggregate funds available to the Issuer, in accordance with the provisions of the Security and Intercreditor Agreement relating to the order of application of funds on such date, for application in or towards the payment of principal which is, subject to this Condition 7.13.2, due on

the Notes on such date (such aggregate available funds being referred to in this Condition 7.13.2 as the "Final Residual Amount" and, for the avoidance of doubt, the Final Residual Amount for the Notes may be zero Euro) are not sufficient to pay in full all principal which, but for this Condition 7.13.2, would be due in respect of the Notes on such date, there shall be payable on such date by way of repayment of principal on each Note of the same class only an equal *pro rata* share of the Final Residual Amount applicable to the relevant class of Notes on such date and the balance of the principal and any interest and any other amounts outstanding on the Notes shall be deemed to be released by the Noteholder and shall be cancelled.

8 Payments

8.1 Payments of principal in respect of any Notes will be made against presentation (and, in the case of final redemption, surrender) of such Notes at the specified office of the Paying Agent.

8.2 Save as provided in Clause 8.3, payments will be made at the specified office of the Paying Agents outside the United States, by cheque drawn in Euro or by transfer to a Euro account maintained by the payee with a bank in the principal financial centre of any Participating Member State.

8.3 Payments of principal and interest in respect of Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.

8.4 If the due date for redemption for any Note is not an Interest Payment Date, accrued interest will be paid only against presentation and surrender (if appropriate) of the relevant Note.

8.5 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 against presentation of the Note at the specified office of any Paying Agent in the case of final redemption, against surrender of the relevant Note.

8.6 If any Note is presented or surrendered for payment, where so required, on a day which is not a Business Day at 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.

8.7 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. In this Condition, "Business Day" means, in respect of any place of presentation, any day on which TARGET is open for business and banks are generally open for business in such place of presentation. Noteholders will not be entitled to any interest or other payment in consequence of any delay after the due date in receiving the amount due (i) as a result of the due date not being a Business Day or (ii) if the Noteholder is late presenting or surrendering the relevant Note if required to do so.

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 Paying Agent and to appoint additional or other Paying Agents including the Principal Paying Agent provided that (so long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require) the Issuer will at all times maintain a Paying Agent with a specified office in Ireland. The Issuer will give at least 30 days' notice of any change in or addition to the Paying Agents or their specified offices in accordance with Condition 16.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, whether by the Reference Banks (or any of them), the Paying Agents, or the Note Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer and all Noteholders.

9 Taxation

All payments in respect of Notes will be made without withholding or deduction for or on account of any present or future taxes, duties or charges of whatsoever nature other than a Law 239 Withholding or any other withholding or deduction that the Issuer, any Paying Agent or any other person is required to make by applicable law. If any withholding or deduction is required (including, without limitation a Law 239 Withholding), the Issuer, the Paying Agent or any other person (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 Paying Agent nor any other person shall be obliged to pay any additional amount to any holder of Notes on account of such withholding or deduction.

10 Prescription

Claims against the Issuer for payments in respect of the Notes shall be prescribed and become void unless such claims are made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

In this Condition 10, the "Relevant Date", in respect of a Note, is the date on which a payment in respect thereof first becomes due and payable or (if the full amount of the moneys payable in respect of all the Notes due and payable on or before that date has not been duly received by the Paying Agents or the Note Trustee on or prior to such date) the date on which notice that the full amount of such moneys has been received is duly given to the Noteholders in accordance with Condition 16.

11 Issuer Trigger Events

The Note Trustee at its discretion may, and if so requested in writing by the holders of no less than 50% in aggregate Principal Amount Outstanding of the Class A Notes or if no Class A Notes are outstanding, the Class B Notes, or if no Class B Notes are outstanding, the Class C Notes, or if no Class C Notes are outstanding, the Class D Notes, or if no Class D Notes are outstanding, the Class E Notes, or if no Class E Notes are outstanding, the Class F Notes, or if no Class F Notes are outstanding, the Class R Notes, or if so directed by or pursuant to an Extraordinary Resolution (as defined in the Trust Deed) of the Class A Noteholders or, if no Class A Notes are outstanding, the Class B Noteholders or, if no Class B Notes are outstanding, the Class C Noteholders or, if no Class C Notes are outstanding, the Class D Noteholders or, if no Class D Notes are outstanding, the Class E Noteholders or, if no Class E Notes are outstanding, the Class F Noteholders or, if no Class F Notes are outstanding, the Class R Noteholders (subject, in each case, to being indemnified and/or secured to its satisfaction) shall, give a notice (an "Issuer Enforcement Notice") to the Issuer declaring the Notes to be due and repayable at any time after the happening of any of the following events (each an "Issuer Trigger Event"):

11.1 default is made in respect of any repayment of principal or payment of interest due and payable on any Note (subject to Condition 6.10), which default shall have continued unremedied for a period of 5 Business Days; or

11.2 default is made by the Issuer in the performance or observance of any other obligation binding upon it under the Notes, the Trust Deed, the Security and Intercreditor Agreement or the Deed of Pledge or any other Transaction Document to which it is a party and, in any such case (except where the Note Trustee certifies that, in its opinion, such default is incapable of remedy when no notice will be required) such default shall have continued unremedied for a period of 30 days following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or

11.3 the Issuer breaches any representation or warranty made by it pursuant to the Notes, the Trust Deed, the Security and Intercreditor Agreement, the Deed of Pledge or any other Transaction Document to which it is a party or which is contained in any certificate, document or financial or other statement furnished at any time under or in connection with a Transaction Document to which it is a party and, in any such case (except when the Note Trustee certifies that, in its opinion, the circumstances giving rise to such breach are incapable of remedy when no notice will be required) the circumstances giving rise to such breach shall have continued unremedied for a period of 30 days following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or

11.4 an Insolvency Event occurs in relation to the Issuer or the Issuer becomes Insolvent; or

11.5 proceedings are initiated against the Servicer and/or the Portfolio Adviser under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order), or an administration order is granted or an administrative receiver or other receiver, liquidator or other similar official is appointed in relation to the Servicer and/or the Portfolio Adviser and a successor servicer or Portfolio Adviser has not been appointed within six months of the date of the initiation of the proceedings;

provided that, in the case of each of the events described in paragraph 11.2, 11.3, or 11.5 of this Condition 11, the Note Trustee shall not be obliged to give an Issuer Enforcement Notice unless it has certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders.

Upon the Note Trustee giving an Issuer Enforcement Notice, the Notes shall immediately become due and repayable at their Principal Amount Outstanding together with accrued but unpaid interest as provided in the Trust Deed.

12 Enforcement and Third Party Rights

At any time after the delivery of an Issuer Enforcement Notice, each of the Security Trustee, (in relation to enforcement of the Security) and the Note Trustee (in relation to the repayment of the Notes and payment of accrued but unpaid interest) may at its discretion and without further notice, take such steps and/or institute such proceedings against the Issuer as it may think fit to enforce the Security and to enforce repayment of the Notes and payment of accrued interest thereon, but neither of the Trustees shall be bound to take any such proceedings or steps unless:

(a) it shall have been so requested in writing by the holders of at least 25% in aggregate Principal Amount Outstanding of the Class A Notes or, if no Class A Notes are outstanding, the Class B Notes or, if no Class B Notes are outstanding, the Class C Notes or, if no Class C Notes are outstanding, the Class D Notes or, if no Class D Notes are outstanding, the Class E Notes or, if no Class E Notes are outstanding, the Class F Notes or, if no Class F Notes are outstanding, the Class R Notes or, if so directed by or pursuant to an Extraordinary Resolution of the Class A Noteholders or, if no Class A Notes are outstanding, the Class B Noteholders or, if no Class B Notes are outstanding, the Class C Noteholders or, if no Class C Notes are outstanding, the Class D Noteholders or, if no Class D Notes are outstanding, the Class E Noteholders, or, if no Class E Notes are outstanding, the Class F Noteholders or, if no Class F Notes are outstanding, the Class R Noteholders; and

(b) it shall in either case have been indemnified and/or secured to its satisfaction.

No Noteholder shall be entitled to proceed directly against the Issuer unless the Security Trustee or the Note Trustee, having become obliged to do so fails to do so within a reasonable period and such failure shall be continuing.

Each Noteholder will be bound by the provisions of the Security and Intercreditor Agreement, the Deed of Pledge, the Securitisation Law and the Powers of Attorney which provide that the Security Trustee shall have the exclusive right under the Security and Intercreditor Agreement, the Deed of Pledge, the Securitisation Law and the Powers of Attorney to make demands, give notices, to exercise or refrain from exercising any rights and to take or refrain from taking any action (including, without limitation, the release or substitution of security) in accordance with the Security and Intercreditor Agreement, the Deed of Pledge and the Securitisation Law but shall not be bound to exercise any such rights or take any steps unless it shall have been indemnified and/or secured to its satisfaction.

In the event that the Security Trustee takes action to enforce its rights in respect of the Portfolio and the Security and after payment of all other claims ranking in priority to the relevant Notes under the Conditions, the Security and Intercreditor Agreement, the Deed of Pledge and the Securitisation Law, the remaining proceeds of such enforcement are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of any Notes and all other claims ranking *pari passu* therewith, then the Noteholders' claims against the Issuer in respect of the Notes shall be limited to their respective *pro rata* share of such remaining proceeds (as determined in accordance with the provisions of the Security and Intercreditor Agreement) and, after payment to each Noteholder of its 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 and any amount owing whether in respect of principal or interest or other amounts in respect of the Notes shall be cancelled.

13 Meetings of Noteholders, Modification and Consents

13.1 The Trust Deed contains provisions for convening meetings of Noteholders of each class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of such Noteholders of the relevant class of a modification of the Notes of the relevant class (including these Conditions as they relate to the Notes of such relevant class (as the case may be)) or the provisions of any of the Transaction Documents, provided that no modification of certain terms by the Noteholders of any class including, *inter alia*, the date of maturity of the Notes of the relevant class or a modification which would have the effect of postponing any day for payment of interest in respect of such Notes, the reduction or cancellation of the amount of principal payable in respect of such Notes, the alteration of the Rate of Interest applicable in respect of such Notes or the alteration of the majority required to pass an Extraordinary Resolution, the alteration of the currency of payment of such Notes or any alteration of the priority of redemption of such Notes (any such modification in respect of any such class of Notes being referred to below as a "Basic Terms Modification") shall be effective unless such Extraordinary Resolution complies with the provisions of Conditions 13.2 to 13.3.

13.2 The quorum at any meeting of the Noteholders of any class of Notes for passing an Extraordinary Resolution shall be two or more persons holding or representing over 50% of the aggregate Principal

Amount Outstanding of the Notes of the relevant class then outstanding, or, at any adjourned meeting, two or more persons being or representing the Noteholders of the relevant class except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification, the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 75%, or at any adjourned such meeting not less than 25%, of the aggregate Principal Amount Outstanding of the Notes of the relevant class then outstanding. The quorum at any meeting of the Noteholders of any class of Notes for all business other than voting on an Extraordinary Resolution shall be two or more persons holding or representing in the aggregate not less than 5% of the aggregate Principal Amount Outstanding of the Notes of the relevant class or, at any adjourned meeting, two or more persons being or representing the Noteholders of the relevant class, whatever the aggregate Principal Amount Outstanding of the Notes of the relevant class then outstanding they hold or represent.

13.3 (a) any Extraordinary Resolution passed at a meeting of the Class A Noteholders duly convened and held as aforesaid shall also be binding upon all the Noteholders of each other class of Notes irrespective of the effect upon them, except that any such Extraordinary Resolution, the effect of which is, to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of, any of the provisions of these Conditions or any of the Transaction Documents will not take effect unless the Note Trustee is of the opinion that it would not be materially prejudicial to such other Noteholders, or it shall have been sanctioned by an Extraordinary Resolution of such other of Noteholders; and

(b) any Extraordinary Resolution passed at a meeting of the Class B Noteholders duly convened and held as aforesaid shall also be binding upon all the Noteholders of each other class of Notes except that any such Extraordinary Resolution, the effect of which is, to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of, any of the provisions of these Conditions or any of the Transaction Documents will not take effect unless the Note Trustee is of the opinion that it would not be materially prejudicial to such other Noteholders, or it shall have been sanctioned by an Extraordinary Resolution of such classes of Noteholders; and

(c) any Extraordinary Resolution passed at a meeting of the Class C Noteholders duly convened and held as aforesaid shall also be binding upon all the Noteholders of each other class of Notes irrespective of the effect upon them, except that any such Extraordinary Resolution, the effect of which is, to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of, any of the provisions of these Conditions or any of the Transaction Documents will not take effect unless the Note Trustee is of the opinion that it would not be materially prejudicial to such other Noteholders, or it shall have been sanctioned by an Extraordinary Resolution of such classes of Noteholders; and

(d) any Extraordinary Resolution passed at a meeting of the Class D Noteholders duly convened and held as aforesaid shall also be binding upon all the Noteholders of each other class of Notes irrespective of the effect upon them, except that any such Extraordinary Resolution, the effect of which is, to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of, any of the provisions of these Conditions or any of the Transaction Documents will not take effect unless the Note Trustee is of the opinion that it would not be materially prejudicial to such other Noteholders, or it shall have been sanctioned by an Extraordinary Resolution of such classes of Noteholders; and

(e) any Extraordinary Resolution passed at a meeting of the Class E Noteholders duly convened and held as aforesaid shall also be binding upon all the Noteholders of each other class of Notes irrespective of the effect upon them, except that any such Extraordinary Resolution, the effect of which is, to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of, any of the provisions of these Conditions or any of the Transaction Documents will not take effect unless the Note Trustee is of the opinion that it would not be materially prejudicial to such other Noteholders or it shall have been sanctioned by an Extraordinary Resolution of such classes of Noteholders; and

(f) any Extraordinary Resolution passed at a meeting of the Class F Noteholders duly convened and held as aforesaid shall also be binding upon all of the Noteholders of each other class of Notes irrespective of the effect upon them, except that any such Extraordinary Resolution, the effect of which is, to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of, any of the provisions of these Conditions or any of the Transaction Documents will not take effect unless the Note Trustee is of the opinion that it would not be materially prejudicial to such other Noteholders or it shall have been sanctioned by an Extraordinary Resolution of such classes of Noteholders; and

(g) any Extraordinary Resolution passed at a meeting of the Class R Noteholders duly convened and held as aforesaid shall also be binding upon all the Noteholders of each other class of Notes except that any such Extraordinary Resolution, the effect of which is, to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of, any of the provisions of these Conditions or any of the Transaction

Documents will not take effect unless the Note Trustee is of the opinion that it would not be materially prejudicial to such other Noteholders, or it shall have been sanctioned by an Extraordinary Resolution of such classes of Noteholders; and

(h) in each case, all of the relevant classes of Noteholders shall be bound to give effect to any such Extraordinary Resolutions accordingly and the passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof.

13.4 A resolution in writing executed by or on behalf of the holders of 50% or, in the case of a Basic Terms Modification, 75% in aggregate Principal Amount Outstanding of the Notes of the relevant class shall be as effective as an Extraordinary Resolution passed at a meeting of the Noteholders of such class duly convened and held and may consist of several instruments in like form each executed by or on behalf of one or more of such holders.

13.5 The Note Trustee may agree, without the consent of the Noteholders of any class, (i) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, the Notes of such class (including these Conditions) or any of the Transaction Documents, which is not, in the opinion of the Note Trustee, materially prejudicial to the interests of the Noteholders of such class or (ii) to any modification of the Notes (including these Conditions) or any of the Transaction Documents, which in the Note Trustee's opinion is to correct a manifest error or is of a formal, minor or technical nature. The Note Trustee may also, without the consent of the Noteholders of any class, determine that any Issuer Trigger Event or any event which with the giving of notice and/or the lapse of time and/or the making of any determination and/or the issue of any certificate could constitute an Issuer Trigger Event (a "Potential Issuer Trigger Event") shall not, or shall not subject to specified conditions, be treated as such. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders of each such class and, unless the Note Trustee agrees otherwise, any such modification shall be notified to the Noteholders in accordance with Condition 16 as soon as practicable thereafter.

13.6 Where the Note Trustee is required, in connection with the exercise of its powers, trusts, authorities, duties and discretions under or in relation to the Notes (including these Conditions) or any of the Transaction Documents, to have regard to the interests of the Noteholders, it shall, subject to Condition 3.3, have regard to the interests of all the Noteholders as a class and, in particular but without prejudice to the generality of the foregoing, shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Note Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

14 Indemnification and Exoneration of the Trustees and the Cash Manager

The Trust Deed, the Security and Intercreditor Agreement and certain other Transaction Documents contain provisions governing the responsibility (and relief from responsibility) of the Trustees and the Cash Manager including (without limitation) provisions relieving each of them from (a) taking enforcement proceedings or enforcing the Security, unless indemnified and/or secured to their respective satisfaction, (b) monitoring or otherwise being responsible for the performance of the Issuer, the Servicer or any other party of any of their respective duties or obligations, or checking any statements or calculations such parties may make in their respective roles, (c) being responsible for the replacement of the Servicer or any other party in any circumstances, and otherwise providing for each to be indemnified in certain other circumstances. Each of the Trustees is entitled to be paid its fees, cost and expenses and certain other amounts owing to it or any Insolvency Official appointed under the terms of the Transaction Documents in priority to amounts payable to the Noteholders.

Each of the Trustees and the Cash Manager and their respective related companies is entitled to enter into business transactions with the Issuer, the Agents or any affiliates of the Issuer or the Agents without accounting for any profit resulting therefrom. Neither of the Trustees nor the Cash Manager will be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Security or any deeds or documents or title thereto, being uninsured or inadequately insured or being held by or to the order of clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Note Trustee, the Security Trustee or the Cash Manager. Neither of the Trustees has investigated the validity, sufficiency or enforceability of the security created by the Transaction Documents or the assets comprised in the Portfolio. The Trustees shall accept without requisition or objection such right and title as the Issuer may have to any assets over which such security is

created. Neither Trustee is responsible for any deficiency which may arise because either of them is liable to tax in respect of any such security.

Neither the Security Trustee nor the Note Trustee has any obligation to assume the role or responsibility of the Servicer or the Portfolio Adviser and neither of them will assume either role nor has either of the Security Trustee or the Note Trustee any obligation to seek to appoint a substitute servicer or substitute portfolio adviser as the case may be and neither of them will do so.

Neither the Note Trustee nor the Security Trustee are obliged to take any action under the Trust Deed, the Security and Intercreditor Agreement, the Securitisation Law, the Deed of Pledge or the Powers of Attorney which would result, in the opinion of the relevant Trustee, in them incurring any personal liability or expense or rendering themselves liable to any claim, tax or liability unless the relevant Trustee is indemnified to its satisfaction (which may include the taking of security by the relevant Trustee). Protection and realisation of the Security may be prevented as a result.

Citicorp Trustee Company Limited (the ''Initial Trustee'') is acting as Note Trustee under the Trust Deed and as Security Trustee under each of the Security and Intercreditor Agreement and the Deed of Pledge (and while doing so the Initial Trustee and any successor which acts in all such capacities is referred to in this Condition as the ''Trustee''). No entity may act as a trustee in any such capacity unless it is also the Trustee or unless the Trustee agrees otherwise or unless the Trustee resigns its office as trustee in all such capacities. In its capacity as Trustee, the Trustee will not be liable to any Noteholder for any loss which any such Noteholder may suffer by reason of any conflict which may arise between the interests of the Noteholders and any other person to whom the Trustee owes duties as a result of the Trustee acting in all such capacities.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of these Conditions or the Trust Deed or the Security and Intercreditor Agreement, whether by the Note Trustee or the Security Trustee shall (in the absence of wilful default, gross negligence or bad faith) be binding on the Issuer and all Noteholders and (in the absence of wilful default, gross negligence or bad faith) no liability to the Noteholders or the Issuer shall attach to the Note Trustee or the Security Trustee in connection with the exercise or non-exercise by either of them or any of them of their powers, duties and discretions hereunder.

15 Replacement of Notes

If any Note is mutilated, defaced, lost, stolen or destroyed, it may (subject to applicable laws, regulations and stock exchange regulations) be replaced at the specified office of the Principal Paying Agent or such other Paying Agent, as the case may be, from time to time designated by the Issuer for the purpose and notice of whose designation is given to the Noteholders. Replacement of any mutilated, defaced, lost, stolen or destroyed Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. The relevant mutilated or defaced Note must be surrendered before a replacement Note will be issued.

16 Notice to Noteholders

Any notice regarding the Notes to Noteholders other than notices given in accordance with the next following paragraph shall be deemed to have been duly given if published in a leading daily 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 Irish Stock Exchange and the rules of that exchange so require) in a leading newspaper having general circulation in Dublin (which is expected to be the *Irish Times*) or, if this is not practicable, in the opinion of the Note Trustee, in another appropriate newspaper having general circulation in Ireland and the rest of Europe previously approved in writing by the Note Trustee. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made in the manner required in one of the newspapers referred to above.

As an alternative to publication in a newspaper, any notice specifying an Interest Payment Date, an Interest Rate, a Principal Payment, the Principal Amount Outstanding of these Notes or any Additional Interest may be published on such medium for the electronic display of data as may be approved by the Note Trustee. Any such notice shall be deemed to have been given on the first date on which such information appeared on the relevant screen.

Whilst the Notes are listed on the Irish Stock Exchange, copies of all notices given in accordance with this Condition shall be sent to the Company Announcements Offices of the Irish Stock Exchange.

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or a category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the rules of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

17 Governing Law

17.1 The Notes (other than Condition 3.6) and the other English Law Transaction Documents are governed by, and shall be construed in accordance with, English law. The Italian Law Transaction Documents and Condition 3.6 are governed by, and shall be construed in accordance with, Italian law.

17.2 The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Notes and the other English Law Transaction Documents and accordingly any legal action or proceedings arising out of or in connection with any Notes and/or any English Law Transaction Document may be brought in such courts. The Issuer has in each of the English Law Transaction Documents irrevocably submitted to the jurisdiction of such courts.

17.3 The Courts of Milan are to have jurisdiction to settle any disputes that may arise out of or in connection with the Deed of Pledge and Condition 3.6 and the Courts of Rome are to have jurisdiction to settle any disputes that may arise out of or in connection with the Transfer Agreement and accordingly, any legal action or proceedings arising out of or in connection with such documents may be brought in such courts.

17.4 Arbitration proceedings pursuant to the Rules of the Milan Chambers of Commerce are to settle any disputes that may arise out of or in connection with the Servicing Agreement or the Portfolio Advisory Agreement.

18 Third Party Rights

Otherwise than in respect of Condition 3.6, no person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999, but for the avoidance of doubt this does not affect any right or remedy of a third party which exists or is available apart from such Act.

19 Process Agent

The Issuer has, in the Trust Deed, agreed at all times to maintain an agent for service of process in England. The Issuer appoints Hackwood Secretaries Limited of One Silk Street, London EC2Y 8HQ, England as such agent. Any writ, judgement or other notice of legal process issued by the English courts in respect of these Conditions shall be deemed to be served on the Issuer if delivered to such agent at its address for the time being. The Issuer undertakes not to revoke the authority of the above agent, and if, for any reason, such agent no longer serves as process agent of the Issuer to receive service of process the Issuer shall on the written demand of the Note Trustee, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Note Trustee shall be entitled to appoint such a person by written notice to the Issuer.

Taxation

Prospective Noteholders who may be unsure as to their tax position should seek their own professional advice. The following is a summary of the material Italian and United Kingdom tax consequences of the purchase, ownership and disposition of the Notes. The summary does not purport to be a complete description of all the tax considerations that may be relevant to your decision to purchase, own or dispose of the Notes. The following summary does not discuss the treatment of Notes that are held in connection with a permanent establishment or fixed base through which a non-Italian resident beneficial owner carries on business or performs professional services in Italy.

This summary is based upon tax laws and practices of Italy and the United Kingdom in effect on the date of this Offering Circular which are subject to change and are potentially retroactive. You should consult your own advisers as to Italian and United Kingdom tax law and in respect of any other tax consequences of your purchase, beneficial ownership and disposition of the Notes including in particular the effect of any state, regional or local tax laws.

Italian Taxation

The following is a general summary of current Italian law and practice relating to certain Italian tax considerations concerning the purchase, ownership and disposal of the Notes.

Income Tax

Under the provisions of Article 6, paragraph 1 of Law No. 130 of 30th April 1999 and Legislative Decree No. 239 of 1st April 1996 (''Law 239'') payments of interest in respect of the Notes:

(a) will be subject to final *imposta sostitutiva* at the rate of 12.5% in the Republic of Italy if made to beneficial owners who are: (i) individuals resident in the Republic of Italy holding Notes not in connection with the exercise of entrepreneurial activities (unless they have entrusted the management of their financial assets (including the Notes) to an authorised intermediary and have opted for the so-called *risparmio gestito* (''Asset Management Option''); (ii) Italian resident informal partnerships (other than *Societa in nome collettivo*, *Societa in accomandita semplice* or similar partnerships), *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 as the exclusive or main object of their activities, (iv) real estate investment funds referred to in Law No. 86 of 25th March 1994; (v) Italian resident entities exempt from corporate income tax or (vi) non resident entities or persons which are not eligible for the exemption from the *imposta sostitutiva* and/or do not, in a timely manner, comply with the requirements set forth in Law 239 and/or any relevant applicable rules in order to benefit from the exemption; and

(b) will not be subject to the final *imposta sostitutiva* at the rate of 12.5% if made to beneficial owners who are: (i) any Italian resident entity or person other than those mentioned in (a) above or (ii) any non-Italian resident legal entity or non-Italian resident individual with no permanent establishment in the Republic of Italy to which the Notes are effectively connected, provided that (1) such entity or individual is resident for tax purposes in a country (listed by Ministerial Decree 4th September 1996, as subsequently integrated) with which the Republic of Italy has entered into a double taxation treaty which allows Italian authorities to obtain appropriate information in respect of the beneficiary of the payments made from the Republic of Italy is entitled to benefit from the provisions of such double taxation treaty and is not resident for tax purposes in a tax haven country, and (2) all the requirements and procedures set forth in Law 239 and/or any relevant applicable rules in order to benefit from the exemption from the imposta sostitutiva are, in a timely manner, met or complied with.

To ensure payment without the application of the *imposta sostitutiva* investors indicated under (b) above must be the beneficial owners of payments of interest and (i) deposit directly or indirectly the Notes together with the coupons relating to such Notes with an authorised intermediary and (ii) in the event of non-Italian residents being Noteholders, file with the relevant depositary, prior to, or at the time of, deposit of the Notes (and periodically thereafter on or before 31st March of each following year) an appropriate form (which as at the date of this Offering Circular is Form No. 116 IMP) required by Law 239 and related application rules bearing, *inter alia*, a statement from the competent tax authorities of the non-resident beneficial owners' country of residence.

Italian resident individuals holding Notes not in connection with the exercise of entrepreneurial activities who have opted for the Asset Management Option are subject to a 12.5% annual substitutive tax (the ''Asset Management Tax'') on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest accrued on the Notes). Interest on the Notes would be included in the

corporate taxable income (and in certain cases, depending on the status of the beneficial owners, may also be included in the taxable net value of production) of Italian corporations and permanent establishments of foreign corporations to which the Notes are effectively connected in accordance with general rules. Italian resident collective investment funds are subject to a 12.5% annual substitute tax (the "Collective Investment Fund Tax") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest accrued on the Notes).

Italian resident pension funds are subject to 11% annual substitute tax (the "Pension Funds Tax") on the increase in value of the managed assets accrued at the end of each tax year (which increase includes interest accrued on the Notes).

Any positive difference between the nominal amount of the Notes and their issue price is deemed to be interest for tax purposes.

Without prejudice to the above provisions, in the event that the Notes are redeemed for any reason prior to eighteen months from the Issue Date, the Issuer will be required to pay an additional amount equal to 20% of the interest accrued up to the time of the early redemption.

Capital Gains

Any gain obtained from the sale of the Notes would be treated as part of the taxable business income (and in certain cases, depending on the status of the beneficial owners, may also be included in the taxable net value of production) if derived by an Italian company, an Italian permanent establishment of a foreign company to which the Notes are effectively connected and individuals resident in the Republic of Italy holding Notes in connection with the carrying out of a commercial activity.

Any gain realised by an Italian resident individual holding Notes not in connection with the exercise of entrepreneurial activities and certain other persons would be subject to an *imposta sostitutiva* at the current rate of 12.5% that may be applied under the tax declaration or the non-discretionary investment portfolio (so-called, *risparmio amministrato*) regime. Under both such regimes, generally Noteholders may set-off losses against gains with certain time limits and, in the event that the period between the purchase of the Notes and their subsequent sale exceeds 12 months, the taxable capital gain will be determined by multiplying the actual gains realised by an adjustment factor (so called *equalizzatore*) set by Ministerial Decree 4th August 2000.

Gains realised by individuals who have elected for the Asset Management Option would be included in the taxable basis for the Asset Management Tax and gains realised by collective investment funds and pension funds would be included, respectively, in the taxable basis of the Collective Investment Funds Tax and the Pension Funds Tax.

Non-resident persons or entities without a permanent establishment in Italy to which the Notes are effectively connected which may benefit from a double taxation treaty with the Republic of Italy providing for an exchange of information clause (or, in any event, from a treaty providing that such capital gains are to be taxed only in the country of the recipient) would not be subject to capital gains tax in the Republic of Italy while non-residents that do not meet these requirements may be subject to a 12.5% capital gains tax.

If non-Italian residents elect for the *risparmio amministrato* regime or the Asset Management Option, such regime of exemption from Italian capital gains tax, where applicable, will apply upon condition that they file, on a timely basis, with the authorised financial intermediary proper documents, including, *inter alia*, a statement from the competent tax authorities of their country of residence.

Furthermore, pursuant to Legislative Decree 21st July 1999, No 259, capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market, in Italy or abroad, and in certain cases subject to prompt filing of required documentation.

Inheritance and Gift Tax

Italian inheritance and gift tax (*imposta sulle successioni e donazioni*) is payable on the transfer of the Notes, as a result of death or donation. The tax is payable by heirs, legatees and recipients of gifts irrespective of whether the deceased (or donor) was (or is) or was not (or is not) resident in the Republic of Italy and would be payable on Notes donated or inherited irrespective of whether the Notes are held outside or inside the Republic of Italy. Inheritance and gift tax applies at different proportional rates that vary depending on the relationship between the deceased and the heir or the donor and the donee. However, inheritance and gift tax

is not due on the value of the inheritance attributable to each heir or on the value of gift attributable to each donee not exceeding Lire 350 million (Lire 1 billion in certain cases).

A proposal to abolish Italian inheritance and gift tax is expected to be examined in the near future.

Transfer Tax

Sales of Notes listed on regulated markets (which would include the Irish Stock Exchange) are exempt from transfer taxes (*fissato bollato*) in the Republic of Italy, *inter alia*, if: (i) they are executed in regulated markets; or where not executed in regulated market; or (ii) they are executed outside the Republic of Italy between non residents; or (iii) they are executed between banks and/or entities authorised to carry on investment services in accordance with Italian law and/or stockbrokers; or (iv) they are executed between banks or entities authorised to carry on investment services in accordance with Italian laws or stockbrokers, on the one hand, and non-Italian resident persons or entities, on the other hand; or (v) they are executed between collective investment funds and banks and other entities, whether or not resident in the Republic of Italy, authorised to carry on investment services in accordance with Italian law or stockbrokers. Where applicable upon transfer of Notes, transfer tax will apply at the rates of Lire 16 per Lire 100,000 or Lire 9 per Lire 100,000 (in each case, of the sale price), depending on the identity of the contracting parties and in certain cases transfer tax due cannot exceed Lire 1,800,000 for each transaction.

United Kingdom Taxation

Stamp Duty and Stamp Duty Reserve Tax

No UK *ad valorem* stamp duty or stamp duty reserve tax is payable on the issue of Notes or any transfer of the Notes provided that any document effecting a transfer of the Notes is executed outside the UK and not brought into the UK for any purpose.

Proposed European Withholding Tax Directive

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required to provide to the tax authorities of another member state of the European Union (a ''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, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments. The proposals are not yet final and they may be subject to further amendment and/or clarification.

Subscription and Sale

Goldman Sachs International and J.P. Morgan Securities Ltd. (each in such capacity a "Manager" and together, the "Managers") have entered into a subscription agreement dated 17th September 2001 between themselves and the Issuer in respect of the Class A Notes, Class B Notes, Class C Notes and Class D Notes (the "Senior Notes") (the "Senior Subscription Agreement"). Pursuant to the Senior Subscription Agreement, the Managers have jointly and severally agreed to subscribe and pay the Issuer for the Senior Notes at the issue price of 100% of their respective principal amounts.

GSI and Whitehall 2001 have procured subscribers (in such capacity the "Junior Note Subscribers") who have entered into a subscription agreement dated 14th September 2001 (the "Junior Note Subscription Agreement") with the Issuer in respect of the Class E Notes, Class F Notes and Class R Notes (together the "Junior Notes"). The Junior Subscribers have agreed to subscribe for the Junior Notes at the issue price of 100% of the aggregate principal amount of the Junior Notes.

United States of America

The Senior Notes have not been and will not be registered under the U.S. Securities Act of 1933 and may not be offered, sold or delivered directly or indirectly within the United States or to, or for the account or benefit of, U.S. persons 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.

Each Manager has represented and agreed that it has not offered, sold or delivered, and except as permitted by the Senior Subscription Agreement, it will not offer, sell or deliver, the Senior Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering of the Senior Notes and the Issue Date (as defined in the Subscription Agreements) within the United States or, to or for the account or benefit of, U.S. persons except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that such Managers (including any person acting on its behalf or any of its affiliates) has not engaged or will not engage in any directed selling efforts with respect to the Senior Notes and they have complied and will comply with the offering restrictions requirement of Regulation S. Terms used in this and the preceding paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Senior Notes within the United States by any dealer (whether or not participating in this offering) may violate the requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

In addition:

(a) each Manager has represented and agreed that except to the extent permitted under United States Treasury Regulation Section 1.163-5(c)(2)(i)(D) (the "D Rules"), (i) it has not offered or sold, and during the 40 day restricted period that it will not offer or sell, any Senior Notes to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and will not deliver in definitive form within the United States or its possessions any Senior Notes that are sold during the restricted period;

(b) each Manager has further represented and agreed that it has, and throughout the restricted period it will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Senior Notes are aware that the Senior Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(c) if any Manager is a United States person, such Manager has represented that it is acquiring the Senior Notes for purposes of resale in connection with their original issue and if it retains Senior Notes for its own account, it will only do so in accordance with the requirements of United States Treasury Regulation Section 1.163-5(c)(2)(i)(D)(6);

(d) with respect to each affiliate of the Managers, which acquires from it selling Senior Notes in bearer form for the purpose of offering or selling such Senior Notes during the restricted period, each Manager, has either (i) repeated and confirmed the representations and agreements contained in paragraphs (a), (b) and (c) on its behalf or (ii) agreed that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in paragraphs (a), (b) and (c);

(e) terms used in (a), (b), (c) and (d) above have the meanings given to them by Regulation S and by the United States Internal Revenue Code 1986, as amended, and regulations thereunder, including the D Rules.

Italy

The Issuer and each Manager under the Senior Subscription Agreement has acknowledged that no action has or will be taken by it which would allow an offering (nor a *sollecitazione all'investimento*) of the Senior Notes to the public in the Republic of Italy unless in compliance with the relevant Italian securities, tax and other applicable laws and regulations. Accordingly, each Manager under the Senior Subscription Agreement have agreed that the Senior Notes may not be offered, sold or delivered by it and neither this document nor any other offering material relating to the Senior Notes will be distributed or made available by it to the public in the Republic of Italy. Individual sales of the Senior Notes to any persons in the Republic of Italy may only be made in accordance with Italian securities, tax and other applicable laws and regulations.

Each of the Issuer and each Manager has acknowledged that no application has been made by it to obtain an authorisation from CONSOB for the public offering of the Senior Notes of the relevant class in the Republic of Italy.

Accordingly, each of the Issuer and each Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, and has not distributed and will not distribute and has not made and will not make available in the Republic of Italy any Senior Notes of the relevant class or classes, this Offering Circular nor any other offering material relating to Senior Notes of such class or classes other than to professional investors (*operatori qualificati*) as defined in Article. 31, paragraph 2, of CONSOB Regulation no. 11522 of 1st September 1998 pursuant to Article. 100, paragraph 1, lett. b) and Article. 30, paragraph 2, of D.Lgs no. 58 of 24th February 1998 (the "Financial Laws Consolidation Act") and in accordance with applicable Italian laws and regulations. Any offer of the Senior Notes of the relevant class or classes to professional investors in the Republic of Italy shall be made only by banks, investment firms or financial companies enrolled in the special register provided for in Article 107 of the Banking Act, to the extent duly authorised to engage in the placement and/or underwriting of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Financial Laws Consolidation Act and in compliance with Article 129 of the Banking Act.

United Kingdom

Each Manager under the Senior Subscription Agreement has represented and agreed with the Issuer that:

(a) it has not offered or sold and, prior to the expiry of the period of six months from the Issue Date, will not offer or sell any Senior Notes of the relevant class or classes 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, or the Financial Services Act 1986, as amended (the "FSA");

(b) it has complied and will comply with all applicable provisions of the FSA with respect to anything done by it in relation to the Senior Notes of the relevant class or classes in, from or otherwise involving the United Kingdom; and

(c) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Senior Notes of the relevant class or classes to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom such document may otherwise lawfully be issued or passed on.

General

In addition, each Manager under the Senior Subscription Agreement has acknowledged that no action has been or will be taken in any jurisdiction by it that would permit a public offering of the Senior Notes of the relevant class or classes, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the Senior Notes of the relevant class or classes, in any country or jurisdiction where action for that purpose is required.

The Senior Subscription Agreement is subject to a number of conditions and may be terminated by the Managers in certain circumstances prior to payment for the relevant Senior Notes to the Issuer. The Issuer has under the Senior Subscription Agreement agreed to indemnify the Managers against certain liabilities in connection with the issue of the relevant Senior Notes.

General Information

1. It is expected that listing of the Notes on the Official List of the Irish Stock Exchange will be granted on or before the Issue Date subject only to issue of the Temporary Global Notes, which will take place subject only to satisfaction of certain conditions precedent contained in the Subscription Agreements. If such conditions precedent are not so satisfied or waived on or before the Issue Date there will be no issue and listing of the Notes as aforesaid. The issue of the Notes is subject to a listing of the Notes on the Irish Stock exchange being granted on the Issue Date.

2. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code and ISIN numbers are as follows:

	Common Code	ISIN
Class A Notes	013490449	XS0134904498
Class B Notes	013490465	XS0134904654
Class C Notes	013490503	XS0134905032
Class D Notes	013490520	XS0134905206
Class E Notes	013490538	XS0134905388
Class F Notes	013490554	XS0134905545
Class R Notes	013490635	XS0134906352

3. Since 30th June 2001 (being the date of the interim audit of the Issuer), there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the trading or financial position of the Issuer.

4. No statutory accounts within the meaning of Article 2423 et seq. of the Italian Civil Code or non-statutory accounts have been prepared in respect of any financial year of the Issuer. The Issuer's financial statements (in English) prepared by PricewaterhouseCoopers S.p.A. will be available at the offices of the Irish Paying Agent.

5. The Issuer is not involved in any legal or arbitration proceedings which may have, or have had during the twelve months preceding the date of this Offering Circular, a significant effect on the Issuer's financial position nor, so far as the Issuer is aware, are any such proceedings pending or threatened.

6. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of the Notes.

7. Save as disclosed in this Offering Circular, as at the date of this Offering Circular, the Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities, nor has the Issuer created any mortgages or charges or given any guarantees.

8. The information set out in the sections entitled "Transfer Agreement" and "The Portfolio" has been compiled by reference to information provided by BNL.

9. PricewaterhouseCoopers S.p.A. have given their written consent to the inclusion of their auditor's report in this Offering Circular and reference to them in the form and context in which it appears.

10. Copies of the following documents will be available for inspection during usual office hours on any weekday at the principal office of the Issuer and the specified office of the Irish Paying Agent:

(a) the by-laws (*statuto*) and deed of incorporation (*atto constitutivo*) of the Issuer;

(b) copies of the Subscription Agreements;

(c) copies of the following documents (and the English translations thereof, where applicable):

  (i) the Trust Deed;

  (ii) the Agency Agreement (including the current regulations relating to the transfer of the Notes as referred to in Condition 3.7);

  (iii) the Cash Management Agreement;

  (iv) the Liquidity Facility Agreement;

  (v) the Security and Intercreditor Agreement;

  (vi) the Hedges;

(vii) the Servicing Agreement;

(viii) the Deed of Pledge;

(ix) the Portfolio Advisory Agreement;

(x) the Transfer Agreement; and

(xi) the Corporate Services Agreement;

(d) the auditors' report of the Issuer for the period ending 30th June 2001; and

(e) the latest annual audited financial reports of the Issuer.

Index of Defined Terms

THE ISSUER

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20121 Milan
Italy

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5 Carmelite Street
London EC4Y 0PA
United Kingdom

IRISH PAYING AGENT

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1 North Wall Quay
Dublin 1
Ireland

IRISH LISTING AGENT

Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
Dublin 4
Ireland

LEGAL ADVISERS

To the Managers and Trustees (as to English law)

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One Silk Street
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United Kingdom

To the Managers and Trustees (as to Italian law)

Gianni, Origoni, Grippo & Partners
Linklaters & Alliance
One Silk Street
London EC2Y 8HQ
United Kingdom
and
Via delle Quattro
Fontane No. 20
00134 Rome
Italy

To the Managers and Trustees (as to Italian tax law)

Vitali, Romagnoli, Piccardi E Associati
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PricewaterhouseCoopers S.p.A.
Corso Europa 2
20122 Milan
Italy

Printed by greenaways, a member of the ormolu group
London, Edinburgh, Leeds, Manchester, New York, Paris, Hong Kong, Singapore, Tokyo. S133534