

Offering Circular

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

Cremonini Sec. S.r.l.

(incorporated with limited liability under the laws of the Republic of Italy)

€120,000,000 Asset-Backed Floating Rate Notes due 2009

principally collateralised by a revolving portfolio of trade receivables originated by certain members of

GRUPPO CREMONINI

Issue Price: 100%

Application has been made for the €120,000,000 Asset-Backed Floating Rate Notes due 2009 (the "**Notes**") of Cremonini Sec. S.r.l., a limited liability company organised under the laws of the Republic of Italy (the "**Issuer**"), to be admitted to the Official List of the Financial Services Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**"), the "**UKLA**") and to trading on the London Stock Exchange plc (the "**Stock Exchange**"). This Offering Circular comprises listing particulars issued in compliance with the listing rules made under section 74 of the FSMA by the UKLA. A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 83 of the Act.

The principal source of payment of interest and of repayment of principal on the Notes will be from collections received in respect of a revolving portfolio of trade receivables and connected rights purchased by the Issuer from, on the date of issue of the Notes (the "**Closing Date**"), CRC S.p.A., INALCA Industria Alimentare Carni S.p.A., Montana Alimentari S.p.A. and Marr S.p.A. (together, the "**Initial Sellers**") and, after the Closing Date, the Initial Sellers (other than CRC S.p.A.), Cremonini S.p.A. ("**Cremonini**") and, subject to the satisfaction of certain conditions set out in the Receivables Purchase Agreement, other Cremonini subsidiaries (together the "**Sellers**").

The terms and conditions of the Notes (the "**Conditions**") provide that interest on the Notes is payable by reference to successive interest periods (each an "**Interest Period**"). Interest on the Notes will accrue on a daily basis and will be payable in arrear in euro on 24 October 2002 and thereafter quarterly in arrear on 24 January, 24 April, 24 July and 24 October in each year (subject to adjustment for non-business days as set out in Condition 6 (*Interest*) (each such date, an "**Interest Payment Date**"). The rate of interest applicable to the Notes for each Interest Period shall be the rate offered in the euro zone inter-bank market ("**EURIBOR**") for three month euro deposits (save that for the first Interest Period the rate will be obtained upon linear interpolation of EURIBOR for two and three month euro deposits) (as determined in accordance with Condition 6 (*Interest*)) plus a margin of 0.50% per annum.

The Notes are expected, on issue, to be rated "AAA" by Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc. ("**S&P**" or the "**Rating Agency**"). 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 Rating Agency.

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, any of the other parties to the Transaction Documents (the "**Transaction Parties**") or the quotaholders of the Issuer. Furthermore, none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

The Notes will initially be represented by a temporary global note in bearer form (the "**Temporary Global Note**"), without principal receipts ("**Receipts**"), interest coupons ("**Coupons**") or talons for further Receipts and Coupons ("**Talons**") attached, which will be deposited with Deutsche Bank AG London as 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 Closing Date. Interests in the Temporary Global Note will be exchangeable not earlier than 40 days after the Closing Date (upon certification of non-U.S. beneficial ownership) for interests in a permanent global note (the "**Permanent Global Note**") in bearer form without Receipts, Coupons or Talons, which will also be deposited with the Common Depositary. The Permanent Global Note will only be exchangeable for definitive Notes with Receipts, Coupons and Talons in certain limited circumstances.

The Notes will mature on the Interest Payment Date which falls in July 2009 (the "**Maturity Date**").

Before the Maturity Date, the Notes will be subject to mandatory and/or optional redemption in whole or in part in certain circumstances (as set out in Condition 7 (*Redemption, Purchase and Cancellation*)).

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 "Special Considerations".

Banc of America Securities Limited

Abaxbank Banca d'Investimento

**Natexis Banque Populaire
Banca Nazionale del Lavoro S.p.A.**

None of the Issuer, the Trustee, the Managers or any other Transaction Party other than Cremonini has undertaken or will undertake any investigation, searches or other actions to verify the details of the Receivables to be sold to the Issuer, nor has the Issuer, the Trustee, the Managers, or any other Transaction Party other than Cremonini undertaken, nor will they undertake, any investigations, searches, or other actions to establish the creditworthiness of any Debtor.

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 all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Any reference in this Offering Circular to listing particulars means this Offering Circular excluding all information incorporated by reference. The Issuer has confirmed that any information incorporated by reference, including any such information to which readers of this document are expressly referred, has not been and does not need to be included in the listing particulars to satisfy the requirements of the FSMA or the listing rules made under section 74 of the FSMA by the UKLA. The Issuer believes that none of the information incorporated herein by reference conflicts in any material respect with the information included in the listing particulars.

Cremonini has provided the information under the sections headed "The Cremonini Group", "Origination and Collection of Receivables", "The Portfolio" and "Historical Information concerning Receivables" and any other information contained in this document relating to itself, its subsidiaries (together with Cremonini, the "**Cremonini Group**"), the collection procedures relating to the Receivables and the Receivables and, together with the Issuer, accepts responsibility for the information contained in those sections and to the best of the knowledge and belief of Cremonini (having taken all reasonable care and made all due enquires to ensure that such is the case), such information is true and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make any representation not contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Managers, the Trustee, the Issuer, the quotaholders of the Issuer or Cremonini (in any capacity). 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 imply that there has been no change in the affairs of the Issuer, Cremonini or the Cremonini Group 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 distribution of this document and the offer, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this document 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, nor may it be used for the purpose of an offer to sell any of the Notes, or a solicitation of any 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.

In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or any other United States securities laws and are subject to United States tax law requirements. Subject to certain exceptions the Notes may not be offered or sold within the United States or for the benefit of United States persons (as defined in Regulation S under the Securities Act).

The Notes may not be offered or sold directly or indirectly, and neither this document nor any other offering circular or any prospectus, form of application, advertisement, other offering material or other information relating to the Issuer or the Notes may be issued, distributed or published in any country or jurisdiction (including the Republic of Italy, the United Kingdom and the United States), except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. For a further description of certain restrictions on offers and sales of the Notes and the distribution of this document see "Subscription and Sale".

Each initial and subsequent purchaser of a Note will be deemed, by its acceptance of such Note, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer thereof as set forth therein and described in this Offering Circular and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases. See "Subscription and Sale".

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

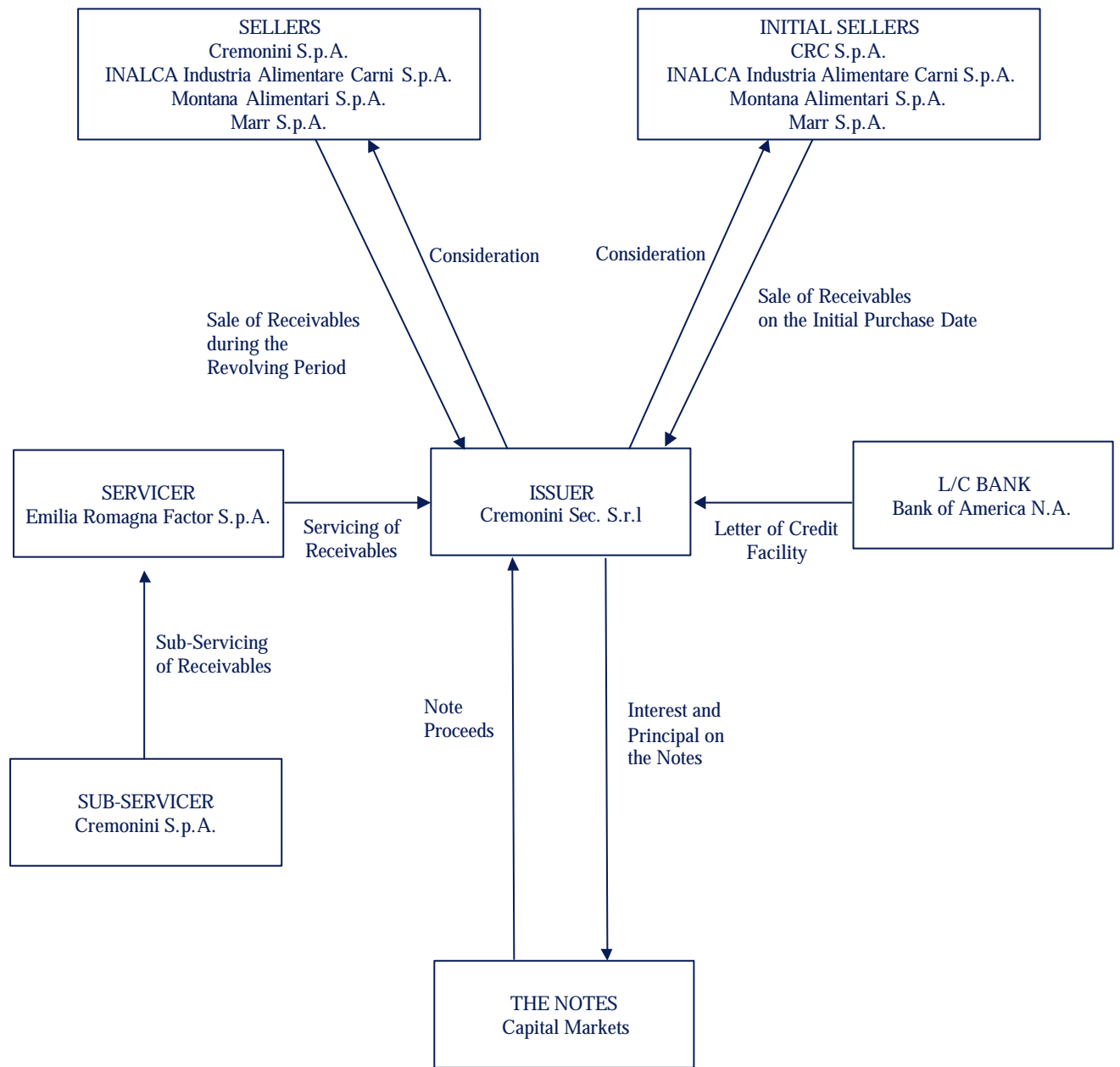
Capitalised terms used in this Offering Circular, unless otherwise indicated, have the meanings set out in this Offering Circular. An index of defined terms used herein appears at the back of this Offering Circular.

In this Offering Circular, references to "€", "**euro**" and "**cents**" are to the single currency introduced in the member states of the European Community which adopted the single currency in accordance with the Treaty of Rome of 25th March 1957, as amended by, inter alia, the Single European Act 1986, the Treaty of European Union of 7th February 1992 establishing the European Union and the European Council of Madrid of 16th December 1995.

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Transaction Structure



Transaction Summary Information

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

PRINCIPAL PARTIES

- Issuer:** Cremonini Sec. S.r.l. (the "**Issuer**"), a limited liability company organised under the laws of the Republic of Italy under Article 3 of law No. 130 of 30th April 1999 (*legge sulla cartolarizzazione dei crediti*) (the "**Securitisation Law**"), registered with the Companies Register of Modena with the number 02785870367 and registered in the register held by the *Ufficio Italiano Cambi* pursuant to Article 106 of the Italian Legislative Decree No. 385 of 1st September 1993 (the "**Banking Act**") with the number 33936. The registered office of the Issuer is Via Modena n.53, Castelvetro di Modena (Modena), Italy. The issued quota capital of the Issuer is held by Stichting Diamond Castle and Global Service S.r.l. (See "*The Issuer*").
- Trustee:** Deutsche Trustee Company Limited (the "**Trustee**") in its capacity as trustee pursuant to the terms of a trust deed to be dated on or about the Closing Date (the "**Trust Deed**") between the Issuer and the Trustee.
- Sellers:**
- (1) Cremonini S.p.A. ("**Cremonini**"), a limited liability company organised under the laws of the Republic of Italy, having its registered office at Via Modena n.53, Castelvetro di Modena (Modena), Italy and registered with the Companies Register of Modena with the number 00162810360;
 - (2) INALCA Industria Alimentare Carni S.p.A. ("**Inalca**"), a limited liability company organised under the laws of the Republic of Italy and a wholly-owned subsidiary of Cremonini, having its registered office at Via Spilamberto n.30/c, Castelvetro di Modena, Italy and registered with the Companies Register of Modena with the number 01825020363;

- (3) Montana Alimentari S.p.A. ("**Montana**"), a limited liability company organised under the laws of the Republic of Italy and a wholly-owned subsidiary of Cremonini, having its registered office at Via Marconi n.3, 46040 Gazoldo Degli Ippoliti, Mantova, Italy and registered with the Companies Register of Mantova with the number 00415710342;
- (4) Marr S.p.A. ("**Marr**"), a limited liability company organised under the laws of the Republic of Italy and a wholly-owned subsidiary of Cremonini, having its registered office at Via Spagna n.20, 47900 Rimini, Italy and registered with the Companies Register of Rimini with the number 01836980365; and
- (5) additional members of the Cremonini Group that, from time to time, subject to the consent of the Rating Agency and certain other conditions set out in the Receivables Purchase Agreement, accede to the Receivables Purchase Agreement (together the "**Additional Sellers**").

(See "*The Cremonini Group*".)

Initial Sellers:

Inalca, Montana, Marr and CRC S.p.A. ("**CRC**"), a limited liability company organised under the laws of the Republic of Italy and a wholly-owned subsidiary of Cremonini having its registered office at Via Emilia Centro n.64, 41100 Modena, Italy, have on the Initial Purchase Date sold the Initial Receivables to the Issuer pursuant to the terms of the Receivables Purchase Agreement.

Offer Agent:

Cremonini (in such capacity, the "**Offer Agent**") in its capacity as offer agent pursuant to the terms of a receivables purchase agreement dated 15 July 2002 (the "**Receivables Purchase Agreement**") between CRC, the Sellers, the Issuer, the Servicer, the Offer Agent and the Trustee.

Issuer Corporate Services Provider:

Cremonini (in such capacity, the "**Issuer Corporate Services Provider**") will be the corporate services provider to the Issuer pursuant to the terms of a corporate services agreement dated 15 July 2002 between the Issuer and the Issuer Corporate Services Provider (the "**Issuer Corporate Services Agreement**"). The Issuer Corporate Services Provider will agree to provide certain management services to the Issuer. The Issuer Corporate Services Provider may be replaced by the Issuer subject to the prior written approval of the Trustee.

- Servicer:** Emilia Romagna Factor S.p.A. (the "**Servicer**"), a limited liability company organised under the laws of the Republic of Italy, will administer the Receivables on behalf of the Issuer and the Trustee pursuant to the terms of a servicing agreement dated 15 July 2002 (the "**Servicing Agreement**") between the Issuer, the Trustee and the Servicer. (See "*Transaction Summary Information - Sales of Receivables*" and "*Description of Principal Transaction Documentation - Servicing Agreement*".)
- Sub-Servicer:** Cremonini (in such capacity, the "**Sub-Servicer**") will perform certain of the duties of the Servicer, as delegate of the Servicer. (See "*Transaction Summary Information - Sales of Receivables - Servicing and Collection Procedures*".)
- Cash Manager:** Deutsche Bank AG London (in such capacity, the "**Cash Manager**") will act as the cash manager of the Issuer's assets pursuant to the terms of a cash management agreement to be dated on or about the Closing Date (the "**Cash Management Agreement**") between the Issuer, the Servicer, the Trustee and the Cash Manager. (See "*Description of Principal Transaction Documentation - Cash Management Agreement*".)
- Collection Account Banks:** Banca Antoniana Popolare Veneta S.p.A., Banca Nazionale del Lavoro S.p.A., Banca Popolare dell'Emilia Romagna S.c.a.r.l., Banca Popolare di Verona e Novara S.c.r.l. and Banca Monte dei Paschi di Siena S.p.A. (each a "**Collection Account Bank**") will each, pursuant to the terms of certain account bank agreements dated on or prior to the Closing Date (each a "**Collection Account Bank Agreement**") between the Issuer and the relevant Collection Account Bank, open and maintain one or more Collection Accounts in the name of the Issuer. (See "*Transaction Summary Information - Accounts and Cashflows*".)
- Collection Account Bank Guarantors:** (1) ABN AMRO Bank N.V., (2) Banco Bilbao Vizcaya Argentaria S.A. and (3) Dexia Crediop S.p.A. (each a "**Collection Account Bank Guarantor**") will, respectively, pursuant to the terms of a guarantee agreement to be dated on or prior to the Closing Date (each a "**Collection Account Bank Guarantee**") between the Issuer and the relevant Collection Account Bank Guarantor, guarantee the obligations of, respectively, (1) Banca Antoniana Popolare Veneta S.p.A., (2) Banca Nazionale del Lavoro S.p.A. and (3) Banca Popolare dell'Emilia Romagna S.c.a.r.l. under the relevant Collection Account Bank Agreements.

English Account Bank: Deutsche Bank AG London, a corporation domiciled in Frankfurt am Main, Germany operating in the United Kingdom through its London branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB (in such capacity, the "**English Account Bank**") will, pursuant to the terms of an account bank agreement to be dated on or about the Closing Date between the Issuer, the Trustee, the Cash Manager and the English Account Bank (the "**English Account Bank Agreement**"), open the English Accounts in the name of the Issuer. (See "*Transaction Summary Information - Accounts and Cashflows*".)

Principal Paying Agent: Deutsche Bank AG London (in such capacity, the "**Principal Paying Agent**" and, together with any other paying agents appointed by the Issuer under the Paying Agency and Agent Bank Agreement, the "**Paying Agents**") will be the principal paying agent pursuant to the terms of an agency agreement to be dated on or about the Closing Date (the "**Paying Agency and Agent Bank Agreement**") between, *inter alios*, the Issuer, the Trustee and the Principal Paying Agent.

Agent Bank: Deutsche Bank AG London (in such capacity, the "**Agent Bank**") will be the agent bank pursuant to the terms of the Paying Agency and Agent Bank Agreement.

Deposit Account Bank Deutsche Bank AG London (in such capacity, the "**Deposit Account Bank**") will provide a market related rate of return on moneys credited to the Deposit Account with the Deposit Account Bank pursuant to the terms of a deposit agreement dated on or about the Closing Date (the "**Deposit Account Bank Agreement**") between the Issuer, the Trustee, the Cash Manager and the Deposit Account Bank.

L/C Bank: Bank of America N.A. (in such capacity, the "**L/C Bank**") will provide a 364 day renewable irrevocable letter of credit facility to the Issuer pursuant to the terms of a letter of credit facility agreement to be dated on or about the Closing Date (the "**L/C Agreement**"). (See "*Transaction Summary Information - Accounts and Cashflows*" and "*Description of Principal Transaction Documentation - L/C Agreement*".)

THE NOTES

The Notes: On the Closing Date, the Issuer will issue €120,000,000 Asset-Backed Floating Rate Notes due 2009 (the "**Notes**").

The Notes will constitute direct, secured and limited recourse obligations of the Issuer.

Form and denomination of the Notes:

The denomination of the Notes will be €1,000. The Notes will initially be represented by a single Temporary Global Note in bearer form without Receipts, Coupons or Talons attached. On or after the date falling 40 days after the Closing Date (the "**Exchange Date**") and upon certification of non-US beneficial ownership, interests in the Temporary Global Note will be exchanged for interests in the Permanent Global Note, in bearer form, without Receipts, Coupons or Talons attached. The Permanent Global Note will only be exchangeable for definitive Notes with Receipts, Coupons and Talons attached in certain limited circumstances. (See "*Summary of Provisions applicable to the Notes in Global Form*".)

Interest on the Notes:

The Notes will bear interest on their Principal Amount Outstanding from and including the Closing Date at a rate equal to EURIBOR for three month euro deposits (save that for the first Interest Period the rate will be obtained upon linear interpolation of EURIBOR for two and three month euro deposits) (as determined by the Agent Bank in accordance with the Conditions) plus a margin of 0.50% per annum.

Interest on the Notes will be payable in arrear in euro on 24 October 2002 and thereafter quarterly in arrear on 24 January, 24 April, 24 July and 24 October in each year (subject to adjustment for non-business days as set out in Condition 6 (*Interest*)).

Final Maturity Date of the Notes:

Save as described below and unless previously redeemed in full, the Issuer will redeem the Notes at their Principal Amount Outstanding on the Interest Payment Date falling in July 2009 (the "**Maturity Date**").

Mandatory Redemption after the Termination Date

On each Interest Payment Date falling after the Termination Date (as defined in Condition 1 (*Definitions*)) provided that such date is at least 18 months after the Closing Date, the Issuer shall apply the Issuer Available Funds, after payment of all prior ranking amounts in the Priority of Payments, in repayment of all or part (in which case such repayment shall be made *pro rata* on each Note) of the Principal Amount Outstanding of each Note.

Optional redemption of the Notes:

The Issuer may redeem all (but not some only) of the Notes at their Principal Amount Outstanding (plus any accrued but unpaid interest) on any Interest Payment Date falling in or after July 2005 subject to the Issuer:

- (i) giving not more than 60 nor less than 30 days' notice to the Trustee and the Noteholders of its intention to redeem all (but not some only) of the Notes; and
- (ii) having provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds on such Interest Payment Date to pay all outstanding amounts under the Notes and all prior ranking items under the Pre-Enforcement Priority of Payments.

Optional redemption in whole for taxation reasons:

The Issuer may redeem all (but not some only) of the Notes at their Principal Amount Outstanding (plus any accrued but unpaid interest), on any Interest Payment 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 the 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 60 nor less than 30 days' notice to the Trustee and the Noteholders of its intention to redeem all (but not some only) of the Notes; and
- (ii) providing to the Trustee:
 - (1) a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers approved in writing by the Trustee, opining that the relevant change in law shall require the Issuer to make the deduction aforesaid;
 - (2) a certificate from two directors of the Issuer to the effect that the obligation to make such a payment cannot be avoided; and
 - (3) a certificate from two directors of the Issuer to the effect that it will have the funds on such

Interest Payment Date to pay: (a) all outstanding amounts under the Notes and all prior ranking items under the Pre-Enforcement Priority of Payments; and (b) any additional taxes payable by the Issuer by reason of such early redemption of the Notes.

Withholding tax on the Notes:

Payments under the Notes may be subject to withholding or deduction for or on account of tax, in accordance with Italian Law No. 239 of 1 April 1996 (any such withholding or deduction, a "**Law 239 Withholding**") in certain circumstances, depending on the nature of the holder of the Notes. Upon the occurrence of any Law 239 Withholding, neither the Issuer nor any other person shall have any obligation to pay any additional amount(s) to any Noteholder. (See "*Italian Taxation*".)

Security for the Notes:

By operation of Italian law, the Issuer's right, title and interest in and to the Receivables will be segregated from all other assets of the Issuer. Amounts deriving therefrom will only be available, both prior to and following a winding-up of the Issuer, to satisfy the obligations of the Issuer to the holders of the Notes (the "**Noteholders**"), the other Beneficiaries and any third party creditor to whom the Issuer has incurred costs, fees and expenses in relation to the securitisation of the Receivables.

On or about the Closing Date, the Issuer shall execute a deed of pledge (the "**Deed of Pledge**") pursuant to which the Issuer shall pledge in favour of the 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 Receivables Purchase Agreement, the Collection Account Bank Guarantees, the Servicing Agreement and the Quotaholders Agreement (the "**Italian Law Security**"). The Deed of Pledge will be governed by Italian law.

The Issuer will grant in favour of the 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 L/C Agreement, the Letter of Credit, the Paying Agency and Agent Bank Agreement, the English Account Bank Agreement, the Cash Management Agreement, the Deposit Account Bank Agreement and the Subscription Agreement; and (b) a first priority security interest by way of fixed charge over the English Accounts and the Deposit Account, (together with paragraph (a) above, the "**English Law Security**" and, together

with the Italian Law Security, the "**Note Security**"), pursuant to a deed of charge to be dated on or about the Closing Date (the "**Deed of Charge**") between the Issuer, the Trustee, the Paying Agents, the Agent Bank, the Cash Manager, the English Account Bank, the Issuer Corporate Services Provider, the Deposit Account Bank, the Sellers and the Servicer (together with the Noteholders and any receiver appointed by the Trustee pursuant to the terms of the Deed of Charge and with the exception of the Issuer, the "**Beneficiaries**").

The Trustee will, pursuant to the terms of the Deed of Charge and the Deed of Pledge, hold the Note Security on trust for the benefit of itself and the other Beneficiaries.

The Deed of Charge will be governed by English law.

Pursuant to the terms of the Deed of Charge, the Issuer will on or about the Closing Date undertake to grant an irrevocable power of attorney governed by Italian law, and will grant an irrevocable power of attorney governed by English law by way of security and in favour of the Trustee to empower the Trustee, following the delivery of an Issuer Enforcement Notice, to take such action in the name of the Issuer as the Trustee may deem necessary to protect the interests of the Beneficiaries.

Pursuant to the Trust Deed and the Deed of Charge, the Trustee alone will be empowered to enforce the Note 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 it, and apply the proceeds of such enforcement and sale in accordance therewith. The Issuer or the Trustee acting on its behalf will only be entitled to dispose of the Portfolio following the service of an Issuer Enforcement Notice.

Purchase of the Notes:

The Issuer may not purchase any Notes at any time.

Further and Additional Notes:

Pursuant to the terms of the Trust Deed and the Conditions, the Issuer will be entitled (but not obliged) at its option from time to time on any date, without the consent of the Noteholders, the Receiptholders or the Couponholders, to issue further notes which will have the same terms as and be fungible with the existing Notes issued on the Closing Date ("**Further Notes**") and additional notes which may have terms different from the then existing Notes ("**Additional Notes**") subject to, *inter alia*, receipt by the Issuer and the Trustee of written confirmation

from the Rating Agency that the issue of such Further Notes or Additional Notes will not result in a downgrade of the then current rating of the Notes.

In this Offering Circular, unless the context otherwise requires, references to the Notes includes any Further Notes or Additional Notes issued pursuant to and in accordance with Condition 17.

Limited recourse nature of the Issuer's obligations:

The obligations of the Issuer to the Noteholders and each of the other Beneficiaries will be direct, secured and limited recourse obligations of the Issuer. The Noteholders and the other Beneficiaries will have a claim against the Issuer only to the extent of the Issuer Available Funds in each case subject to and as provided in the Deed of Charge and the other Transaction Documents.

Listing of the Notes:

Application has been made for the Notes to be admitted to the Official List of the UKLA and to trading on the Stock Exchange.

Rating:

Upon issue it is expected that the Notes will be rated "AAA" by the Rating Agency. A security 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 Rating Agency.

Selling Restrictions:

There are restrictions on the sale of the Notes and on the distribution of information in respect thereof. (See "*Subscription and Sale*".)

SALES OF RECEIVABLES

Sales:

On 15 July 2002, pursuant to the terms of the Receivables Purchase Agreement, the Initial Sellers transferred to the Issuer a portfolio of trade receivables satisfying certain eligibility criteria (the "**Initial Receivables**"). After the Closing Date, the Sellers may until the occurrence of the Termination Date (such period, the "**Revolving Period**") continue to offer (each such offer, an "**Offer**") to sell Eligible Receivables originated by themselves (the "**Subsequent Receivables**") on a weekly basis to the Issuer. If all the conditions set forth in the Receivables Purchase Agreement are satisfied, the Issuer may accept each such Offer and pay the relevant purchase price on the immediately following Settlement Date. The Issuer shall publish or cause to be published a relevant Notice of Sale in respect of each accepted Offer.

The sales of the Receivables by the Sellers and CRC to the Issuer will be made in accordance with Article 58, subsections 2, 3 and 4 of the Banking Act (as provided by Article 4 of the Securitisation Law). Accordingly, perfection and enforceability of the sales of the Receivables *vis-à-vis* third parties will be achieved upon publication of the notice of each sale in the Official Gazette of the Republic of Italy (each a "**Notice of Sale**"). Each notice will be published upon each transfer and will set out (or incorporate by reference) objective criteria by which the transferred Receivables are identified.

The Issuer shall not be obliged to pay any moneys to the Sellers or CRC in respect of any Receivables the subject of an Offer until such time as a Notice of Sale in respect of such Receivables has been published.

The aggregate outstanding Receivables owned by the Issuer at any time shall constitute the "**Portfolio**". The later of the date falling 3 days after the first business day of each Weekly Calculation Period (or if such date is not a business day, the immediately following business day) and the date of the publication of the relevant Notice of Sale shall be a "**Settlement Date**".

The Receivables will be purchased by the Issuer at a variable financial discount (the "**Discount**") determined by the Servicer by reference to the formulae set out in the Receivables Purchase Agreement. The Discount applicable to each purchase of Receivables will be calculated so as to provide the Issuer on the receipt of the outstanding face amount of such Receivables with, in conjunction with the Available L/C Amount available for drawing under the L/C Agreement, at least an amount sufficient to provide for the Required Reserves. The aggregate amount of Receivables required to be purchased at the then applicable Discount by the Issuer on each Settlement Date so as to provide the Issuer on the receipt of the outstanding face amount of such Receivables with, in conjunction with the Available L/C Amount available for drawing under the L/C Agreement, at least an amount sufficient to provide for the Required Reserves constitutes the "**Required Receivables**".

The Issuer will fund its purchase of the Initial Receivables from the net proceeds of the Notes and collections in respect of the Initial Receivables and its purchase of Subsequent Receivables from collections in respect of those Receivables it has previously purchased.

Warranties and Indemnities in relation to the Receivables:

Pursuant to the terms of the Receivables Purchase Agreement, the Initial Sellers have given (and the Sellers will give in respect of the Subsequent Receivables) certain representations and warranties in favour of the Issuer in relation to the Receivables and Cremonini has agreed to indemnify the Issuer in respect of certain liabilities of the Issuer incurred in connection with the purchase and ownership of the Receivables.

Servicing and Collection Procedures:

The Servicer has undertaken to administer the Receivables pursuant to the terms of the Servicing Agreement. The duties of the Servicer in administering the Receivables include:

- (i) endeavouring to recover amounts due from Debtors in accordance with an approved credit and collection policy; and
- (ii) identifying promptly the specific Receivable to which each payment relates.

The Servicer will delegate certain of its duties pursuant to the Servicing Agreement to the Sub-Servicer within the limits of the servicing guidelines issued by the Bank of Italy on 23 August 2000. The Servicer will nonetheless remain responsible for the performance of such duties by the Sub-Servicer.

ACCOUNTS AND CASH FLOWS

Cash Management:

The Cash Manager will provide certain cash management services to the Issuer pursuant to the terms of the Cash Management Agreement. These services will include, *inter alia*, directing the operation of the English Accounts and the Deposit Account and maintaining certain ledgers in respect of the Deposit Account. The Issuer will also perform certain duties pursuant to the terms of the Cash Management Agreement. These duties will include, *inter alia*, directing the operation of the Collection Accounts and maintaining certain ledgers in respect of such accounts.

The Servicer will pursuant to the Cash Management Agreement perform certain weekly and monthly calculations and prepare and deliver Weekly Calculation Reports in respect of the performance of the Receivables.

Collection Accounts:

Pursuant to the Collection Account Bank Agreements, the Issuer will on or before the Closing Date open certain euro-denominated accounts with the Collection Account Banks (together the "**Collection Accounts**"). The Sellers and CRC

will undertake pursuant to the Receivables Purchase Agreement to instruct the relevant debtors (each a "**Debtor**") to pay all collections in respect of the Receivables ("**Collections**") into a Collection Account.

The obligations of each of the Collection Account Banks whose unsecured, unsubordinated and unguaranteed debt obligations are expected on the Closing Date to be rated below A-1 by the Rating Agency (the "**Minimum Short-term Rating**") under the relevant Collection Account Bank Agreements with the Issuer will be guaranteed by a Collection Account Bank Guarantor with at least the Minimum Short-term Rating pursuant to a Collection Account Bank Guarantee. The Issuer will undertake pursuant to the Cash Management Agreement to procure that (a) if a Collection Account Bank Guarantor's credit rating is downgraded below the Minimum Short-term Rating or the relevant Collection Account Bank Guarantee expires without being renewed, it will be replaced by an entity with at least the Minimum Short-term Rating and (b) if a Collection Account Bank's credit rating is downgraded below the Minimum Short-term Rating, its obligations under the relevant Collection Account Bank Agreement(s) are guaranteed by an entity with at least the Minimum Short-term Rating.

A certain proportion of Collections in respect of each Receivable will be allocated by the Issuer as "**Primary Funds**", such proportion being calculated by reference to the amount estimated by the Cash Manager on the first Weekly Calculation Date of each Interest Period as being required to pay in full items (i) to (vi) of the Pre-Enforcement Priority of Payments on the Interest Payment Date immediately following such Interest Period (the "**Current Senior Obligations**"). The remainder of Collections in respect of such Receivable will be allocated by the Servicer as "**Secondary Funds**". Primary Funds will initially be credited to the Primary Ledger in respect of the Collection Accounts and Secondary Funds will initially be credited to the Secondary Ledger of the Collection Accounts.

Prior to the end of the Revolving Period all Secondary Funds standing to the credit of the Collection Accounts will, to the extent possible in accordance with the Receivables Purchase Agreement, be used on each Settlement Date to purchase Receivables offered for sale by the Sellers.

Deposit Account:

Pursuant to the Deposit Account Bank Agreement, the Issuer will on or before the Closing Date open a euro-denominated

account with the Deposit Account Bank (the "**Deposit Account**"). The Issuer will create security over its interests in the Deposit Account for the benefit of the Trustee for itself and on behalf of the other Beneficiaries pursuant to the terms of the Deed of Charge.

Pursuant to the Deposit Account Bank Agreement, the Deposit Account Bank has agreed to pay interest on funds on deposit in the Deposit Account at a market related rate for overnight deposits.

Prior to the service of an Issuer Enforcement Notice, the Issuer will, pursuant to the Cash Management Agreement, direct one or more of the Collection Account Banks to transfer from one or more of the Collection Accounts to the Deposit Account on a weekly basis for credit on each Settlement Date:

- (i) an amount equal to all Primary Funds standing to the credit of the Collection Accounts, which amount will be recorded as a credit entry on the Primary Ledger in respect of the Deposit Account provided that during the Revolving Period, once Primary Funds standing to the credit of the Deposit Account have, during an Interest Period, reached an amount equal to 1.25 times the Current Senior Obligations, any further Primary Funds standing to the credit of the Collection Accounts shall (a) if the Asset Coverage Difference on such Settlement Date is not negative, be transferred to the Sellers as additional consideration for the purchase of the Receivables or (b) if the Asset Coverage Difference on such Settlement Date is negative, be transferred to the Deposit Account and an equal amount recorded as a credit entry in the Secondary Ledger in respect of the Deposit Account;
- (ii) prior to the end of the Revolving Period, an amount equal to all Secondary Funds standing to the credit of the Collection Accounts which cannot be used to purchase new Receivables on each Settlement Date, which amount will be recorded as a credit entry in the Secondary Ledger in respect of the Deposit Account provided that any such Secondary Funds in excess of the amount required to purchase Required Receivables on the relevant Settlement Date shall instead be paid to the Offer Agent on behalf of the Sellers as additional consideration for the purchase of the Receivables; and

- (iii) after the end of the Revolving Period, an amount equal to all Secondary Funds standing to the credit of the Collection Accounts, which amount will be recorded as a credit entry in the Secondary Ledger of the Deposit Account.

Prior to the end of the Revolving Period, all Secondary Funds standing to the credit of the Deposit Account will be used on each Settlement Date to purchase Receivables offered for sale by the Sellers, to the extent that there are insufficient Secondary Funds standing to the credit of the Collection Accounts to do so.

The short term, unsecured, unguaranteed and unsubordinated debt obligations of the Deposit Account Bank are currently rated "A-1+" by the Rating Agency (the "**Requisite Rating**"). If such rating is downgraded below the Requisite Rating, the Issuer may with the consent of the Trustee immediately terminate the appointment of the Deposit Account Bank under the Deposit Account Bank Agreement and appoint a substitute bank to operate the Deposit Account in accordance with the terms of the Deposit Account Bank Agreement. No such termination will be effective until a substitute bank with the Requisite Rating has been appointed.

Ledgers:

Pursuant to the Cash Management Agreement, the Issuer will create two ledgers in respect of (a) the Collection Accounts and (b) the Deposit Account - in each case the "**Secondary Ledger**" and the "**Primary Ledger**". Such ledgers are not sub-accounts of each relevant account but records in the books of the Issuer.

Operating Account:

Pursuant to the English Account Bank Agreement, the Issuer will on or before the Closing Date open a euro-denominated account with the English Account Bank (the "**Operating Account**"). The Issuer will create security over its interests in the Operating Account for the benefit of the Trustee for itself and on behalf of the other Beneficiaries pursuant to the terms of the Deed of Charge.

Prior to the service of an Issuer Enforcement Notice, the Cash Manager will direct that:

- (i) all Primary Funds standing to the credit of the Deposit Account will be transferred six business days prior to each Interest Payment Date into the Operating Account; and

- (ii) after the later of (a) the end of the Revolving Period and (b) the period of 18 months falling after the Closing Date, all Secondary Funds standing to the credit of the Deposit Account will be transferred one business day prior to each Interest Payment Date into the Operating Account.

L/C Reserve Account:

Pursuant to the English Account Bank Agreement, the Issuer will on or before the Closing Date open a euro-denominated account with the English Account Bank (the "**L/C Reserve Account**" and, together with the Operating Account, the "**English Accounts**"). The Issuer will deposit in the L/C Reserve Account any amounts drawn down pursuant to the L/C Agreement in respect of an L/C Reserve Drawing.

The Issuer will create security over its interests in the L/C Reserve Account for the benefit of the Trustee for itself and on behalf of the other Beneficiaries pursuant to the terms of the Deed of Charge.

The Issuer may effect drawings from the L/C Reserve Account on any Interest Payment Date for the same purposes as an L/C Drawing.

If on the Maturity Date there are funds standing to the credit of the L/C Reserve Account after making any L/C Account Drawing therefrom on the Maturity Date, such funds will be repaid to the L/C Bank without being required to be applied through the relevant Priority of Payments.

The short term, unsecured, unguaranteed and unsubordinated debt obligations of the English Account Bank are currently rated "A-1+" by the Rating Agency. If such rating is downgraded below the Requisite Rating, the Issuer may with the consent of the Trustee immediately terminate the appointment of the English Account Bank under the English Account Bank Agreement and appoint a substitute bank to operate the English Accounts in accordance with the terms of the English Account Bank Agreement. No such termination will be effective until a substitute bank with the Requisite Rating is appointed

Pre-Enforcement Priority of Payments:

Prior to the service of an Issuer Enforcement Notice, amounts standing to the credit of the Operating Account will be applied by or on behalf of the Issuer on each Interest Payment Date in making payment or provision in the following order of priority (the "**Pre-Enforcement Priority of Payments**"), but in each case, only if and to the extent that payments or provisions of a

higher order of priority have been made in full:

- (i) *first*, in or towards satisfaction of the fees, costs and expenses of and all other amounts due and payable to the Trustee;
- (ii) *second*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of the fees, costs and expenses of and all other amounts due and payable to: (a) the Paying Agents and (b) the Agent Bank;
- (iii) *third*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of the fees, costs and expenses of and all other amounts due and payable to: (a) the Cash Manager; (b) the English Account Bank; and (c) the Deposit Account Bank;
- (iv) *fourth*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of the fees, costs and expenses of and all other amounts due and payable to: (a) the Servicer; and (b) the Issuer Corporate Services Provider;
- (v) *fifth*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of the fees, costs, expenses and all other amounts payable to any persons (not being Beneficiaries) to whom the Issuer owes such amounts to in accordance with all applicable laws and regulations and without breach of the terms of the Transaction Documents (including any tax authority);
- (vi) *sixth*, in or towards satisfaction of all amounts of interest due and payable on the Notes;
- (vii) *seventh*, after the later of (a) the end of the Revolving Period and (b) the period of 18 months falling after the Closing Date, in or towards satisfaction of all amounts of principal due and payable on the Notes;
- (viii) *eighth*, if the Asset Coverage Difference on such Interest Payment Date is negative, to transfer the surplus (if any) to the Deposit Account and record an equal amount as a credit entry in the Secondary Ledger in respect of the Deposit Account; and

- (ix) *ninth*, if the Asset Coverage Difference on such Interest Payment Date is not negative, to pay the surplus (if any) to the Offer Agent on behalf of the Sellers as additional consideration for the purchase of the Receivables.

From time to time during an Interest Period, the Issuer shall, in accordance with the Cash Management Agreement, be entitled to apply amounts standing to the credit of the Deposit Account in respect of certain monies which properly belong to third parties and in payment of sums due to third parties under obligations incurred in the course of the Issuer's business or as otherwise referred to in paragraph (v) above.

Post-Enforcement Priority of Payments:

Following delivery of an Issuer Enforcement Notice, the Deed of Charge provides that all amounts received or recovered by the Trustee and/or any receiver appointed by the Trustee in respect of the Receivables and/or the Note Security will be paid into the Operating Account and applied by the Trustee in the following order (the "**Post-Enforcement Priority of Payments**" and, together with the Pre-Enforcement Priority of Payments, the "**Priority of Payments**") (in each case, only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of the fees, costs and expenses of, and all other amounts payable to, the Trustee and any receiver appointed by the Trustee pursuant to the terms of the Deed of Charge;
- (ii) *second*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of the fees, costs and expenses of and all other amounts due and payable to: (a) the Paying Agents and (b) the Agent Bank;
- (iii) *third*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of the fees, costs and expenses of and all other amounts due and payable to: (a) the Cash Manager; (b) the English Account Bank; and (c) the Deposit Account Bank;

- (iv) *fourth*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of the fees, costs and expenses of and all other amounts due and payable to: (a) the Servicer; and (b) the Issuer Corporate Services Provider;
- (v) *fifth*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of the fees, costs, expenses and all other amounts payable to any persons (not being Beneficiaries) to whom the Issuer owes such amounts to in accordance with all applicable laws and regulations and without breach of the terms of the Transaction Documents (including any tax authority);
- (vi) *sixth*, in or towards satisfaction of all amounts of interest due and payable in respect of the Notes;
- (vii) *seventh*, in or towards satisfaction of all amounts of principal due and payable in respect of the Notes; and
- (viii) *eighth*, to pay the balance (if any) to or to the order of the Issuer.

CREDIT ENHANCEMENT

Required Reserves:

The Available L/C Amount under the L/C Agreement will, together with overcollateralisation provided by the Discount, provide the Issuer with the Required Reserves.

For a description of the Required Reserves see "*Description of Principal Transaction Documentation – L/C Agreement*".

L/C Agreement:

The Issuer will be entitled from time to time on any Interest Payment Date to make a drawing (an "**L/C Drawing**") up to the Available L/C Amount under the L/C Agreement (i) to reduce or eliminate any Cash Shortfall on an Interest Payment Date or (ii) to reduce or eliminate any Revenue Shortfall on an Interest Payment Date, subject to the conditions set out in the L/C Agreement and the Cash Management Agreement. (See "*Description of Principal Transaction Documentation – L/C Agreement*".)

Overcollateralisation:

During the Revolving Period, the Discount will periodically be varied in accordance with the formulae in the Receivables Purchase Agreement and will be calculated so as to provide the Issuer on the receipt of the outstanding face amount of Receivables purchased with, in conjunction with the Available L/C Amount available for drawing under the L/C Agreement, at least an amount sufficient to provide for the Required Reserves.

Special Considerations

The following is a summary of certain aspects of the issue of the Notes of which prospective Noteholders should be aware. This summary is not intended to be exhaustive and prospective Noteholders should also read the detailed information set out elsewhere in this document and the Transaction Documents and reach their own views prior to making any investment decision.

The Issuer's Liability under the Notes

The Notes will be obligations solely of the Issuer and will not be obligations of, or guaranteed by, any other entity. In particular, the Notes will not be obligations or responsibilities of, and will not be guaranteed by, any of the Transaction Parties (other than the Issuer). No person, other than the Issuer, accepts or will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

The Issuer's Ability to Meet its Obligations Under the Notes

The Issuer does not and will not have any significant assets other than the Portfolio and its rights under the Transaction Documents to which it is a party. The ability of the Issuer to meet its obligations in respect of the Notes will be dependent on, among other things, the extent of (i) Collections and recoveries from the Portfolio, (ii) the ability of the Issuer to make drawings under the L/C Agreement, and (iii) any other amounts payable to the Issuer pursuant to the terms of the Transaction Documents to which it is a party.

The Issuer will be subject to the risk of delays in the receipt, or risk of defaults in the making, of payments due from Debtors in respect of Receivables.

There is no assurance that there will be sufficient funds to enable the Issuer to pay interest on the Notes or, on the redemption date of the Notes (whether on the Maturity Date, upon acceleration following the delivery of an Issuer Enforcement Notice, upon early mandatory redemption in part or in whole following delivery of a Termination Notice or otherwise) that there will be sufficient funds to enable the Issuer to repay principal in respect of the Notes in whole or in part.

The ability of the Sellers to continue to sell Receivables to the Issuer is dependent on, *inter alia*, the non-occurrence of a Termination Event. Certain of the Termination Events relate to the performance of the Portfolio, in particular if:

- (i) the level of the funds held by the Issuer rises above a certain level and is not used to purchase Receivables;
- (ii) the level of Receivables in default is higher than certain specified default levels; or
- (iii) the level of dilutions in relation to Receivables is higher than certain specified dilution levels.

The tests under items (ii) and (iii) above, which will be carried out by and will be the responsibility of the Servicer, are intended to protect the Noteholders from continuing

purchases of Receivables by the Issuer in circumstances where there has been a deterioration in the performances of the Receivables in the Portfolio below certain predetermined levels.

Limited Recourse Nature of the Notes

The Notes will be limited recourse obligations solely of the Issuer and therefore the Noteholders will have a claim under the Notes against the Issuer only to the extent of the cashflows generated by the Portfolio and any other amounts paid to the Issuer pursuant to the Transaction Documents, subject to the payment of amounts ranking prior to payment of amounts due in respect of the Notes pursuant to the relevant Priority of Payments. If there are insufficient funds available to the Issuer to pay in full all principal and interest and other amounts due in respect of the Notes at the Maturity Date or upon acceleration following delivery of an Issuer Enforcement Notice by the Trustee or upon early mandatory redemption in part or in whole following the delivery of a Termination Notice or otherwise, then the Noteholders will have no further claim against the Issuer in respect of any such unpaid amounts.

Limited Liquidity of the Notes

There is currently no market for the Notes. The Managers currently intend to make a market for the Notes, but are under no obligation to do so and may discontinue market-making at any time without notice. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide holders of the Notes with liquidity of investment or that it will continue for the life of the Notes. Consequently, any purchaser of Notes must be prepared to hold the Notes until the Maturity Date.

The Issuer's ability to issue Further Notes and Additional Notes

The Issuer may, without the consent of the Noteholders, create and issue Further Notes and/or Additional Notes to fund the payment to a Seller of all or part of the purchase price for Receivables to increase the size of the Portfolio. Any Further Notes will rank *pari passu* with the Notes and the obligations of the Issuer to pay interest and principal in respect thereof will also derive from the assets of the Issuer, including the Portfolio. It is a condition precedent to the issue of any Further Notes or Additional Notes that (i) such Notes are given a rating by the Rating Agency that is not lower than the rating of the outstanding Notes and (ii) the Rating Agency confirms that the issue of any such Notes will not result in a downgrading or withdrawal of the rating of the then outstanding Notes. However, no assurance can be given that the issue of any Further Notes or Additional Notes will not adversely affect the timing and amounts of payments on any outstanding Notes.

No Independent Investigations in relation to the Receivables

None of the Transaction Parties has undertaken or will undertake any investigation, search or other action to verify the details of any Receivables to be sold by the Sellers and CRC to the Issuer, nor has any such person undertaken, nor will any such person undertake, any investigation, search or other action to establish the creditworthiness of any Debtor.

No representation or warranty, express or implied, is given by any of the Transaction Parties as to the fairness of the value of the Receivables and the claims contained therein and/or their

ability and adequacy to service and reimburse the Notes. Accordingly, none of the Transaction Parties (except for the Sellers and CRC to the extent of the warranties referred to below) accepts responsibility for the information regarding the valuation of the Receivables, the claims contained therein, or the cashflows expected to derive therefrom.

Each Seller and CRC will give certain representations (including in relation to the Receivables) to the Issuer at the time of the sale of Receivables pursuant to the Receivables Purchase Agreement.

Interest Rate Risk

The Issuer expects to meet its obligations under the Notes primarily from payments received from Collections and recoveries from the Portfolio. Such payments may have no natural correlation to EURIBOR or any other floating rate basis which may be payable by the Issuer in relation to the Notes. To mitigate interest rate risks, the Issuer is entitled to make a drawing under the L/C Agreement to the extent of the Available L/C Amount in the event of there being a Revenue Shortfall including as a result of interest rate fluctuations with respect to the Notes.

Change in Law

The structure of the transaction described in this document and, *inter alia*, the issue of the Notes and the ratings assigned to the Notes are based on law, tax rules, rates and procedures, and administrative practice in effect at the date of this document. No assurance can be given that there will be no change to such law, tax rules, rates, procedures or administrative practice after the date of this document which change might have an adverse impact on the Notes and the expected payments of interest and repayment of principal in respect of the Notes.

Limited Provision of Information

The Issuer will not be under any obligation to disclose to the Noteholders any financial or other information received by it in relation to the Receivables or to notify them of the contents of any notice received by it in respect of the Receivables. In particular neither the Issuer nor any of the other Transaction Parties will have any obligation, to keep any Noteholder or any other person informed as to matters arising in relation to the Receivables.

Claims of Creditors of the Issuer other than Beneficiaries

Pursuant to the Deed of Charge and the Deed of Pledge, the Issuer will create the Note Security over certain of its assets. The Issuer does not and will not have any significant assets other than the Portfolio and its rights under the Transaction Documents to which it is a party. Both before and after a winding-up of the Issuer, amounts deriving from the Portfolio will be available for the purposes of satisfying the Issuer's obligations to the Beneficiaries in priority to the Issuer's obligations to any other creditor (other than any creditor whose costs were incurred in connection with the securitisation of the Portfolio by the Issuer).

According to Article 3 of the Securitisation Law, only the Noteholders would be entitled to initiate proceedings in relation to the Portfolio. Pursuant to the Trust Deed, the Conditions and the Deed of Charge (all of which are governed by English law) the claims of certain other

creditors will rank senior to the claims of the Noteholders by virtue of the relevant Priority of Payments (insofar as the Noteholders and certain other affected creditors have accepted that their rights in respect of payment by the Issuer of amounts owed to them under the Transaction Documents will be subordinated in accordance with such Priority of Payments). Pursuant to the Trust Deed and the Deed of Charge, the Trustee alone will be empowered to enforce the Note 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 it, and apply the proceeds of such enforcement and sale in accordance therewith.

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. However, the Issuer will undertake not to incur any debt or liability or enter into any other transaction other than as provided in, or contemplated by, the Transaction Documents.

See "*Selected Aspects of Italian Law Relevant to the Portfolio and the Transfer of the Receivables - Segregation of Assets*".

Risk Considerations Relating to the Sellers

(1) Operational Risk

The Receivables in the Portfolio may be paid at any time and, given the highly competitive markets in which the Sellers operate, no assurance can be given that new Receivables eligible under the Receivables Purchase Agreement to be purchased by the Issuer will be generated or generated at the levels needed to maintain sufficient collateral within the Portfolio to prevent the early redemption of the Notes. The generation of new Receivables and the volume of such Receivables will be affected by the ability of the Sellers to compete in an environment affected by many factors, including general economic conditions in the Republic of Italy:

- (a) competition in the markets in which the Sellers operate and its impact on the Sellers' share of these markets;
- (b) the ability of the Sellers to take advantage of new business opportunities, increase its level of market penetration with regard to existing and new business and reallocate investment into these new business;
- (c) the impact of any regulatory economic, political, health or environmental factors which may affect the ability of the Sellers to continue to sell their products including the impact of any reoccurrence of Bovine Spongiform Encephalopathy (BSE) in beef herds used in the Sellers' beef products; and
- (d) general economic conditions in which the Sellers operate including in the Republic of Italy.

(2) Insolvency Risk

Pursuant to Article 4 of the Securitisation Law, assignments of Receivables executed under the Securitisation Law are subject to revocation on bankruptcy of the relevant Seller under Article 67 of the Royal Decree, but only in the event that the sale of Receivables is entered

into within three months of the adjudication of bankruptcy of the relevant Seller, and in cases where paragraph 1 of Article 67 applies, when the sale of Receivables is entered into within six months of the adjudication of bankruptcy.

Right of Set-Off and other defences by the Debtors

Under general principles of Italian law, debtors are entitled to exercise rights of set-off in respect of amounts due under the Receivables against any amounts payable by the relevant seller to the relevant debtor. Under the terms of the Receivables Purchase Agreement, each Seller and CRC has agreed to indemnify the Issuer in respect of any reduction in amounts received in respect of any Receivables sold by that Seller (or, as the case may be, CRC), to the extent that such reduction results from the exercise by the relative Debtor of a right of set-off against that Seller.

In addition the Debtors may raise other defences or counterclaims based on the underlying contracts from which the Receivables arise, such as for instance any breach of the relevant contracts or any failure to perform the obligations thereunder.

Servicing, Collection of the Portfolio and the Servicer

The Portfolio will be serviced by the Servicer. Consequently, the net cash flows from the Portfolio may be affected by actions taken (or omitted to be taken), and the collection and recovery procedures adopted, by the Servicer. The performance by the Servicer of its obligations under the Servicing Agreement is dependent on the solvency of the Servicer.

The Issuer will be primarily dependent upon its arrangements with the Servicer to collect amounts due in respect of Receivables and to manage legal enforcement proceedings relating to the Receivables. Failure of the Servicer to perform its contractual obligations to the Issuer could have a material adverse impact upon the Issuer's ability to collect Receivables and manage the Portfolio, which could adversely affect the amount and timing of receipts with respect to the Portfolio which are available for distribution in respect of the Notes.

The Issuer has appointed PricewaterhouseCoopers S.p.A. to carry out, on a series of randomly selected Weekly Calculation Reports, certain agreed auditing procedures in relation to the selection of the Receivables and their servicing. This firm of auditors will report on whether the procedures established for (i) the selection of the Receivables, (ii) the monitoring of the sale of the Receivables, and (iii) the identification and valuing of unbilled Receivables, comply with the terms and conditions set out in the Receivables Purchase Agreement and are such as to ensure the correct allocation and segregation of the Collections relating to the Portfolio and will give certain statements in respect of the Receivables which have not been collected yet. Pursuant to the Cash Management Agreement, the Servicer shall procure that an audit report in respect of three randomly selected Weekly Calculation Reports is delivered as at the first anniversary of the Closing Date and as at each subsequent anniversary.

If the appointment of the Servicer under the Servicing Agreement were terminated, it would be necessary for the Issuer to appoint a successor Servicer. Given the nature of the Receivables and the business of Cremonini and the other Sellers there can be no assurance that a successor Servicer could be found which would be suitable and willing to act, that the transfer of the functions of a Servicer would occur without adverse effect on Noteholders, or

that an equivalent level of performance in respect of the collection and administration of the Receivables could be maintained by any replacement Servicer.

As the Portfolio will consist initially of the Sellers' and CRC's Receivables and as any Additional Sellers will be Italian entities, recoveries from the Receivables will be dependent upon the effectiveness of enforcement proceedings in respect of the Receivables in the Republic of Italy. Enforcement proceedings through the Courts of the Republic of Italy may take a considerable amount of time.

Reliance on Liquidator

If the Servicer becomes insolvent, and the Issuer is not able to appoint a successor Servicer it will be necessary to rely on the co-operation of the receiver or liquidator of the Servicer to continue to make, or procure the making of, Collections and otherwise to enforce the Issuer's rights against Debtors. There is no assurance that a receiver or liquidator will so co-operate with the Trustee or the Issuer, as the case may be.

Further Securitisations

The Issuer may purchase and securitise further portfolios of receivables in addition to the Portfolio provided that any such further securitisation transaction would not adversely affect the then current rating of any of the Notes.

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 Issuer. On a winding up of the Issuer such assets will only be available to holders of the notes issued to finance the acquisition of the relevant receivables and to certain creditors claiming payment of debts incurred by the company in connection with the securitisation of the relevant assets. 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.

Withholding Tax under the Notes

Payments of interest under the Notes may or may not be subject to withholding or deduction for or on account of tax. For example, according to Law Decree No. 350 of 25 September 2001, converted into law with amendments by Law No. 409 of 23 November 2001, as to interest and other proceeds payable starting from 1 January 2002, any beneficial owner of a payment relating to the Notes who (i) is either not resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information or resident, for tax purposes, in certain tax haven countries included in the black list referred to in Article 76, paragraph 7-bis, of Presidential Decree 22 December 1986, No. 917, identified by Ministerial Decree of 23 January 2002 or (ii) even if resident in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information, does not timely comply with the requirements set forth in Decree No. 239 and the relevant application rules in order to benefit from the exemption from substitute tax, will receive amounts payable on the Notes net of Italian substitute tax (see also the section headed "*Italian Taxation*" below).

At the date of this Offering Circular such substitute tax is levied at the rate of 12.5 per cent, or such lower rate as may be applicable under the relevant double taxation treaty.

In the event that substitute tax is imposed in respect of payments to Noteholders of amounts due pursuant to the Notes, the Issuer will not be obliged to gross-up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of the imposition of substitute tax.

If any Notes are redeemed in whole or in part prior to the date which is eighteen months after the Issue Date, the Issuer will be obliged to pay an additional amount in Italy equal to 20% of all interest accrued on such principal amount repaid early up to the relevant repayment date. See also "*Italian Taxation*".

If an Issuer Enforcement Notice is delivered, the payment of these additional amounts will reduce the amount of funds available to the Issuer to be applied, *inter alia*, in redeeming the Notes, whether or not the redemption of the Notes requires the payment of these additional amounts.

Italian Securitisation Law

The Securitisation Law applies to securitisation involving a "true" sale of receivables, where the sale is to a company created in accordance with Article 3 of the Securitisation Law, and where all amounts paid by the relevant debtors are to be used by such company exclusively to meet its obligations under debt securities issued to fund the purchase of receivables and all costs and expenses associated with such issue. The Securitisation Law applies, *inter alia*, to the segregation of the Issuer's assets, the perfection of the sale of receivables and rights of set-off. Please see "*Selected Aspects of Italian Law Relevant to the Portfolio and the Transfer of the Receivables*" for more information.

Non-Italian Debtors

While the Securitisation Law expressly provides that payments made in respect of securitised claims may not be clawed back ("*revocati*") by an Italian insolvency official if the Debtor making such payments is subsequently declared insolvent, there can be no assurance that such limitation on claw back would be applicable if the relevant insolvency procedure is not governed by Italian law, as may be the case if a Debtor not resident in Italy were to become insolvent. It is also not certain to what extent the segregation provided for by the Securitisation Law would extend to cover claims owed by non-Italian Debtors.

Historical Information

The historical financial and other information set out in the sections headed "*The Cremonini Group*" and "*Historical Information concerning Receivables*", including in respect of collection rates, represents the historical experience of the Sellers. There can be no assurance that the future performance of the Portfolio, with Emilia Romagna Factor S.p.A. as Servicer, will be similar to that shown in this document.

Tax position of the Issuer

Taxable income of the Issuer is determined without any special rights in accordance with Italian Presidential Decree No. 917 of 22 December 1986 as amended. Pursuant to the regulations issued by the Bank of Italy on 22 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 will be treated as off-balance sheet assets and liabilities, costs and revenues. 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 income should accrue to the Issuer in the context of the transaction. It is however possible that the Ministry of Finance or another competent authority may issue regulations, letters or rulings relating to the Securitisation Law which might alter or affect the tax position of the Issuer as described above.

The interest accrued on the Collection Accounts will be subject to withholding tax which, as at the date of this Offering Circular, is levied at the rate of 27%.

Proposed European Withholding Tax Directive on the taxation of Savings Income

On 18 July 2001 the European Union Commission published a proposal for a new directive regarding the taxation of savings income. It is proposed that, subject to a number of important conditions being met, member states of the European Union ("**Member States**") will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other member State, 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 proposed directive is not yet final and may be subject to further amendment and/or clarification.

The Issuer believes that the risks described above are the principal risks inherent in the transaction for holders of the Notes but the inability of the Issuer to pay interest or repay principal on the Notes may occur for other reasons and, accordingly, the Issuer does not represent that the above statements of the risks of holding the Notes are comprehensive. While the various structural elements described in this document are intended to lessen some of these risks for holders of the Notes there can be no assurance that these measures will be sufficient or effective to ensure payment to the holders of the Notes of interest or principal on such Notes on a timely basis or at all.

The Cremonini Group

1. Overview

The Cremonini group of companies (the "**Group**") is an integrated food business domiciled in Italy. The Group comprises 4 main operating subsidiaries and a holding company (Cremonini). At 31 December 2001 the Group had 4,329 employees and for the financial year ended on such date total revenues of €1,364 million.

The business of the Group began in 1966 when Luigi and Giuseppe Cremonini and Luciano Brandoli founded Inalca, the meat processing business from which the Group has developed. From 1979, the Group has diversified from the beef production business such that its business includes other activities within the food industry. The Group's businesses operate principally within three segments of the food industry: (i) food distribution, (ii) beef production and (iii) restaurant activities.

2. History and Evolution

The Group's history is summarised below:

Year	Event
1963	Luigi and Giuseppe Cremonini and Luciano Brandoli founded Inalca, the meat processing business from which the Group has developed.
1979	The Group embarked on a strategy of expansion into sectors with synergy to their beef production business and acquired Marr. The acquisition allowed the Group to enter into the business of distributing food and other products to the restaurant sector.
1982	Divisione Ristorazione was acquired, allowing the Group to enter the restaurant and catering business.
1985	Cremonini acquired 6 fast food restaurants from an existing restaurant operator. Within 10 years this business, trading under the Burghy brand, expanded to number 96 fast food restaurants, approximately half of which were franchised operations.
1994	The Group carried out its first securitisation of trade receivables (the Crystal Castle transaction)
1995-1996	<p>The Group's expansion made it necessary to rationalize its structure through the sale of some of its subsidiaries engaged in non-strategic activities and concentrating investment in its core businesses.</p> <p>As part of a divestiture plan, the Group sold subsidiaries involved in oil, wine and mineral water production and distribution.</p> <p>The Group also sold the Burghy restaurants to McDonalds. The sale agreement included a contract to supply hamburgers to the American fast food group for a period of five years, giving the Group entry into a new market for its beef products.</p>

1997 The Group carried out its second securitisation of trade receivables (the Golden Castle transaction).

1998 The Cremonini family gained 100% control of the Group.

1998 The Group was floated on the Milan Stock Exchange to raise additional capital in order to fund future investment plans. The Group's shares were listed on the new "Star" segment of the exchange organised and managed by Borsa Italiana S.p.A., the specialist market list for small and medium capitalised companies.

3. **Corporate activities**

3.1 **Integrated Food Services and Distribution**

- The Group's food distribution business is carried out through its operating subsidiary Marr S.p.A.
- With more than 10,000 products on offer, Marr is the market leader in integrated food services and distribution in Italy. Marr supplies a complete range of food products, (including meat, fish, preserved and dried products, cured meats, dairy products, fruit and vegetables) and non-food items (hygiene products, kitchen utensils and crockery) to restaurant operators, with a guarantee of delivery within 24 hours from receipt of order.
- In the financial year ended 31 December 2001, Marr's annual revenue was €614 million, (an increase of 12.2% over the previous year and constituted 45% of the Group's annual revenues). As of 31 December 2001, Marr had a total of 1,400 employees including external contractors.
- Marr provides a rapid delivery service to over 30,000 customers throughout Italy. It achieves this through a network of 18 distribution centres and more than 300 vehicles - employing 400 salesmen and coordinated by 40 area managers.
- Each year, Marr delivers about 200,000 tonnes of products to its customers who are principally hotels and hotel chains, restaurants, pizzerias, company canteens, schools, hospitals and public institutions.
- Marr has recently established a business-to-business internet ordering service, allowing customers to simplify order processing and stock control giving Marr new commercial opportunities. Marr believes the opening of this new business will lead to greater opportunities for its international development.
- In 2001 Marr merged with Islandia S.p.A., a Group company (operating since 1986) in the business of residential distribution of frozen products and ice cream.

3.2 **Food Production:**

- The Group is the largest business engaged in the production and processing of beef in Italy and the fourth largest in Europe, both in terms of cattle slaughtered and of

recent yearly revenues. The Group's subsidiaries operating in this sector are Inalca, Montana and Compagnia delle Spezie (these companies together the "**Food Production Group**"). The revenues of the Food Production Group constituted 43% of the Group's annual revenues in the financial year ended 31 December 2001.

- As a result of its high degree of vertical integration and industrialisation of production processes, Inalca manages the entire production cycle from monitoring the raising of the herd and the selection of the animals to the production of finished and canned meat-based products.
- As at 31 December 2001, the Food Production Group had 864 employees (excluding external contractors) and revenues for the financial year ended 31 December 2001 of €520.1 million. Inalca produces and sells a wide range of beef products (including, beef (fresh and frozen), frozen hamburgers, canned meat sold under the Montana brand, high value added meat products and pre-cooked meals marketed and sold under the Montana Fresco brand to a wide range of customers which include large hypermarket and supermarket chains, large multinational food manufacturers (including Kraft, Unilever and Nestlé), and caterers and food service operators (including McDonalds, Burger King and Autogrill).
- In December 2001, the Group took the decision to market all products destined for supermarkets and large retailers under the Montana brand and cured meats, snacks, ready-to-eat gastronomy and tinned meat under the Montana Alimentari S.p.A. brand.
- Montana is organised into three divisions, specialized by product type. In the financial year ended 31 December 2001, Montana had revenues of approximately €77.2 million, of which 68% came from cured meats, 9% from snacks and ready-to-eat gastronomy and 23% from tinned meat.

3.3 **Restaurant Activities**

- The Group operating principally through a business division called "Divisione Ristorazione" is the exclusive provider of on-board restaurant services for the Italian railway system under the brand name Chef Express. As at 31 December 2001, it had 2,100 employees, total revenues of approximately €176.1 million for the financial year ended 31 December 2001, and had served 37 million meals to 60 million customers during 2001. Divisione Ristorazione also operates outside Italy providing catering services on certain French (TGV) and Swiss railways including, in partnership with the English Compass Group, the daily Eurostar trains connecting London, Paris and Brussels.
- Divisione Ristorazione is also one of the largest operators in the commercial restaurant industry and the leading operator of train station restaurants in Italy. Divisione Ristorazione operates and manages restaurants and snack bars at airport

terminals, sports facilities, shopping malls, food courts, and automobile service areas.

- In November 2001 the group opened the first Roadhouse Grill restaurant in Castellanza (Milan) as a pilot for a project that envisages the opening of 60 Roadhouse Grills in several European countries by 2005.

3.4 **Activities of Cremonini S.p.A.**

Cremonini provides a range of services to the companies within the Group, including (i) financial and treasury management, (ii) co-ordination of legal, tax and insurance services, (iii) personnel management and training; (iv) co-ordination of public relations and marketing strategies and (v) engineering and information systems.

4. **Financial Performance of the Group**

Increased media attention on the BSE outbreak in Europe posed a significant challenge to Cremonini's business in 2001. Despite a slow start in early 2001, Cremonini managed to stage a recovery in revenue and earnings in the second half of the year and increased its market share in core business sectors. Revenues for the financial year ended 31 December 2001 of €1.36 billion were down slightly from €1.39 billion in the previous financial year.

4.1 **Export Performance**

The Group's exports amounted to €241.3 million (18% of total revenues), of which 66% were from the food production sector.

4.2 **Group Revenue for the financial year ended 31 December 2001**

Revenue for the distribution division was €614.7 million (up by more than 12% from 2000), €597.3 million for the production division (down 16% from the previous year) and €176.1 million for the catering division (up by 19%) from the financial year ended 31 December 2000.

After a strong recovery in profitability in the fourth quarter of 2001 by the food production business, Cremonini's financial performance is returning to pre-2001 levels.

4.3 **Investment Programme**

In the period from 1995 to 2000 Cremonini made a determined effort to increase Inalca's production capacity, which required heavy investment in state-of-the-art technology. Approximately €300 million was invested in this project, most of which was dedicated to the construction of a new processing plant.

The return on investment in Inalca has been more reticent than expected, as BSE provided a setback to the Group's earnings. As the impact of BSE fades, the net indebtedness of Cremonini is expected to decline by the end of 2002 on the basis of increased earnings due to greater productivity in the food production business resulting from the above investment programme.

5. **The Group's strategy**

Cremonini's plans to exploit the growth potential of each business sector include:

- | | |
|------------------------------|---|
| Food
Distribution | <ul style="list-style-type: none">• Increasing market share through both internal growth (strengthening the sales force) and external growth (catalysing private local competitors through acquisitions, partnerships and joint ventures).• Maintaining the quality of the company's customer list.• Broadening the product range.• Developing the 'B2B' distribution network. Through on-line services Cremonini is planning to facilitate contacts with customers, thus absorbing routine orders and consequently reducing costs. This project should allow the sales force to focus on a personalised customer advice service rather than on taking orders.• Exploiting synergies between business divisions.• Increasing penetration abroad. In addition to a wider coverage of the domestic market, the management will attempt to replicate the Marr model abroad. Spain in particular is a target market because it has characteristics similar to Italy. The high level of competition in certain other European markets and the necessity for an organised network represent significant entry barriers. Nevertheless, the establishment of agreements and/or joint ventures with local distributors should help facilitate entry, as will the synergies with Cremonini's foreign on-board catering business. |
| Beef
Production | <ul style="list-style-type: none">• Reducing costs and achieving synergies amongst the different divisions and segments;• Increasing the amount of available higher value added products (i.e. finished, packaged and branded products), up from 55% at the end of 2000 to at least 60% by the end of 2003; and• Extending the use of the Montana brand to fresh and cured meats. |

**On-Board
Catering**

- Developing further abroad. In order to replicate the company's business model in Italy, if it is successful in winning contracts, it is intended that Divisione Ristorazione will enter into supply agreements with local distributors; and
- Expanding the products offered.

Restaurants

- The development of the 'food village' concept, a wide range of services aimed at people that are travelling, based on the model which was successfully tested at the Rome Termini railway station. Cremonini plans at least 4-5 new openings per year over the next three years (in both airports and railway stations).
- The implementation of the 'Roadhouse Grill' project, a joint venture (98.5% Cremonini) with the American Roadhouse chain, for the creation of a steakhouse chain in Italy and in other European countries. The original plan called for 60 openings in 2001-2004, with the first seven in 2001. The BSE crisis however caused the project to be postponed for a year. In 2001 only one opening (the pilot) occurred (Castellanza) however it is intended that there be 5 openings in 2002 and 13 in 2003.

Origination and Collection of Receivables

Origination

- (1) Product orders are received in one of two ways: (i) the majority of customers deal directly with designated sales agents and (ii) some orders are received at the call-in centre.
- (2) All customers are pre-assigned a unique customer number when placing orders. This unique number permits any of Cremonini's operating entities to immediately identify a particular customer and track its purchases with other group companies. While the unique customer identification number limits unnecessary duplication of credit and administrative work, it also allows Cremonini to more fully understand the customer's purchasing trends and becomes important when making future credit decisions.
- (3) After taking the order, all details are confirmed with the customer to ensure accuracy. Once the data are determined to be correct and complete, the order is entered into Cremonini's database.
- (4) Once the order has been entered into the database, the sales software will verify the order against Cremonini's credit profile and limits for that customer. The order is either filled ("**processed**") or rejected ("**blocked**"). This process takes a maximum of 24 hours and is typically completed overnight. Frequently, a sales agent is able to obtain an almost immediate response.

If an order is blocked, an exception report is generated and then reviewed by the credit manager, who will then determine the appropriate action.

- (5) When an order is processed, it is dispatched to the relevant warehouse and the products that have been ordered are picked for shipping. Once an order has been assembled, the contents are verified against the original order to ensure accuracy. Should any product be unavailable, an agent will consult with the customer on whether some replacement item is desired or whether this item should be cancelled.
- (6) Prior to the products being sent to the customer, the items are checked one final time for accuracy. Once the contents of the shipment are finalised, a packing list is printed, the packing list is placed in the shipment, and the shipment is sealed. The entire process to this point will have taken from 24 to 48 hours.
- (7) The product is shipped and arrives to the customer within 48 hours.
- (8) Invoices are usually sent to the customer in one consolidated "monthly invoice" for all customer sales activity of the prior month. Once the monthly invoice has been created, a sale is booked and a receivable is created in Cremonini's accounting system. Until a monthly invoice has been created, the various customer orders are held in a suspense account. The monthly invoice also minimises the amount of credit memorandums issued as most adjustments are made prior to the creation of a receivable.

Credit and Collection Policies

Cremonini's credit policy is guided by three principles:

- (1) the use of strict but market-oriented credit and collection policies (the "**Credit and Collection Policies**");
- (2) a positive incentive structure: sales agents are rewarded through the use of a bonus payment scheme that is based on both new sales and collections; and
- (3) a negative incentive structure: sales agents who cannot demonstrate their ability to generate quality sales that result in timely payments will ultimately be dismissed.

Credit Process – New Customers

New customers are screened through a variety of means to optimise the quality of the receivable portfolio. Cremonini sources new customers of all sizes – from small restaurants to major multinational corporations. As such, the level of detailed information available on each client also varies significantly. In all cases, however, Cremonini attempts to obtain as much information about the prospective customer as possible. The primary sources of information include:

- **Company Data:** Cremonini will request commercial information, including financial statements, bank account statements where available.
- **Chamber of Commerce:** Every customer has a unique tax identification number which allows Cremonini to retrieve company information collected by the local Chamber of Commerce.
- **Third-party Research:** Research and financial information on some prospective customers are provided by Dunn & Bradstreet's comprehensive database of companies. The Bolettino dei Protesti is an Italian database that identifies companies by tax ID and VAT code and provides information on a client's proven historical ability to pay invoices.
- **References:** Where appropriate, Cremonini will seek industry references to validate a potential customer's creditworthiness.
- **Alternate Sources:** Other sources of data are considered as and when they are available.

Credit Terms

Cremonini maintains a comprehensive set of guidelines for granting credit limits and payment terms to its customers. These guidelines may be modified from time to time in accordance with the specific needs of a particular business. The general guidelines are as follows.

The standard credit limit for all customers is set at €1,550 and payment terms are determined according to a matrix, taking into account both the type of company and the respective customer's annual revenue. Although, initial credit limits are low, this allows Cremonini to familiarise itself with a broader range of customers.

In many cases, the credit limits are increased over time, based on the customer's continual demonstration of timely payments. The possibility of higher credit limits also provides customers with the incentive to make timely payments.

Special Credit Terms

Historical performance and creditworthiness of the customer are thoroughly evaluated before special terms are granted. Special terms are sought for two reasons: 1) to increase the credit limits and 2) to extend the payment terms. The authority levels for granting special credit terms follow a strict approval matrix, requiring the action of senior management.

Payment Terms

Payment terms are set according to the size and business revenue of the customer. On average, the standard payment terms vary from 30 to 45 days. In some cases, payment terms are extended to 60 or even 90 days. Prior to setting any payment terms, all necessary documentation on the company's creditworthiness and past payment performance is evaluated. The authority levels for granting increased payment terms follow a strict approval matrix, requiring the action of senior management for anything beyond 90-day terms.

Special Payment Terms

Special payment terms beyond 90 days are not common. Cremonini's guidelines on granting such extension requires that another company within the same revenue bracket be willing to undergo a reciprocal decrease in its payment terms, effectively trading places with the company seeking to extend its payment terms.

Exceeding Credit Limits

Cremonini's computer system will indicate whether customers requesting orders are in excess of their allotted credit limit. The unique number provided for each customer allows Cremonini to aggregate credit exposure to a particular customer and determine whether or not a customer is within its established limits. From time to time, customers that have demonstrated their ability to pay on a timely basis will be allowed by a credit manager to exceed their credit limits on a case-by-case basis.

Typically, customers exceed their official credit limits when a credit increase has been requested, but not yet approved. In such case, an "intermediate credit arrangement" may be permitted and the orders are processed that do not exceed 10% of the current credit limits. In this situation, the customer is immediately put on "credit watch".

Negotiated Credit Terms

If a customer experiences difficulties in making timely payments, Cremonini uses discretion to negotiate a payment schedule with the customer. Cremonini follows specific guidelines and the appropriate approval matrix for extending the payment terms and credit limits for the customer. A close evaluation of the company's creditworthiness and payment history is undertaken, prior to a decision being reached. If new payment terms are negotiated, Cremonini does not re-age or reclassify a past due receivable.

Receivable Management

Ongoing Debtor Analysis

General: Cremonini's credit committee meets on a monthly basis to discuss overall portfolio performance, credit limits, and problem customers. Periodically, special situations arise when an additional meeting of the credit committee is required - this opportunity is often used to discuss other credit issues as well, such as improved credit terms for other more robust customers.

In addition to distributing daily lists of clients that have exceeded due dates more than 15 days, payment history and aging information is also distributed from the central customer office to the local customer offices on a monthly basis

Small Customers: Small customers that have demonstrated their ability to pay on time are not actively monitored. This is due in part to the level of exposure for smaller customers, as well as the lack of any available financial information.

Large Customers: All large customers are analysed for payment progress on a monthly basis and financial statements are requested annually.

Aging

- Receivables are aged from the date of the invoice. Orders that have been processed are usually invoiced only once per month to avoid the expense and administration of multiple invoices.
- Reclassifying past due accounts to an earlier aging bucket or as current is not permitted.
- In the event of a partial payment, the unpaid amount continues to age.
- In the event a collection is received with no invoice number indicated, the payment will be allocated to the oldest aging category. However, prior to such classification, all efforts are made to contact the customer to determine how the payment should be allocated.

Delinquent Accounts

Local and regional credit officers hold a meeting on at least a monthly basis to analyse the individual problems of any past due customers. Each morning, local credit managers receive a list of customers whose orders have been blocked and the reason for the block (typically due either to exceeding the credit limit or a delinquency). These clients are placed on credit watch.

In a credit watch situation, customers' accounts are followed very closely. In accordance with the severity of the delinquency, the following steps are taken:

- Credit Watch:
- (1) **Local Client Office:** If the payment has not been received after 15 days of the payment due date, a "block on orders" is imposed on the customer. If the payment has still not been received after 30 days, the local client center will decide whether the matter merits being referred on to Cremonini's central client management.
 - (2) **Central Client Office, "Block on Customer #2":** If 30 to 45 days have passed and the payment still hasn't arrived, a "Block on Customer #2" is imposed and a standard form letter is sent out to the customer, warning of measures which may be taken if the payment is not received.
 - (3) **Central Client Office, "Block on Customer #3":** If payment still has not been received after 45 days and the first reminder letter has been sent out, a "Block on Customer #3" is imposed and a second reminder letter is sent with an explicit warning of the consequences of the failure to pay.
 - (4) **Legal Action:** If it is decided that the repayment of the delinquent receivable is still unlikely after the two foregoing letters and 60 to 90 days have elapsed since the due date, the matter is handled by the legal department. The legal department will make 3-4 phone calls to the client, will send one legal notice by registered mail and one letter to the client. The assistance of collection agencies and attorneys are solicited to ensure the highest possibility of repayment. The customer is given 60 days to bring the matter to a conclusion before legal proceedings commence. Efforts are made to avert such an outcome, as legal proceedings will take at least 18 months to come to a conclusion.

Legal Action

Each month, after passing through the legal department, a few delinquent accounts are deemed to be "unlikely to pay" and Cremonini solicits the assistance of collection agencies and attorneys to ensure a more speedy collection of the outstanding debt.

Dilution - issuance of Credit Memos

The primary cause of dilution is billing error, defective merchandise, disputes, discounts or credits (including credit memos). Procedures are in place that restrict sales agents from wrongly inflating the levels of sales (a potential cause of dilution) as the compensation of the agent is tied to the cash received for the sale.

Collections

- Approximately 65% of customers make payments by wire transfer.

- Approximately 20% of customers make payments via direct debit transfer from their current account.
- Approximately 15% of customers make payments by cheque.

Technology

Systems Overview

Cremonini's operating entities each maintain their own operating systems via IBM AS/400 computers (one '830' model and three '720' models). There is an intranet between the four machines (one for each of the four different companies), providing a real-time link between the companies for purposes of sharing credit and accounting data.

- At each of the individual operating entities, inventory, sales, supplies, and ordering are operated with different software packages, reflecting the unique qualities of each of the businesses.
- However, the operating entities maintain the same accounting, administration, and credit software applications. These applications are also centralised so that data can flow freely between each of the entities.
- For accounting, Cremonini uses a software package called "Pro-j" developed by Gruppo Pro. The software is used in Italy and Europe with different modules to integrate accounting and sales ordering.

Disaster Recovery

Cremonini maintains prudent levels of protection to mitigate the risk of any disaster that might affect its information technology systems. The physical location of each building housing the various information technology systems have all been carefully selected to minimise the threat of natural disaster. In addition, every 2 to 3 months the IT department shuts down its systems to ensure that the secondary system steps in to recover the operations. Each of the individual operating entities maintain their own procedures for coping with any disaster scenario, but all sites employ real-time copying software to back up data. Once copied, all back-up data are transferred to external storage facilities for safekeeping.

The Portfolio

Introduction

The Receivables sold or to be sold to the Issuer from time to time consist or will consist of payment obligations of a Debtor to a Seller arising from the sale of goods and services, including canned and dry goods, fresh and processed produce, beverages, fresh and frozen meat products, hamburger patties, seafood, kitchen equipment, glassware, etc.

Each of the Initial Sellers has warranted in relation to the Initial Receivables purchased from it on 15 July 2002 (the "**Initial Purchase Date**"), and each of the Sellers will warrant in relation to the Subsequent Receivables subsequently purchased from it by the Issuer, that each Receivable constitutes an Eligible Receivable (as defined and detailed below).

Eligibility Criteria

"**Eligible Receivables**" are Receivables which, as set out in the Receivables Purchase Agreement, *inter alia*:

- (1) can be segregated and identified for ownership purposes on any day;
- (2) arise from the sale or supply of goods or services to an Eligible Debtor (see "*Eligible Debtors*" below);
- (3) arise from the fully completed sale or supply and delivery of goods or services which delivery has been accepted and not rejected by the Debtor (therefore excluding, without limitation, "buy and hold" and "unearned" receivables);
- (4) relate to the supply of goods or services within countries within the European Union;
- (5) are not fully or partially past the invoice due date at the time of offer or sale except for some of the Initial Receivables;
- (6) are debts the rights in which can be freely transferred by way of assignment to the Issuer and are not subject to restrictions on transferability as detailed in the Receivables Purchase Agreement;
- (7) are free and clear of any encumbrances (including, without limitation, any lien) exercisable against the relevant Seller or CRC or the Issuer or any assignee, and are evidenced by an invoice;
- (8) are not subject to any taxes on payments from the related Debtors in respect thereof except for VAT;
- (9) have been originated in accordance with approved credit and collection policies;
- (10) have been created in compliance with all applicable laws and in respect of which all required consents, approvals and authorisations have been obtained;
- (11) together with any other outstanding Receivables of the same Debtor or any company known to the Servicer as forming part of the same group of companies of which the

Debtor forms part, are not in excess of the Debtor Limit for such Debtor (see "*Debtor Limits*" below);

- (12) have a due date specified on the invoice of not more than 135 days from the related invoice date provided that no more than 25 per cent. of the Portfolio may comprise Receivables with a due date specified on the invoice of more than 91 days from the related invoice date;
- (13) are non-interest bearing trade receivables, arising in a Seller's ordinary course of business;
- (14) are governed by Italian law;
- (15) are denominated in Euro;
- (16) are not at the time of sale the subject of any dispute, warranty, claim or right of set-off other than as notified to, and agreed by, the Issuer prior to the sale of the relevant Receivable (other than in respect of the right of set-off);
- (17) are at the time of the sale to the Issuer not evidenced by or payable by the issue of promissory notes or negotiable instruments (other than cheques); and
- (18) are payable and due prior to the date which falls six years and three months after the Initial Purchase Date,

(together, the "**Eligibility Criteria**").

Eligible Debtors

The Receivables Purchase Agreement contains a list of requirements for Debtors to be Eligible Debtors. Some of these requirements are set out below.

A Debtor may be an "**Eligible Debtor**" if:

- (1) it is not insolvent within the meaning of Article 5 and Article 147 of Royal Decree No. 267 of 16 March 1942 (the "**Decree**") at the time of the sale of the Receivables to the Issuer, is not in a state of "temporary financial difficulties" within the meaning of Article 187 of the Decree at such time and in respect of which at the time of such sale:
 - (a) no order has been made or resolution passed for the winding-up or liquidation of such Debtor;
 - (b) no petition has been presented for the winding-up of such Debtor or for the making of an administration order or for the submission of such Debtor to the procedures of "*amministrazione controllata*" or "*amministrazione straordinaria*" or "*concordato*"; and
 - (c) no receiver, administrative receiver or receiver and manager has been appointed;
- (2) it does not have any affiliates in respect of which any of the circumstances referred to in (1) applies;

- (3) it is, to the best knowledge of the relevant Seller and according to the address specified in the related invoice, resident and domiciled in Italy or another country which is part of the European Union provided that, in the latter case, a legal opinion satisfactory to the Rating Agency has been obtained in relation to the enforceability of the transfer of the relevant Receivables;
- (4) at the time of the sale no more than ten per cent. of the total outstanding balance of the Receivables owed by such Debtor at such time is 90 days or more in arrears in respect of all or any portion of any payment owed;
- (5) it is not an affiliate of Cremonini;
- (6) it is not a Debtor who is also a supplier to whom a Seller is obliged to pay in respect of goods or services performed or another creditor of any one or more of the Sellers;
- (7) it has not been excluded from eligibility as a result of failure to make payments to the relevant Collection Account; and
- (8) it is not a Public Entity Debtor.

A "**Public Entity Debtor**" is a debtor which, in connection with the transactions entered into with the relevant Seller and which give rise to the relevant Receivable, operates under special rules which differ from the provisions of Italian private law in particular with respect to certain aspects of the perfection of title by assignees of receivables owed by them.

Debtor Limits

It will be an eligibility requirement that Receivables to be purchased from Sellers and CRC and owed by a Debtor, when aggregated with other outstanding Receivables of the same Debtor or any company known to the Servicer as forming part of the same group of companies of which the Debtor forms part, will not be in excess of the Debtor Limit for such Debtor. A higher limit of 3.0 per cent. applies to certain specified Debtors, namely Sodexo Italia S.p.A., Italog S.r.l. and Le Ferrovie dello Stato (together the "**Special Debtors**"), provided that the aggregate of the top five Debtors cannot exceed 10%.

"**Debtor Limit**" means at any time in relation to a Debtor (other than a Special Debtor) the maximum proportion that such Debtor's Receivables may form relative to the Principal Amount Outstanding, as determined in accordance with such Debtor's rating as set out in the following table.

<u>Debtor Rating (S&P)</u>	<u>Debtor Limit</u>
A-1+ or AAA-	10.0%
A-1 or A+	10.0%
A-2 or BBB+	5.0%
A-3 or BBB-	3.0%
Not rated or below A-3 or BBB-	2.0%

Historical Information Concerning Receivables

General

For the three months ended 31 March, 2002, the Sellers, on a combined basis generated total sales of approximately €336 million. Excluding certain classes of receivables that are not eligible for this transaction, the aggregate receivables pool as of 31 March, 2002 totalled approximately €241 million. Based on historical information as of 31 March, 2002 concerning receivables that are eligible for this transaction, Marr is anticipated to generate approximately 49% of the receivables; Inalca is anticipated to generate approximately 43% of the receivables, and Montana is anticipated to generate approximately 8% of the receivables.

Debtor Concentrations

On a consolidated pool basis and as of the date of this Offering Circular, the Seller's receivables portfolio is highly diversified, comprising approximately 9,000 Debtors. The top ten customers are primarily large-scale retailers and restaurant operators. As of 31 March, 2002, the top ten Debtors accounted for 16.41% of the consolidated pool of Eligible Receivables. No assurance can be given that the Debtors included in the table below will continue to constitute the top ten Debtors.

Top Ten Debtors by Accounts Receivable Balance

(As of 31 March, 2002)

Customer	Accounts Receivable Balance	% of Outstanding Eligible Receivables
1. GS S.p.A.	6,874,782	2.85%
2. Ristochef S.p.A.	6,371,741	2.64%
3. Sodexho Italia S.p.A.	5,326,678	2.21%
4. Rigamonti Salumificio S.p.A.	4,438,887	1.84%
5. AIA Agricola Italiana Alimentare S.p.A.	3,699,988	1.53%
6. COOP Lombardia SCRL	3,032,053	1.26%
7. La Rinascente S.p.A.	3,014,956	1.25%
8. Autogrill S.p.A.	2,930,086	1.21%
9. Italog S.r.l.	2,044,005	0.85%
10. Metro Italia Cash & Carry S.p.A.	1,849,782	0.77%

DILUTION

Dilution refers to any reduction in the balance of a Receivable due to discounts, credits (including credit memos), disputes or similar items, other than a reduction due to (i) the

receipt of funds from a Debtor, or (ii) a Debtor's default. Credit memos and dilution occur for the following reasons:

- Discounts / Promotions – From time to time, a Seller will offer its customers incentives related to sales targets and early payment for invoiced goods. These incentives are used to promote certain products or improve collection rates.
- Pricing and Weight Errors – Pricing errors are typically caused by clerical errors in data entry.
- Damaged/Spoiled Goods – Dilution can arise from products that are damaged or spoiled during delivery.
- Quality Disputes – Disputes about the quality of the products can result in dilution.

The tables below display dilution experience for the portfolio of receivables generated by the Sellers for each of the periods shown. There can be no assurance that dilution experience for the Receivables in the future will be similar to the historical experience shown in the following tables.

Dilution Experience of the Portfolio of Eligible Receivables

	3 Months Ended 31 March, 2002	% of Eligible Receivables for 3 Months Ending 31 March, 2002	12 Months Ended 31 December, 2001	% of Eligible Receivables for 12 months Ending 31 December, 2001	12 Months Ended 31 December, 2000	% of Eligible Receivables for 12 Months Ending 31 December, 2001
Average Outstanding Receivables	237,197,750	--	222,385,517	--	204,918,065	--
Monthly Dilution Maximum	347,211	0.14%	750,205	0.32%	1,118,300	0.62%
Monthly Dilution Minimum	322,981	0.13%	119,171	0.05%	302,168	0.17%
Monthly Dilution Average	337,584	0.14%	335,594	0.14%	451,193	0.25%

Monthly Portfolio Dilution Experience

Month	Receivables Generated	Total Dilution	Monthly Dilution as a % of Receivables Generated 1 Month Prior ¹	3 -Month Rolling Average Dilution Ratio
March 2002	101,610,800	342,560	0.38%	0.36%
February 2002	90,310,450	347,211	0.38%	0.50%
January 2002	90,568,194	322,981	0.33%	0.51%
December 2001	97,309,155	750,205	0.77%	0.53%
November 2001	97,233,207	428,334	0.42%	0.37%
October 2001	101,358,703	405,095	0.41%	0.34%
September 2001	99,601,354	329,470	0.28%	0.31%
August 2001	117,644,864	386,039	0.33%	0.26%
July 2001	117,724,558	359,919	0.34%	0.25%
June 2001	106,969,120	119,171	0.11%	0.25%
May 2001	104,105,832	251,390	0.30%	0.29%
April 2001	84,220,156	284,199	0.33%	0.32%
March 2001	87,316,317	155,652	0.24%	0.32%
February 2001	64,959,053	257,821	0.38%	0.72%
January 2001	67,639,853	299,836	0.33%	0.74%
December 2000	90,251,593	1,118,300	1.45%	0.72%
November 2000	77,047,701	401,467	0.42%	0.36%
October 2000	95,234,970	302,168	0.29%	0.32%
September 2000	104,542,955	417,652	0.36%	0.36%
August 2000	116,121,579	368,097	0.32%	0.35%
July 2000	114,939,902	446,978	0.39%	0.40%
June 2000	114,345,993	362,132	0.34%	0.45%
May 2000	106,566,310	438,093	0.48%	0.48%
April 2000	91,307,503	487,699	0.52%	0.47%
March 2000	93,347,567	371,882	0.44%	--
February 2000	83,623,472	340,987	0.45%	--
January 2000	75,602,416	358,866	--	--
Average Monthly Dilution as a % of Receivables Generated 1 Month Prior			0.42%	

¹ Defined as the dilution reported for such month divided by the aggregate receivables generated in the month prior to such month.

LOSS AND AGING EXPERIENCE

Loss Experience

The following tables set forth the loss experience with respect to payments by Debtors for each of the periods shown for the portfolio of receivables generated by the Sellers. There can be no assurance that the loss experience for the Receivables in the future will be similar to the historical experience set forth below.

Eligible Receivable Portfolio Loss Experience

	3 Months Ended 31 March, 2002	12 Months Ended 31 December, 2001	12 Months Ended 31 December, 2000
Average Receivables Outstanding²	237,197,750	222,385,517	204,918,065
Average Monthly net Write-offs³	136,819	63,902	62,693
Average Monthly Net Write-offs as a percentage of Average Receivables Outstanding	0.06%	0.03%	0.03%

Aging Experience

The following tables set forth the aging experience for the portfolio of receivables generated by the Sellers as of the dates shown. There can be no assurance that the aging experience for the Receivables in the future will be similar to the historical experience set forth below.

² Defined as the sum of all outstanding Receivables as at the end of each month in the period indicated divided by the number of months in the period.

³ Defined as actual write-offs for each of the periods divided by the respective number of months in such period.

Eligible Receivable Portfolio Aging Experience

	31 March, 2002	% of Eligible Receivables at 31 March 2002	31 December 2001	% of Eligible Receivables at 31 December 2001	31 December 2000	% of Eligible Receivables at 31 December 2000
Less than 30 days after original due date	218,389,137	90.48%	206,197,588	88.46%	159,317,447	89.09%
31-60 days after original due date	14,612,049	6.05%	18,097,299	7.76%	10,656,665	5.96%
61- 90 days after original due date	3,732,062	1.55%	4,748,047	2.04%	5,266,822	2.94%
91- 120 days after original due date	495,125	0.21%	1,279,880	0.55%	1,074,459	0.60%
More than 120 days after original due date	4,146,047	1.72%	2,772,441	1.19%	2,539,534	1.42%
Total	241,374,480	100.00%	233,095,255	100.00%	178,854,925	100.00%

Monthly Sales-Based Default Ratio

Month	Receivables Generated	Receivables Which Became Defaulted ⁴ + Write-offs	Sales-Based Default Ratio ⁵	3-Month Rolling Average Default Ratio
March 2002	101,610,800	834,570	0.80%	0.58%
February 2002	90,310,449	441,842	0.52%	0.55%
January 2002	90,568,194	372,126	0.43%	0.47%
December 2001	97,309,154	463,157	0.71%	0.41%
November 2001	97,233,207	174,623	0.26%	0.40%
October 2001	101,358,702	245,763	0.27%	0.45%
September 2001	99,601,353	506,770	0.66%	0.51%
August 2001	117,644,863	414,183	0.43%	0.47%
July 2001	117,724,557	444,465	0.43%	0.42%
June 2001	106,969,120	626,701	0.54%	0.40%
May 2001	104,105,831	331,576	0.29%	0.38%
April 2001	84,220,156	437,930	0.38%	0.44%
March 2001	87,316,317	500,436	0.47%	0.41%
February 2001	64,959,052	417,464	0.46%	0.53%
January 2001	67,639,852	294,409	0.32%	0.46%
December 2000	90,251,592	683,049	0.82%	--
November 2000	77,047,700	190,747	0.25%	--
October 2000	95,234,970	248,614		
September 2000	104,542,954	223,452	--	
August 2000	116,121,578	218,299	--	
July 2000	114,939,901	287,785	--	
June 2000	114,345,993	374,353	--	
May 2000	106,566,309	213,578	--	
April 2000	91,307,503	332,451	--	
March 2000	93,347,567	354,124	--	
February 2000	83,623,471	388,020	--	
January 2000	75,602,415	356,597	--	
Average of the Sales-Based Default Ratio			0.47%	0.46%

⁴ Defined as receivables that became 181 days past due.

⁵ Defined as (i) actual monthly write-offs plus receivables that are 181 to 210 days past due divided by (ii) the aggregate receivables generated 11 months prior to the current month.

DAYS SALES OUTSTANDING

The table below sets forth receivables generated, average receivables balance, and the average number of days outstanding for the portfolio of receivables generated by the Sellers for each of the periods shown. There can be no assurance that receivables generated, average receivables balance, and the average number of days outstanding for the portfolio of receivables in the future will be similar to the historical figures set forth below.

Portfolio Turnover Experience					
Month	1Q02	4Q01	3Q01	2Q01	1Q01
Average Daily Receivables Generated⁶	3,138,772	3,287,790	3,721,898	3,281,057	2,443,502
Average Receivables Outstanding⁷	237,197,750	239,605,751	263,268,207	211,929,001	174,739,109
Average Days⁸ Outstanding	75.57	72.88	70.73	64.59	71.51

⁶ Defined as aggregate sales for the quarterly period indicated, divided by 90.

⁷ Defined as the sum of receivables outstanding as at the end of each month in the quarterly period indicated, divided by 3.

⁸ Defined as Average Receivables Outstanding divided by Average Daily Receivables Generated, in each case in respect of the quarterly period indicated.

Terms and Conditions of the Notes

The following is the text of the terms and conditions of the Notes which, subject to completion and amendment will be endorsed on each Definitive Note (if issued).

The €120,000,000 Asset-Backed Floating Rate Notes due 2009 (the "**Notes**") issued by Cremonini Sec. S.r.l. (the "**Issuer**") are issued pursuant to the terms of a trust deed dated 24 July 2002 (the "**Closing Date**") (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and Deutsche Trustee Company Limited as trustee (which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed, the "**Trustee**") and are subject to and have the benefit of an agency agreement dated the Closing Date (as amended or supplemented from time to time, the "**Paying Agency and Agent Bank Agreement**") between the Issuer, Deutsche Bank AG London as principal paying agent (which expression includes any successor principal paying agent appointed from time to time in respect of the Notes, the "**Principal Paying Agent**" and, together with any other paying agents appointed by the Issuer under the Paying Agency and Agent Bank Agreement, the "**Paying Agents**") and, in a separate capacity under the same agreement, as agent bank (which expression includes any successor agent bank appointed from time to time in connection with the Notes, the "**Agent Bank**") and the Trustee.

Certain provisions of these terms and conditions (the "**Conditions**") are summaries of the Trust Deed, the Paying Agency and Agent Bank Agreement and the other Transaction Documents and are subject to their detailed provisions.

The holders of the Notes (the "**Noteholders**" and each a "**Noteholder**"), the holders of the related principal receipts (the "**Receiptholders**" and the "**Receipts**", respectively), the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) and the holders of any talons for further Receipts and Coupons (the "**Talonholders**" and "**Talons**" respectively) are bound by all of the provisions of the Trust Deed, the Paying Agency and Agent Bank Agreement, the Deed of Charge and the Deed of Pledge and are deemed to have notice of all of the provisions of the other Transaction Documents applicable to them. Copies of the Transaction Documents are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the date hereof Winchester House, 1 Great Winchester Street, London EC2N 2DB, England and at the specified offices set out in the Paying Agency and Agent Bank Agreement of each of the Paying Agents, the initial specified offices of which are set out below.

1. **DEFINITIONS**

In these Conditions:

"**Accounts**" means the Collection Accounts, the Deposit Account and the Operating Account;

"**Beneficiaries**" means the Trustee, the Noteholders, any Receiver, the Paying Agents, the Agent Bank, the Deposit Account Bank, the Issuer Corporate Services Provider, the Cash Manager, the English Account Bank, the Sellers and the Servicer;

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

"**Cash Management Agreement**" means the cash management agreement, as amended from time to time made on or about the Closing Date between the Issuer, the Trustee, the Cash Manager and the Servicer;

"**Cash Manager**" means Deutsche Bank AG London, and its successors and permitted transferees and assigns in such capacity;

"**Collection Account Banks**" means Banca Antoniana Popolare Veneta S.p.A., Banca Nazionale del Lavoro S.p.A., Banca Popolare dell'Emilia Romagna S.c.a.r.l., Banca Popolare di Verona e Novara S.c.r.l. and Banca Monte dei Paschi di Siena S.p.A. and any successor or other Collection Account Bank appointed by the Issuer from time to time with the consent of the Trustee;

"**Collection Account Bank Agreements**" means each account bank agreement made between the Issuer and a Collection Account Bank, as amended from time to time;

"**Collection Account Bank Guarantee**" means a guarantee and indemnity executed by a Collection Account Bank Guarantor in form and substance satisfactory to the Issuer and the Trustee in respect of the obligations of a Collection Account Bank under a Collection Account Bank Agreement to which it is a party, as amended from time to time;

"**Collection Account Bank Guarantors**" means ABN AMRO Bank N.V., Banco Bilbao Vizcaya Argentaria S.A. and Dexia Crediop S.p.A. and any successor or other bank appointed by the Issuer from time to time for the purposes of issuing a guarantee in respect of a Collection Account Bank's obligations under a Collection Account Bank Agreement;

"**Collection Accounts**" means the bank accounts opened by the Issuer with the Collection Account Banks into which Collections are paid;

"**Collections**" means, in relation to any Receivable, all cash collections and other proceeds thereof, (including, if applicable insurance proceeds which a Seller or the Servicer applies in the ordinary course of its business to amounts owed in respect of such Receivable and the net proceeds of sale, other disposition of repossessed goods or other collateral or property of the related Debtor or any other party directly or indirectly liable for payment of such Receivable and available to be applied thereon) and each such amount deemed to have been received or treated as received as a collection pursuant to the Receivables Purchase Agreement;;

"**Cremonini**" means Cremonini S.p.A.;

"**Criteria**" means the eligibility criteria relating to the Receivables set out in Schedules 1 and 2 of the Receivables Purchase Agreement;

"**Debtor**" means a person or persons obliged to make payment in respect of one or more Receivables;

"**Deed of Charge**" means the English law deed of charge made on or about the Closing Date between, *inter alios*, the Issuer and the Trustee, as amended from time to time;

"**Deed of Pledge**" means the Italian law deed of pledge made on or about the Closing Date between the Issuer and the Trustee, as amended from time to time;

"**Deposit Account**" means the bank account so named in the name of the Issuer opened and operated in accordance with the Deposit Account Bank Agreement or such other account or accounts as may be in addition thereto or in substitution therefor in accordance with the provisions of the Cash Management Agreement;

"**Deposit Account Bank**" means Deutsche Bank AG London and any successor or other Deposit Account Bank appointed from time to time;

"**Deposit Account Bank Agreement**" means the agreement made on or about the Closing Date between the Issuer, the Deposit Account Bank, the Cash Manager and the Trustee as amended from time to time;

"**Determination Date**" means the date falling 6 Business Days prior to each Interest Payment Date;

"**English Account Bank**" means Deutsche Bank AG London and any successor or other English Account Bank appointed from time to time;

"**English Account Bank Agreement**" means the account bank agreement made on or about the Closing Date between the Issuer, the Trustee, the Cash Manager and the English Account Bank, as amended from time to time;

"**English Accounts**" means the Operating Account and the L/C Reserve Account;

"**English Law Transaction Documents**" means the Paying Agency and Agent Bank Agreement, the Trust Deed, the Notes, the Receipts, the Coupons, the Talons, the Deed of Charge, the Cash Management Agreement, the Deposit Account Bank Agreement, the English Account Bank Agreement, the L/C Agreement, the Letter of Credit and the Subscription Agreement;

"**euro-zone**" means the region comprising those member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25th March 1957) as amended by the Treaty on European Union (signed in Maastricht on 7th February 1992);

"**Extraordinary Resolution**" means a resolution passed at a Meeting duly convened and held in accordance with the Provisions for Meetings of Noteholders by a majority of not less than 75% of the votes cast;

"**Indebtedness**" means, with respect to any Person at any time, (a) indebtedness or liability of such Person for borrowed money whether or not evidenced by bonds, debentures, notes or other instruments, or for the deferred purchase price of property or services (including trade obligations); (b) obligations of such Person as lessee under leases which should have been or should be, in accordance with generally accepted

accounting principles, recorded as capital leases; (c) obligations issued for or liabilities incurred on the account of such Person; (d) obligations or liabilities of such Person arising under acceptance facilities; (e) obligations of such Person under any guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person or otherwise to assure a creditor against loss; (f) obligations secured by any lien on property or assets of such Person, whether or not the obligations have been assumed by such Person; or (g) obligations of such Person under any interest rate or currency exchange or other derivative agreement;

"Indebtedness for Borrowed Money" means any Indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) any amount raised pursuant to any issue of shares which are expressed to be redeemable;
- (e) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with generally accepted accounting principles in the relevant jurisdiction, be treated as a finance or capital lease;
- (f) the amount of any liability in respect of any advance or deferred purchase agreement if one of the primary reasons for entering into such agreement is to raise finance;
- (g) receivables sold or discounted (other than on a non-recourse basis);
- (h) any agreement or option to re-acquire an asset if one of the primary reasons for entering into such agreement or option is to raise finance;
- (i) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; and
- (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above.

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

- (a) such company or corporation is deemed unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986; or
- (b) such company or corporation admits it is or becomes unable to pay its debts as they fall due; or
- (c) the value of the assets of such company or corporation falls to less than the amount of its liabilities; or

- (d) 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) and, in the opinion of the Trustee, such proceedings not being disputed in good faith with a reasonable prospect of success; or
- (e) the making of an administration order in relation to such company or corporation; or
- (f) an encumbrancer (excluding the Trustee or any receiver or manager appointed by the Trustee) taking possession of the whole or any substantial part of the undertaking or assets of such company or corporation; or
- (g) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or (in the opinion of the Trustee exercising its absolute discretion) any substantial part of the undertaking or assets of such company or corporation (excluding by the Trustee or any receiver appointed by the Trustee) and such order, appointment, possession or process (as the case may be) not being discharged or otherwise ceasing to apply within 30 days; or
- (h) 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
- (i) 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 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 Trustee or by an Extraordinary Resolution); or
- (j) 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 Trustee exercising its absolute discretion) any substantial part of the undertaking or assets of such company or corporation (excluding the appointment of an administrative receiver or other receiver or manager appointed by the Trustee pursuant to the Deed of Charge); or
- (k) such company or corporation otherwise becomes insolvent;

and for the purposes of this definition any reference to "**Insolvency Proceedings**" shall be construed so as to include the bankruptcy ("*fallimento*") controlled administration ("*amministrazione controllata*") composition with creditors ("*concordato preventivo*") or any other insolvency proceedings or 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 debtors;

"Insolvency Official" means, in respect of any entity, a liquidator, provisional liquidator, administrator, administrative receiver, receiver or manager, nominee, supervisor, trustee, conservator, guardian or other similar official appointed in respect of such entity or in respect of all (or substantially all) of the its assets or in respect of any arrangement or composition with its creditors;

"Interest Amount" has the meaning ascribed thereto in Condition 6(d);

"Interest Payment Date" has the meaning ascribed thereto in Condition 6(a);

"Interest Period" has the meaning ascribed thereto in Condition 6(a);

"Issuer Available Funds" means on any Determination Date or on any other relevant date an amount equal to the aggregate of the amounts standing to the credit of the Operating Account, the Deposit Account and the Collection Accounts as at the end of the Business Day immediately preceding such date;

"Issuer Corporate Services Agreement" means the corporate services agreement dated 15 July 2002 between the Issuer and the Issuer Corporate Services Provider, as amended from time to time;

"Issuer Corporate Services Provider" means Cremonini S.p.A.;

"Issuer Enforcement Notice" has the meaning ascribed thereto in Condition 10(b);

"Italian Law Transaction Documents" means the Receivables Purchase Agreement, the Collection Account Bank Agreements, the Collection Account Bank Guarantees, the Servicing Agreement, the Deed of Pledge, the Quotaholders Agreement and the Issuer Corporate Services Agreement;

"Law 239 Withholding" means any withholding or deduction for or on account of Italian tax under Law N. 239 of 1st April 1996;

"L/C Agreement" means the standby letter of credit facility agreement made on or about the Closing Date between the Issuer, the Cash Manager, the Trustee, the L/C Bank and Cremonini, as amended from time to time;

"L/C Bank" means Bank of America N.A. and any successor or other L/C Bank appointed from time to time;

"L/C Reserve Account" means the interest bearing account so named opened in the name of the Issuer at the English Account Bank and operated in accordance with the English Account Agreement and such other accounts as may be in addition thereto or in substitution therefor in accordance with the provisions of the Cash Management Agreement;

"Letter of Credit" means the letter of credit granted to the Issuer pursuant to the L/C Agreement;

"**Managers**" means Banc of America Securities Limited, Abaxbank Banca d'Investimento S.p.A., Natexis Banques Populaires and Banca Nazionale del Lavoro S.p.A.;

"**Master Definitions Schedule**" means the master definitions schedule signed for the purpose of identification on or about the Closing Date by the Issuer and the Trustee;

"**Meeting**" means a meeting of Noteholders (whether originally convened or resumed following an adjournment) held in accordance with the Provisions for Meetings of Noteholders;

"**Note Security**" has the meaning ascribed thereto in Condition 4 (*Security*);

"**Offer Agent**" means Cremonini S.p.A. in its capacity as such under the Receivables Purchase Agreement and its successors and permitted transferees and assigns in such capacity;

"**Operating Account**" means the bank account so designated opened in the name of the Issuer at the English Account Bank and operated in accordance with the provisions of the Cash Management Agreement and such other account or accounts as may for the time being be substituted therefor in accordance with the provisions of the Cash Management Agreement;

"**Participating Member State**" means, at any time, any member state of the European Communities that has adopted the euro as its lawful currency in accordance with the treaty establishing the European Communities, as amended by the Treaty on European Union;

"**Person**" shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether not having separate legal personality) of two or more of the foregoing;

"**Portfolio**" means the portfolio of Receivables transferred to the Issuer pursuant to the terms of the Receivables Purchase Agreement;

"**Post-Enforcement Priority of Payments**" means the provisions relating to the order of priority of payments set out in Schedule 1 of the Deed of Charge;

"**Pre-Enforcement Priority of Payments**" means the provisions relating to the order of priority of payments set out in Paragraph 6 of Schedule 1 of the Cash Management Agreement;

"**Principal Amount Outstanding**" means, on any day:

- (a) in relation to a Note, the principal amount of that Note upon issue less the aggregate amount of all payments of principal in respect of that Note which have become due and payable and have been paid on or prior to that date; and
- (b) in relation to all Notes, the aggregate Principal Amount Outstanding of all Notes;

"Priority of Payments" means the Pre-Enforcement Priority of Payments and/or the Post-Enforcement Priority of Payments;

"Provisions for Meetings of Noteholders" means the provisions contained in the Third Schedule (*Provisions for Meetings of Noteholders*) of the Trust Deed;

"Quotaholders Agreement" means the quotaholders agreement dated 15 July 2002 between the Issuer, Cremonini S.p.A., Stichting Diamond Castle and Global Service S.r.l. as amended from time to time;

"Rating Agency" means Standard & Poor's Rating Services Inc., a division of the McGraw-Hill group of companies and its successors and assigns, and if such group shall for any reason no longer perform the functions of a securities rating agency, "Rating Agency" shall mean any other recognised rating agency designated by the Issuer with the written consent of the Trustee;

"Receivables" means the trade receivables sold by CRC S.p.A. and the Sellers to the Issuer pursuant to the Receivables Purchase Agreement;

"Receivables Purchase Agreement" means the receivables purchase agreement made on or about the Closing Date between the Issuer, the Trustee, CRC S.p.A., the Servicer and the Sellers identified therein;

"Receiver" or **"receiver"** means any person or persons qualified under the Insolvency Act 1986 to be a receiver, a receiver and manager or an administrative receiver;

"Reference Banks" means, initially, Barclays Bank PLC, Lloyds TSB Bank plc, HSBC Bank plc and The Royal Bank of Scotland plc each acting through its principal London office and, if the principal London office of any such bank is unable or unwilling to continue to act as a Reference Bank, such other bank as may be approved in writing by the Trustee and appointed by the Issuer to act in its place;

"Relevant Date" means, in respect of any payment in relation to the Notes, whichever is the later of:

- (a) the date on which the payment in question first becomes due; and
- (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 19(a)(i) (*Valid Notices*);

"Relevant Screen" means a page of the Reuters service or of the Bloomberg service, or of any other medium for electronic display of data as may be previously approved in writing by the Trustee and as has been notified to the Noteholders in accordance with Condition 19 (*Notices*);

"Required Paying Agent" means any Paying Agent (which may be the Principal Paying Agent) which is the sole remaining Paying Agent with its specified office in any

city where a stock exchange on which the Notes are listed requires there to be a Paying Agent;

"Reserved Matter" means any proposal (excluding any proposal relating to or consequential upon the issue of Further Notes or Additional Notes pursuant to Condition 17 (*Further and Additional Issues*)):

- (a) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce or increase the amount of principal or interest due or payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for such payment;
- (b) to effect the exchange, conversion or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes are payable;
- (d) to alter the Priority of Payments;
- (e) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or
- (f) to amend this definition;

"Scheduled Termination Date" means the Interest Payment Date falling in July 2008;

"Secured Obligations" means all the amounts, obligations and liabilities due, of, owing or payable by the Issuer whether present, future, actual or contingent to the Beneficiaries pursuant to the Transaction Documents;

"Security Interest" means any mortgage, charge, pledge, lien, right of set-off, right of counterclaim, right of combination, 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;

"Sellers" means Cremonini S.p.A., INALCA Industria Alimentare Carni S.p.A., Montana Alimentari S.p.A. and Marr S.p.A. and any other entity that accedes as a Seller in accordance with the terms of the Receivables Purchase Agreement;

"Servicer" means Emilia Romagna Factor S.p.A. in its capacity as servicer under the Servicing Agreement and its successors and permitted transferees and assigns in such capacity;

"Servicing Agreement" means the servicing agreement dated 15 July 2002 between the Issuer, the Servicer and the Trustee, as amended from time to time;

"Subscription Agreement" means the agreement so named dated 23 July 2002 made between the Issuer and the Managers, as amended from time to time;

"**Talons**" means the talons attached to the Notes in definitive form exchangeable in accordance with their terms for further Coupons or Receipts (as the case may be);

"**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;

"**Termination Date**" means the earlier of (a) the Scheduled Termination Date and (b) the date of delivery of a Wind Down Notice;

"**Transaction Documents**" means the English Law Transaction Documents and the Italian Law Transaction Documents and each, a "**Transaction Document**";

"**Wind Down Notice**" means a notice given by the Issuer terminating its commitment to purchase Receivables from the Sellers in accordance with the terms of the Receivables Purchase Agreement;

"**Written Resolution**" means a resolution in writing signed by or on behalf of all holders of Notes who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for Meetings of Noteholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of Notes.

2. **FORM, DENOMINATION AND TITLE**

- (a) *Form and Denomination:* The Notes which are each serially numbered are in bearer form in the denomination of €1,000 with Receipts, Coupons and, if appropriate, Talons attached at the time of issue.
- (b) *Title:* Title to the Notes, the Receipts, the Coupons and the Talons will pass by delivery. The holder of any Note, Receipt, Coupon or Talon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (including the making of any payment, whether or not any payment is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

3. **STATUS, RANKING AND PRIORITY**

- (a) *Status*
The Notes, the Receipts and the Coupons constitute direct, secured and limited recourse obligations of the Issuer.
- (b) *Ranking*
The Notes will at all times rank without preference or priority *pari passu* amongst themselves.

- (c) *Sole obligations*
The Notes, the Receipts and the Coupons are obligations solely of the Issuer and are not obligations of, or guaranteed by any of the other parties to the Transaction Documents.
- (d) *Priority of Payments*
Prior to the service of an Issuer Enforcement Notice, amounts standing to the credit of the Operating Account (as calculated on each Determination Date) will be applied by or on behalf of the Issuer on each Interest Payment Date in accordance with the Pre-Enforcement Priority of Payments and after service of an Issuer Enforcement Notes amounts standing to the credit of the Operating Account will be applied by or on behalf of the Trustee in accordance with the Post-Enforcement Priority of Payments:
- From time to time during an Interest Period, the Issuer shall, in accordance with the Cash Management Agreement, be entitled to apply amounts standing to the credit of the Deposit Account in payment of sums due to third parties who are not Beneficiaries under obligations incurred in the course of the Issuer's business.

4. **SECURITY**

As security for the Secured Obligations the Issuer has, pursuant to the Deed of Pledge and the Deed of Charge created the following security (together, the "**Note Security**") in favour of the Trustee for itself and on trust for the other Beneficiaries:

- (i) 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 to from time to time pursuant to the Receivables Purchase Agreement, the Collection Account Bank Guarantees, the Servicing Agreement and the Quotaholders Agreement;
- (ii) an English law first priority assignment by way of security of all of the Issuer's rights, benefits, title and interests to and under the Cash Management Agreement, the Deposit Account Bank Agreement, the English Account Bank Agreement, the L/C Agreement, the Letter of Credit, the Paying Agency and Agent Bank Agreement and the Subscription Agreement; and
- (iii) an English law first priority security interest by way of fixed charge over the English Accounts and the Deposit Account.

In addition, by operation of Italian law, the Issuer's right, title and interest in and to the Portfolio are 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 Beneficiaries and to certain third parties (not being Beneficiaries) to whom the Issuer owes such amounts in accordance with applicable laws and regulations and in each case in accordance with the relevant Priority of Payments.

5. COVENANTS

For so long as any Note remains outstanding, the Issuer shall not, save with the prior written consent of the Trustee or as provided in or envisaged by any of the Transaction Documents:

- (a) *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;
- (b) *Restrictions on activities*:
 - (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in; or
 - (ii) have any subsidiaries, *società controllata* (as defined in Article 2359 of the Italian Civil Code) or any employees or premises; or
 - (iii) at any time approve or agree or consent to any act or thing whatsoever which, in the opinion of the Trustee, is materially prejudicial to the interests of the Noteholders under the Transaction Documents without the prior written approval of the Trustee or do, or permit to be done, any act or thing in relation thereto which, in the opinion of the Trustee, is materially prejudicial to the interests of the Noteholders under the Transaction Documents, without the prior written approval of the Trustee;
- (c) *Dividends or Distributions*: pay any dividend or make any other distribution or return or repay any equity capital to its shareholders, other than in accordance with the provisions of the Deed of Charge, or issue any further shares;
- (d) *Borrowings*: incur any Indebtedness for Borrowed Money whatsoever or give any guarantee in respect of indebtedness or of any obligation of any person;
- (e) *Merger*: consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (f) *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 Deed of Charge, 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 Note Security, to be released from such obligations, save as envisaged in the Transaction Documents to which it is a party;

- (g) *Bank Accounts*: have an interest in any bank account other than the Collection Accounts, the Operating Account, the Deposit Account and the L/C Reserve Account; or
- (h) *Statutory documents*: amend, supplement or otherwise modify its *statuto* or *atto costitutivo*.

6. **INTEREST**

(a) *Interest Payment Dates and Interest Periods*

Each Note bears interest at its Rate of Interest on its Principal Amount Outstanding from (and including) the Closing Date, payable in euro on 24 October 2002 and thereafter quarterly in arrear on 24 January, 24 April, 24 July and 24 October in each year (each an "**Interest Payment Date**"), subject as provided in Condition 8 (*Payments*) provided, however, that, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, it will be postponed to the next 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 period beginning on (and including) the Closing Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".

(b) *Termination of Interest*

Each Note shall cease to bear interest from its due date for final redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case, it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of:

- (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and
- (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Rate of Interest on Notes*

The rate of interest applicable to the Notes (the "**Rate of Interest**") for each Interest Period will be determined by the Agent Bank on the following basis:

- (i) the Agent Bank will determine the rate offered in the euro-zone inter-bank market for three month deposits in euro ("**EURIBOR**") (save that for the first Interest Period the rate will be obtained upon linear interpolation of EURIBOR for two and three month deposits in euro) which appears on the display page designated 248 on the Bridge/Telerate Screen (or such other page as may replace that page on that service, or such other page on such other service as may be nominated by the Agent Bank as the information vendor, for the purpose of displaying comparable rates) as of 11.00 a.m. (central European time) on the

second TARGET Banking Day before the first day of the relevant Interest Period (the "**Interest Determination Date**");

- (ii) if such rate does not appear on that page, the Agent Bank will:
 - (A) request the principal euro-zone office of each of the Reference Banks to provide a quotation of the rate at which three month deposits in euro are offered by it in the euro-zone interbank market at approximately 11.00 a.m. (central European time) on the Interest Determination Date to prime banks in the euro-zone interbank market in respect of the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations; and
- (iii) if fewer than two such quotations are provided as requested, the Agent Bank will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks of the euro-zone, selected by the Agent Bank, at approximately 11.00 a.m. (central European time) on the first day of the relevant Interest Period for loans in euro to leading European banks in respect of the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of:

- (A) 0.50% per annum;
- (B) the rate or (as the case may be) the arithmetic mean determined as provided above;

provided, however, that if the Agent Bank is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of:

- (A) 0.50% per annum;
- (B) the rate (or as the case may be) arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *Calculation of Interest Amount*

The Agent Bank will, as soon as practicable after the Interest Determination Date in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the relevant Rate of Interest for such Interest Period to the Principal Outstanding Amount of such

Note during such Interest Period, multiplying the product of such calculation by the actual number of days in such Interest Period and dividing by 360 and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(e) *Publication of Rate of Interest and Interest Amount*

The Agent Bank will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, to be notified to the Issuer, the Paying Agents, the Trustee and each stock exchange (if any) on which the Notes are then listed as soon as practicable after such determination but in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given, or procured to be given, to the relevant Noteholders by the Issuer in accordance with the provisions of Condition 19 (*Notices*).

(f) *Amendments to publications*

The Agent Bank will be entitled to recalculate any Rate of Interest or Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

(g) *Determination or calculation by Trustee*

If the Agent Bank does not at any time for any reason determine the Rate of Interest or the Interest Amount for the Notes in accordance with this Condition, the Trustee may (but without incurring any liability to any person as a result):

(i) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Condition), it shall deem fair and reasonable in all the circumstances and/or (as the case may be); and

(ii) calculate the Interest Amount in the manner specified in this Condition,

and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

7. **REDEMPTION, PURCHASE AND CANCELLATION**

(a) *Final Redemption*

Unless previously redeemed and cancelled as provided in this Condition, the Issuer shall redeem the Notes at their Principal Amount Outstanding plus any accrued but unpaid interest on the Interest Payment Date falling in July 2009 (the "**Maturity Date**"), subject as provided in Condition 8 (*Payments*).

(b) *Mandatory Redemption after occurrence of the Termination Date*

On each Interest Payment Date falling after the Termination Date (provided that such date is at least 18 months after the Closing Date), the Issuer shall apply the Issuer Available Funds, after payment of all prior ranking amounts in the Pre-Enforcement

Priority of Payments, in repayment of all or part (in which case such repayment shall be made *pro rata* on each Note) of the Principal Amount Outstanding on each Note.

(c) *Optional Redemption*

The Issuer may redeem all (but not some only) of the Notes at their Principal Amount Outstanding on any Interest Payment Date (plus any accrued but unpaid interest) falling in or after July 2005 subject to the following:

- (i) that the Issuer has given not more than 60 nor less than 30 days' notice to the Trustee and the Noteholders, in accordance with Condition 19 (*Notices*), of its intention to redeem all (but not some only) of the Notes; and
- (ii) that prior to giving any such notice, the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds on such Interest Payment Date to discharge its obligations under items (i) through to (vii) (inclusive) of the Pre-Enforcement Priority of Payments.

(d) *Optional Redemption in whole for taxation reasons*

The Issuer may redeem all (but not some only) of the Notes at their Principal Amount Outstanding (plus any accrued but unpaid interest) on any Interest Payment 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), 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 following:

- (A) that the Issuer has given not more than 60 nor less than 30 days' notice to the Trustee and the Noteholders, in accordance with Condition 19 (*Notices*), of its intention to redeem all (but not some only) of the Notes; and
- (B) that the Issuer has provided to the Trustee:
 - (i) a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers (approved in writing by the Trustee), opining that the relevant change in law shall require the Issuer to make the deduction aforesaid;
 - (ii) a certificate from two directors of the Issuer to the effect that the obligation to make such a payment cannot be avoided; and
 - (iii) 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 (vii) (inclusive) of the Pre-Enforcement Priority of Payments; and (b) any additional taxes payable by the Issuer by reason of such early termination of the Notes.

Any certificate and legal opinion given by or on behalf of the Issuer may be relied on by the Trustee without further investigation and shall be conclusive and binding on the Noteholders and on the other Beneficiaries

(e) *No purchase by Issuer*

The Issuer shall not purchase any of the Notes.

(f) *Cancellation*

All Notes, Receipts or Coupons redeemed in full and surrendered to the Issuer will be cancelled upon such redemption and surrender, and may not be resold or re-issued.

8. **PAYMENTS**

(a) *Principal*

Save as provided in Condition 8(c) (*Payments subject to fiscal laws*) and Condition 8(e) (*Payments on business days*), payments of principal shall (in the case of payment due on an Interest Payment Date) be made only against presentation and (in the case of payment in full) surrender of the appropriate Receipt and (in the case of final redemption or principal payable on a day other than an Interest Payment Date) presentation and (provided that payment is made in full) presentation and surrender of the relevant Note at the specified office of any Paying Agent outside the United States by cheque drawn in euro or by transfer to an account in euro maintained by the payee with a bank in the principal financial centre of any Participating Member State.

(b) *Interest*

Payments of interest shall, subject to Condition 8(c) (*Payments subject to fiscal laws*) and Condition 8(e) (*Payments on business days*), be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the specified office of any Paying Agent outside the United States in the manner described in Condition 8(a) (*Principal*).

(c) *Payments subject to fiscal laws*

All payments in respect of the Notes are subject in each case to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to the Noteholders, Receiptholders or Couponholders in respect of such payments.

(d) *Unmatured Receipts and Coupons Void*

On the due date on which any Note becomes due and payable in full, all unmatured Receipts, Coupons and Talons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(e) *Payments on business days*

If the due date for payment of any amount in respect of any Note, Receipt or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition, "**business day**" means, in respect of any place of presentation, any day on which both banks and TARGET are open for business in such

place of presentation and, in the case of payment by transfer to an account in euro as referred to above, on which dealings in foreign currencies may be carried on in London and Milan and in such place of presentation.

(f) *Other Interest*

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the specified office of any Paying Agent outside the United States.

(g) *Partial Payments*

If a Paying Agent makes a partial payment in respect of any Note, Receipt or Coupon presented to it for payment, such Paying Agent will endorse on such Note, Receipt or Coupon a statement indicating the amount and date of such payment.

(h) *Exchange of Talons*

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a coupon sheet relating to the Notes (each, a "**Coupon Sheet**"), the Talon forming part of such Coupon Sheet may be exchanged at the specified office of a Paying Agent for a further Coupon Sheet (but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

(i) *Notifications to be final*

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, the Agent Bank or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Trustee, the Noteholders, Receiptholders or the Couponholders shall attach to the Reference Banks, the Paying Agents, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under this Condition, save as a result of their wilful default, bad faith or manifest error.

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 required to be made by applicable law. The Issuer shall not be obliged to pay any additional amount to any Noteholder on account of such withholding or deduction.

10. **EVENTS OF DEFAULT**

(a) *Events of Default*

Subject to the other provisions of this Condition, each of the following events shall be treated as an "**Event of Default**":

- (i) *Non-payment*: the Issuer fails to pay any amount due in respect of the Notes within 7 days of the due date for payment of such amount; or
- (ii) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Trust Deed, the Deed of Charge, the Deed of Pledge or any other Transaction Document to which it is a party and such default (a) is, in the opinion of the Trustee, incapable of remedy or (b) being a default which is, in the sole opinion of the Trustee, capable of remedy, remains unremedied for 30 days or such longer period as the Trustee may agree (in its sole discretion) after the Trustee has given written notice of such default to the Issuer; or
- (iii) *Failure to take action*: any action, condition or thing at any time required to be taken, fulfilled or done in order:
 - (1) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes and the Transaction Documents to which the Issuer is a party;
 - (2) to ensure that those obligations are legal, valid, binding and enforceable; and
 - (3) to make the Notes admissible in evidence in the courts of the Republic of Italy,is not taken, fulfilled or done; or
- (iv) *Insolvency Event*: an Insolvency Event occurs in relation to the Issuer; or
- (v) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Transaction Documents to which the Issuer is a party.

(b) *Delivery of an Issuer Enforcement Notice*

If an Event of Default occurs, subject to Condition 10(c) (*Condition to delivery of an Issuer Enforcement Notice*) the Trustee at its discretion may and shall:

- (i) if so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Notes then outstanding; or
- (ii) if so directed by an Extraordinary Resolution of the Noteholders;

deliver a notice to the Issuer declaring the Notes to be immediately due and payable (an "**Issuer Enforcement Notice**").

- (c) *Condition to delivery of an Issuer Enforcement Notice*
The Trustee shall not be obliged to deliver an Issuer Enforcement Notice unless:
- (i) in the case of the occurrence of any of the events mentioned in Condition 10(a)(ii) (*Breach of other obligations*), the Trustee shall have certified to the Issuer that the occurrence of such event is in its opinion materially prejudicial to the interests of the holders of the Notes; and
 - (ii) it shall have been indemnified and/or secured to its satisfaction against all fees, costs, expenses and liabilities to which it may thereby become liable or which it may incur by so doing.
- (d) *Consequences of delivery of an Issuer Enforcement Notice:*
Upon the delivery of an Issuer Enforcement Notice, the Notes shall become immediately due and payable at their Principal Amount Outstanding together with any accrued interest.

11. **ENFORCEMENT**

- (a) *Proceedings*
The Trustee may at any time after the delivery of an Issuer Enforcement Notice, at its discretion and without further notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes and under the other Transaction Documents, but it shall not be bound to do so unless it shall have been:
- (i) so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Notes then outstanding; or
 - (ii) so directed by an Extraordinary Resolution of the Noteholders;
- and in any such case, only if it shall have been indemnified and/or secured to its satisfaction against all fees, costs, expenses and liabilities to which it may thereby become liable or which it may incur by so doing.
- (b) *Restrictions on disposal of Issuer's assets*
If an Issuer Enforcement Notice has been delivered by the Trustee otherwise than by reason of non-payment of any amount due in respect of the Notes, the Trustee will not be entitled to dispose of the assets of the Issuer the subject of the Note Security or any part thereof unless either:
- (i) a sufficient amount would be realised to allow payment in full of all amounts owing to the Noteholders, the Receiptholders and the Couponholders after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Priority of Payments; or
 - (ii) the Trustee is of the opinion, which shall be binding on the Noteholders and the other Beneficiaries, reached after considering at any time and from time to time the advice of a merchant or investment bank or other financial adviser selected by the Trustee, (and if the Trustee is unable to obtain such advice having made reasonable efforts to do so, this Condition 11(b)(ii) shall not

apply) that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts due in respect of the Notes, the Receipts and the Coupons after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Priority of Payments; and

(iii) the Trustee shall not be bound to make the determination contained in Condition 11(b)(ii) unless the Trustee shall have been indemnified and/or secured to its satisfaction against all fees, costs, expenses and liabilities to which it may thereby become liable or which it may incur by so doing.

(c) *Third Party Rights*

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.

12. **MEETINGS OF NOTEHOLDERS**

(a) *Convening*

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed or other Transaction Documents, which modification may be made if sanctioned by an Extraordinary Resolution.

(b) *Request from Noteholders*

A meeting of Noteholders may be convened by the Trustee or the Issuer and must be convened by the Issuer upon the request in writing of Noteholders holding not less than 10% of the Principal Amount Outstanding of the Notes then outstanding.

(c) *Quorum*

The quorum at any meeting convened to vote on:

(i) an Extraordinary Resolution, other than one relating to a Reserved Matter, will be two or more persons holding or representing in the aggregate 66²/₃% of the Principal Amount Outstanding of the Notes then outstanding or, at any adjourned meeting, two or more persons being or representing Noteholders, whatever the Principal Amount Outstanding of the Notes then outstanding;

(ii) an Extraordinary Resolution relating to a Reserved Matter will be two or more persons holding or representing not less than in the aggregate 75% of the Principal Amount Outstanding of the Notes then outstanding or, at any adjourned meeting, not less than in the aggregate 33¹/₃% of the Principal Amount Outstanding of the Notes then outstanding form a quorum.

(d) *Resolutions in writing*

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

13. **MODIFICATION AND WAIVER**

(a) *Modification*

The Trustee may, without the consent of the Noteholders, the Receiptholders or the Couponholders or any other Beneficiaries, concur with the Issuer and any other relevant parties in making:

- (i) any modification to these Conditions, the Trust Deed (other than in respect of a Reserved Matter or any provisions of the Trust Deed referred to in that specification), the Deed of Charge, the Deed of Pledge, the Notes or the other Transaction Documents which, in the opinion of the Trustee, it may be proper to make and would not be materially prejudicial to the interests of the Noteholders; or
- (ii) any modification to the Trust Deed, the Deed of Charge, the Deed of Pledge or the other Transaction Documents if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature, is made to correct a manifest error or is necessary or desirable for the purposes of clarification.

(b) *Waiver*

In addition, the Trustee may, without the consent of the Noteholders, the Receiptholders or the Couponholders or any other Beneficiary, authorise or waive any proposed breach or breach of the Notes (including an Event of Default) or of the Trust Deed, or any other Transaction Document (other than a breach or a proposed breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced by such waiver.

(c) *Restriction on power to waive*

The Trustee shall not exercise any powers conferred upon it by Condition 13(b) (*Waiver*) in contravention of any express direction by an Extraordinary Resolution or of a request in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Notes then outstanding (but so that no such direction or request shall affect any authorisation, waiver or determination previously given or made) or so as to authorise or waive any such proposed breach or breach relating to a Reserved Matter.

(d) *Notification*

Unless the Trustee agrees otherwise, any such authorisation, waiver, modification or determination shall be notified by the Issuer to the Noteholders, in accordance with Condition 19 (*Notices*), and to the Rating Agency as soon as practicable after it has been made.

14. **TRUSTEE AND AGENTS**

(a) *Trustee's right to indemnity*

Under the Transaction Documents, the Trustee is entitled to be indemnified and/or secured and relieved from responsibility in certain circumstances and to be paid or reimbursed any liabilities incurred by it in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and

any entity relating to the Issuer and any other party to the Transaction Documents without accounting for any profit.

(b) *Trustee not responsible for loss*

The Trustee will not be responsible for any loss, cost, expense or liability which may be suffered as a result of any assets comprised in the Note Security or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Issuer or the Servicer or by any person on behalf of the Trustee.

(c) *Limitations of Trustee's responsibility*

The Trustee is not responsible for:

- (i) ascertaining or investigating whether any of the Receivables contained in the Portfolio meet the Criteria at any time, and the Trustee is entitled to assume that the Receivables contained in the Portfolio do so meet the Criteria;
- (ii) ascertaining or investigating whether any representation made in the Receivables Purchase Agreement is true and accurate nor for making any claim pursuant to any indemnity or warranty given in the Receivables Purchase Agreement;
- (iii) reviewing or investigating any report relating to the Portfolio provided by any person (including, but not limited to, the Cash Manager and the Servicer);
- (iv) (except as otherwise provided in these Conditions and the Transaction Documents) making or verifying any determination or calculation in respect of the Portfolio, the Notes or any Transaction Document;
- (v) the contents of any auditor's report or certificate, and the Trustee is entitled to rely on any such report or certificate;
- (vi) the operation of any Account; or
- (vii) operating, managing or directing the management of the Portfolio or supervising any party to the Transaction Documents responsible for operating, managing or directing the management of the Portfolio and the Trustee is not responsible for taking any enforcement proceedings in respect of individual Claims or for supervising any such enforcement proceedings.

(d) *Regard to Noteholders*

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of Noteholders and will not be responsible for any consequence for individual Noteholders or Couponholders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction.

(e) *Paying Agents solely agents of Issuer*

In acting under the Paying Agency and Agent Bank Agreement and in connection with the Notes, the Receipts, the Coupons or the Talons, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume

any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

(f) *Initial Agents*

The initial Paying Agents and the initial Agent Bank and their initial specified offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Paying Agent or the Agent Bank and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days notice to such Paying Agent or Agent Bank.

(g) *Maintenance of Agents*

The Issuer shall at all times maintain the Required Paying Agent, a principal paying agent and an agent bank. Notice of any change in any of the Paying Agents or the Agent Bank or in their specified offices shall promptly be given to the Noteholders in accordance with Condition 19 (*Notices*).

15. **PRESCRIPTION**

(a) *Principal*

Claims for principal in respect of the Notes shall become void unless the relevant Notes (and, in the case of payments of principal which became due on an Interest Payment Date, the relevant Receipts) are presented for payment within ten years of the appropriate Relevant Date.

(b) *Interest*

Claims for interest in respect of the Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

16. **REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

If any Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

17. **FURTHER AND ADDITIONAL ISSUES**

(a) *Further Issues*

The Issuer shall be at liberty, without the consent of the Noteholders, Receiptholders, Talonholders or Couponholders, but provided it does not lead to a downgrade in the then current rating of the Notes (assigned by the Rating Agency), to raise further funds, from time to time, on any Interest Payment Date, by the creation and issue of further notes (the "**Further Notes**") in bearer form carrying the same terms and conditions in all respects (other than the issue date, the first Interest Period, the first Interest Payment Date and the first Interest Amount) as and so that the same shall be

consolidated and form a single series and rank *pari passu* with and share the same security as the Notes.

(b) *Additional Issues*

The Issuer shall be at liberty, without the consent of the Noteholders, Receiptholders, Talonholders or Couponholders, but provided it does not lead to a downgrade in the then current rating of the Notes (assigned by the Rating Agency), to issue additional notes ("**Additional Notes**") on terms which may differ from the then outstanding Notes.

(c) *Supplemental Trust Deeds and security*

Any such Further Notes or Additional Notes will (unless to do so would lead to a downgrade in the then current rating assigned by the Rating Agency to the Notes) be constituted by a further deed or deeds supplemental to the Trust Deed and have the benefit of security created pursuant to the Deed of Charge and Deed of Pledge.

(d) *Listing of Further Notes*

Application will be made to the UK Listing Authority for any Further Notes to be admitted to the Official List and to trading on the London Stock Exchange. It shall be a condition precedent to the issue of any Further Notes (i) that such Further Notes will be supported by such arrangements as would enable such Further Notes to be assigned the same ratings as the then current rating of the Notes (assigned by the Rating Agency) and any previously issued Further Notes, (ii) that such Further Notes are assigned the same rating as are then applicable to the existing Notes and (iii) that the rating of the Notes and of any previously issued Further Notes will not be adversely affected by such issue. All references in these Conditions to the Notes shall include any Further Notes in issue from time to time.

18. **LIMITED RECOURSE AND NON-PETITION**

(a) *Limited Recourse*

Notwithstanding any other provision of any Transaction Document:

- (i) all obligations of the Issuer to each Noteholder, Receiptholder, Couponholder and other Beneficiary, are limited in recourse as set out below;
- (ii) each Noteholder, Couponholder, Receiptholder and other Beneficiary will have a claim only in respect of the Issuer Available Funds or otherwise available pursuant to applicable law and will not have any claim, by operation of law or otherwise, against, or recourse to any of the Issuer's other assets or its contributed capital;
- (iii) sums payable to each Noteholder, Couponholder, Receiptholder and other Beneficiary in respect of the Issuer's obligations to it shall be limited to the lesser of (a) the aggregate amount of all sums due and payable to such party and (b) the aggregate Issuer Available Funds received, realised or otherwise recovered by or for the account of the Issuer and credited to the Accounts whether pursuant to enforcement of the Note Security or otherwise, net of any

sums which are payable by the Issuer in accordance with the Priority of Payments in priority to or *pari passu* with sums payable to such party; and

- (iv) on the Maturity Date or if following final enforcement of the Note Security the Trustee certifies, in its sole discretion, that the Issuer has insufficient funds to pay in full all of the Issuer's obligations to such Noteholder, Couponholder, Receiptholder or other Secured Party, then such Noteholder, Couponholder, Receiptholder and other Secured Party shall have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

(b) *Non-Petition*

Until one year and one day has elapsed since the last day on which Notes were outstanding:

- (i) only the Trustee is entitled to enforce the Note Security or to take proceedings against the Issuer to enforce the Note Security or any of the provisions of the Transaction Documents;
- (ii) no Noteholder, Receiptholder or Couponholder or other Beneficiary nor any Person acting on its behalf shall have any right to take any proceedings against the Issuer to enforce any of the Transaction Documents or to enforce the Note Security or, save in accordance with the terms of the Transaction Documents, to direct the Trustee to do so;
- (iii) no Noteholder, Receiptholder or Couponholder or Beneficiary shall have any right to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to such party;
- (iv) No Noteholder, Receiptholder or Couponholder or Beneficiary nor any party on its behalf (other than the Trustee) shall initiate or join any Person in initiating any Insolvency Proceeding in relation to the Issuer; and
- (v) No Noteholder, Receiptholder or Couponholder or Beneficiary shall be entitled to take any steps or proceedings which would result in the Priority of Payments not being observed.

19. **NOTICES**

(a) *Valid Notices*

Any notice to Noteholders shall be validly given if such notice is:

- (i) published in the Financial Times newspaper or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Trustee shall approve having general circulation in Europe; or

- (ii) published on the Relevant Screen

provided that if any notice to Noteholders is required to be given pursuant to Condition 6 (*Interest*) or Condition 7 (*Redemption, Purchase and Cancellation*), such Notice shall be given in accordance with both Condition 19(a)(i) and Condition 19(a)(ii).

- (b) *Date of publication*

Any notices so published shall be deemed to have been given on the date on which it was so sent or, as the case may be, on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required (or, as the case may be, on the Relevant Screen).

- (c) *Other Methods*

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements 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 Trustee shall require.

- (d) *Deemed to have Notice*

The Receiptholders, Couponholders and Talonholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

20. **SUBSTITUTION OF ISSUER**

- (i) The Trustee may, without the consent of the Noteholders, Receiptholders, Couponholders or any other Beneficiary, concur with the Issuer in the substitution of another body corporate (the "**Substituted Debtor**") in place of the Issuer as the principal debtor in respect of the Trust Deed, the Deed of Charge, the Deed of Pledge, the Notes, the Transaction Documents and the other Secured Obligations, subject to such further conditions as are specified in the Trust Deed.
- (ii) Not later than fifteen days after any substitution of the Issuer in accordance with this Condition, the Issuer shall cause notice of such substitution to be given to the Noteholders and the other Beneficiaries in accordance with Condition 19 and the other relevant Transaction Documents.
- (iii) In the case of a substitution pursuant to this Condition, the Trustee may in its absolute discretion agree, without the consent of the Noteholders, Receiptholders, Couponholders or the other Beneficiaries to a change of the law governing the Notes, Coupons, Receipts, Talons and/or any of the Transaction Documents provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders, Receiptholders or Couponholders.

- (iv) No Noteholders, Receiptholder, Couponholder or Talonholder shall, in connection with any such substitution, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders, Receiptholders, Couponholders or Talonholders.

21. **GOVERNING LAW AND JURISDICTION**

(a) *Governing law*

The Notes are governed by, and shall be construed in accordance with, English law.

(b) *Jurisdiction*

The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with any Notes may be brought in such courts.

(c) *Process Agent*

The Issuer has, pursuant to the Trust Deed, agreed at all times to maintain an agent for service of process in England. The Issuer has appointed Cremonini Finance plc of 78 Cannon Street, London EC4P 5LN, 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 Trustee, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Trustee shall be entitled to appoint such a person by written notice to the Issuer.

The Issuer

Introduction

The Issuer was incorporated in the Republic of Italy (with registered number 02785870367 at the *Registro delle Imprese* (register of enterprises) held in Modena, and with its registered office at Castelvetro di Modena (Modena), via Modena n.53, Italy under the Securitisation Law as a limited liability company on 8 April 2002 and was registered in the register held by *Ufficio Italiano Cambi* pursuant to Article 106 of the Banking Act. The Issuer has applied for registration in the register held by the Bank of Italy pursuant to Article 107 of the Banking Act.

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

The authorised and issued quota capital of the Issuer is €10,000 fully paid up. The quotaholders of the Issuer and their respective participations are as follows:

Stichting Diamond Castle, a Dutch foundation (*stichting*) with its registered office at 1079 LH Amsterdam (Paesi Bassi), Amsteldijk n. 166, The Netherlands, holding 81% of quota capital; and

Global Service S.r.l., a limited liability company organised under the laws of the Republic of Italy with its registered office at Castelvetro di Modena (Modena), via Modena n. 53, Italy, holding 19% of quota capital.

Principal Activities

The principal objects of the Issuer, as set out in Article 2 of its bylaws (*statuto*), are to acquire monetary receivables for the purposes of securitisation transactions and to issue asset backed notes pursuant to Article 3 of the Securitisation Law.

So long as any of the Notes remain outstanding, the Issuer shall not, save with the prior written consent of the Trustee or as provided in or envisaged by any of the Transaction Documents, or where required by law or to maintain its corporate existence in good order, incur any other indebtedness for borrowed moneys or engage in any other business, pay any dividends, repay or otherwise return any equity capital, have any subsidiaries, employees or premises, consolidate or merge with any other person or convey or transfer its property or assets to any person or issue any shares.

Directors

The directors of the Issuer, each appointed on 8 April 2002, are:

Paolo Maniscalco (Chairman), whose business address is at Castelvetro di Modena (Modena), via Modena n. 53, Italy and who is a lawyer;

Giovanni Barberis, whose business address is at Castelvetro di Modena (Modena), via Modena n. 53, Italy and who is a director of Cremonini; and

Alberto Ghelfi Zoboli, whose business address is at Castelvetro di Modena (Modena), via Modena n. 53, Italy and who is a lawyer.

The Issuer's registered office is located at Castelvetro di Modena (Modena), via Modena n. 53, Italy.

Quotaholders Agreement

On 15 July 2002, the Issuer, Stichting Diamond Castle, Global Service S.r.l. and Cremonini entered into the Quotaholders Agreement in relation to the Issuer. The Quotaholders Agreement contains an undertaking of Cremonini to indemnify the Issuer from, or make available to the Issuer the moneys required to pay, any damages, losses, claims, liabilities, costs and expenses (other than expenses in respect of the Securitisation) incurred by the Issuer and not payable out of the Issuer Available Funds including, *inter alia*, any costs or charges in respect of regulatory or supervisory liens and charges resulting from changes of law or regulations applying to the Issuer.

Pursuant to the Quotaholders Agreement Cremonini has also agreed to take all reasonable action to ensure that the Issuer is not, as a result of any such damages, losses, claims, liabilities, costs and expenses, subject to insolvency proceedings or otherwise subject to winding-up by reason of a reduction of the Issuer's capital below the minimum required by Italian law or regulations in force from time to time.

The Quotaholders Agreement is governed by and will be construed in accordance with Italian law.

Capitalisation and Indebtedness Statement

The capitalisation and indebtedness of the Issuer, as at the date of this document, is as follows:

	€
Quota Capital	
Issued and paid up	10,000
Loan capital	0
	<hr/>
Total capitalisation and indebtedness	10,000
	<hr/>

At the date of this document, 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 (other than the obligation to pay the purchase price in respect of the Initial Receivables on receipt of the proceeds of the issue of the Notes).

Accountants' Report

The following is the text of a report received by directors of the Issuer from PricewaterhouseCoopers S.p.A. The balance sheet contained therein does not comprise the Issuer's statutory accounts. The Issuer's accounting reference date will be 31 December, with the first statutory accounts being drawn up to 31 December 2002.

"To the Board of Directors of

Cremonini Sec. Srl
Via Modena 53
41014 Castelvetro di Modena (MO)
Italy

23 July 2002

Dear Sirs

Cremonini Sec. S.r.l. – financial information as at 8 July 2002

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the Offering Circular dated 23 July 2002 (hereinafter, the "Offering Circular") of Cremonini Sec. S.r.l. (the "Issuer"). Unless otherwise defined, defined terms in this report have the meanings given to them in the Offering Circular.

The Issuer was incorporated as Cremonini Sec. S.r.l. on 8 April 2002, a limited liability company established under the laws of the Republic of Italy. The Issuer has not yet commenced to trade, has not prepared statutory financial statements for presentation to its Quotaholders and has not declared or paid any dividend. Certain start-up costs of the Issuer have been capitalised as set out in the balance sheet of the Issuer below.

Basis of preparation

The financial information set out below is based on the financial records of the Issuer, to which no adjustment was considered necessary.

Responsibility

The financial records are the responsibility of the Directors of the Issuer.

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

It is our responsibility to form an opinion on the financial information and to report our opinion to you. We do not accept responsibility for any financial or other information contained in the Offering Circular aside from that included within this report. Accordingly, we accept no additional responsibility to anyone who may rely upon the Offering Circular.

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 Issuer 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 Issuer as at the date stated.

Financial information

The balance sheet of the Issuer as at 8 July 2002 is as follows:

	Notes	Euro
Fixed assets	2	4,035
Intangible assets		
Current assets		
Deferred charge	2	313
VAT receivable	2	500
Bank balance		5,152
	<i>total</i>	<u>5,965</u>
Creditors		-
Net assets		<u><u>10,000</u></u>
Represented by:		
Capital stock	3	<u><u>10,000</u></u>

Notes to the financial information

1. *Accounting policies*

The balance sheet has been prepared in accordance with the historical cost convention under the Italian GAAP.

2. *Intangible assets*

Intangible assets relate to start-up costs. They will be amortised in 5 years, starting from 1 August 2002. Deferred charge and VAT receivable also relate to start-up costs of the Issuer.

3. *Capital stock*

The Company was incorporated with a subscribed and fully paid capital stock of Euro 10,000, with the Issuer's quotaholders being the following:

- 1 quota representing 81 per cent of total capital stock owned by Stitching Diamond Castle;
- 1 quota representing 19 per cent of total capital stock owned by Global Service Srl.

4. *Post balance sheet events*

On 15 July 2002, the Issuer, in accordance with the Receivables Purchase Agreement, purchased the Initial Receivables with a face amount of €122,626,962 and agreed to pay an aggregate purchase price for the Initial Receivables of €120,096,802. On 15 July 2002 the Issuer also entered into the Servicing Agreement, the Issuer Corporate Services Agreement and the Quotaholders Agreement. Other than what is referred to above, the Issuer has not traded during the period from incorporation to the date of this report.

5. *Profit and loss account*

As at the balance sheet date, the Issuer has no employees, did not yet commence trading, did not receive any income and incur any expenses, other than the capitalised expenses related to its incorporation. Accordingly, no profit and loss account has been presented.

Yours faithfully

Bologna, 23 July 2002

PricewaterhouseCoopers SpA

Giovanni Galli
(Partner)"

The Servicer

The Servicer was incorporated in the Republic of Italy at the *Registro delle Imprese* (register of enterprises) held in Bologna, with its registered office at via Rizzoli, ½, 40124, Bologna, Italy as a *Società per Azioni* on 20 June 1996) and was registered in the register held by Ufficio Cambi pursuant to Article 106 and Article 107 of the Banking Act with registered number 28310.

The Servicer was founded by a number of financial institutions and major industrial companies from the Emilia Romagna region of Italy.

The Servicer's issued share capital is Euro 7,800,000 comprised of 7,800,000 shares of 1 euro each fully paid. The shareholders of the Servicer and their respective shareholdings are as follows:

<u>Shareholder</u>	<u>Shareholding</u>
• Cremonini S.p.A.	11.9%
• Fincisa S.p.A.	10%
• Finanziaria Le Copains S.p.A.	10%
• Finpa S.p.A.	10%
• Em.Ro Popolare S.p.A.	9.4%
• Intesa BCI S.p.A.	6.7%
• Cassa di Risparmio di Parma e Piacenza	6.7%
• Meliobanca S.p.A.	6.7%
• Gruppo La Perla S.p.A.	6.7%
• Cassa Risparmio Cento S.p.A.	5%
• Fiori Metalli S.r.l.	5%
• S.I.T.E. S.p.A.	5%
• COR-FIM S.r.l.	5%
• CONRAD S.c.r.l.	2%

Principal Activities

The Servicer is a factoring company whose principal businesses are trading receivables (on both a *pro solvendo* and a *pro soluto* basis), credit insurance and credit collection.

Directors

The Servicer is managed by a board of 15 directors.

The president of the board of directors is Filippo Minolfi, the vice president is Giuseppe Errigo and the managing director is Paolo Licciardello. Each director was appointed on 18 April 2000.

The L/C Bank, English Account Bank and Collection Account Banks

L/C Bank

The L/C Bank is a national banking association organized under the laws of the United States and its principal executive offices are located in Charlotte, North Carolina. The L/C Bank is a wholly-owned indirect subsidiary of Bank of America Corporation, a Delaware corporation and a financial holding company, and is engaged in a general commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services to corporations, governments and individuals.

The L/C Bank is subject to regulation, supervision and examination by the primary regulator of national banks in the United States, the comptroller of the currency. As of 31 December 2001, the L/C Bank had consolidated assets of U.S.\$552 billion, consolidated deposits of U.S.\$392 billion and stockholder's equity of U.S.\$53 billion based on regulatory accounting principles. The short term unsecured, unsubordinated and unguaranteed debt obligations of the L/C Bank are currently rated "A-1+ " by the Rating Agency.

English Account Bank

Deutsche Bank AG is a banking company with limited liability incorporated under the laws of Germany under registration number HRB 30 000. Deutsche Bank AG has its registered office at Taunusanlage 12, D-60325 Frankfurt am Main, Germany. Deutsche Bank AG London Branch is a European authorised institution entitled to establish a branch in the United Kingdom and to accept deposits and carry out investment business in the United Kingdom through that branch (Bank of England authorisation number 150018).

Collection Account Banks

Banca Antoniana Popolare Veneta S.p.A. with registered office at Piazzetta F. Turati n. 2 Padova, Italy. Banca Antoniana Popolare Veneta S.p.A. is a commercial bank that provides a range of general commercial banking and credit services to corporations and individuals. Its short term unsecured, unsubordinated and unguaranteed debt obligations are currently rated "F2" by Fitch Ratings Limited.

Banca Nazionale del Lavoro S.p.A. with registered office at Via Vittorio Veneto, n. 119, Roma, Italy. Banca Nazionale del Lavoro S.p.A. is a commercial bank that provides a range of general commercial banking and credit services to corporations and individuals. Its short term unsecured, unsubordinated and unguaranteed debt obligations are currently rated "A-2" by the Rating Agency.

Banca Popolare dell'Emilia Romagna S.c.a.r.l. with registered office at Via San Carlo, n. 8/20, Modena, Italy. Banca Popolare dell'Emilia Romagna S.c.a.r.l. is a commercial bank that provides a range of general commercial banking and credit services to corporations and individuals. Its short term unsecured, unsubordinated and unguaranteed debt obligations are currently rated "A-2" by the Rating Agency.

Banca Popolare di Verona e Novara S.c.r.l. with registered office at Piazza Nogara, 2 Verona, Italy. Banca Popolare di Verona e Novara S.c.r.l. is a commercial bank that provides a range of general commercial banking and credit services to corporations and individuals. Its short term unsecured, unsubordinated and unguaranteed debt obligations are currently rated "A-1" by the Rating Agency.

Banca Monte dei Paschi di Siena S.p.A. with registered office at Piazza Salimbeni 3 Siena, Italy. Banca Monte dei Paschi di Siena S.p.A. is a commercial bank that provides a range of general commercial banking and credit services to corporations and individuals. Its short term unsecured, unsubordinated and unguaranteed debt obligations are currently rated "A-1" by the Rating Agency.

Amortisation Provisions

Scheduled Termination Date

The Termination Date will occur on the earlier of the Interest Payment Date falling in July 2008 (the "**Scheduled Termination Date**") and the date on which a Wind Down Notice is given by the Issuer. Upon the occurrence of the Termination Date, no further purchases of Receivables by the Issuer will be made. On each Interest Payment Date following the Termination Date, the Issuer will use all available proceeds received after payment of all prior ranking obligations in accordance with the Pre-Enforcement Priority of Payments to redeem the Notes (see "*Terms and Conditions of the Notes - Condition 7b*").

Early Amortisation

The events set out below may lead to the Termination Date occurring prior to the Scheduled Termination Date. Upon the early occurrence of the Termination Date and absent an acceleration of the Notes, the Notes will amortise in the same manner as if the early Termination Date was the Scheduled Termination Date.

Events of Default

Upon the occurrence of an Event of Default in respect of the Notes, the Trustee may declare the Notes immediately due and payable and/or declare that the Termination Date shall have occurred on the date of such notice.

Termination Events

The Issuer's commitment to purchase Subsequent Receivables from the Sellers shall terminate:

- (i) automatically with regard to each Seller on the Scheduled Termination Date; and
- (ii) with effect from the date on which a notice (a "**Wind Down Notice**") is given by the Issuer or the Trustee to the other parties to the Receivables Purchase Agreement.

No Wind Down Notice can be given by the Issuer unless a period of 3 years have elapsed from the Closing Date other than after the Issuer has received an Issuer Enforcement Notice from the Trustee in accordance with the Conditions or after the occurrence of one or more of the events listed below (each a "**Termination Event**").

The Termination Events are set out in the Receivables Purchase Agreement and include the following:

1. the Collections in respect of any Receivables which are received by a Seller or CRC or any other amounts owed by the Sellers or CRC pursuant to the Receivables Purchase Agreement are not paid into the relevant Collection Accounts strictly in accordance with the provisions of the Receivables Purchase Agreement;

2. the Servicer is in breach of its obligations as Servicer under the provisions of the Servicing Agreement to take steps to collect any of the Receivables in accordance with the Credit and Collection Policies;
3. material default is made by any of the Offer Agent, Cremonini, any of the other Sellers or CRC in the performance or observance of any other obligation, condition or provision binding on it under the Receivables Purchase Agreement;
4. any representation or warranty referred to in the Receivables Purchase Agreement made by the Sellers and CRC or any representation or warranty in any report or other information provided under the Receivables Purchase Agreement is materially incorrect when made and such inaccuracy, taken together with other inaccuracies in representations made with respect to Receivables, is material and adverse with respect to the value or marketability of the relevant Receivables;
5. an order is made or an effective resolution is passed for the winding-up or dissolution of Cremonini, any affiliate of Cremonini, any of the other Sellers or the Offer Agent;
6. any Seller or any of its affiliates shall fail to pay its debts generally as they come due or admit its inability to pay its debts generally as they come due, or shall make a general assignment for the benefit of creditors, or shall institute any proceeding seeking to adjudicate itself insolvent or seeking a liquidation, or shall take advantage of any insolvency act, or shall commence a case or other proceeding (including any proceeding for controlled administration or extraordinary administration) naming itself as debtor under any bankruptcy or similar law, or a case or other proceeding shall be commenced against any of them under any bankruptcy or similar law, or any proceeding shall be instituted against any of them seeking liquidation of its assets and the relevant Seller or any of its affiliates shall fail to take appropriate action resulting in the withdrawal or dismissal of such proceeding within 30 days, or there shall be appointed, or any Seller shall consent to, or acquiesce in, the appointment of a receiver, liquidator, conservator, trustee or similar official in respect of itself or the whole or any substantial part of its properties or assets or shall take any corporate action in furtherance of any of the foregoing;
7. an Issuer Enforcement Notice has been served on the Issuer accelerating the Notes;
8. a material adverse change occurs with respect to any Seller or the Offer Agent;
9. the Offer Agent or any of the Sellers or CRC or any Debtor is required to make any deduction or withholding on account of taxes from any payment it may make under the Receivables Purchase Agreement or, as the case may be, in respect of the Receivables due from such Debtor;
10. the performance of the portfolio of Receivables is such that any of the following performance criteria is breached:
 - (a) the average of the Default Ratios calculated for each of the three most recent Monthly Calculation Periods immediately prior to the date of determination is greater than 1.5 per cent.;

- (b) the Average Collection Period for the Receivables in respect of any Monthly Calculation Period exceeds 101 days; and
 - (c) the average of the Dilution Ratios calculated for each of the three most recent Monthly Calculation Periods immediately prior to the date of determination is greater than 2.5 per cent. ;
11. any Material Indebtedness of Cremonini, the Offer Agent, or any other Seller is not paid when due, any Material Indebtedness of Cremonini, the Offer Agent, or any other Seller is declared to be or otherwise becomes due and payable prior to its specified maturity or final payment date, any creditor or creditors of Cremonini, the Offer Agent, or any other Seller becomes entitled to declare any Material Indebtedness of Cremonini, the Offer Agent or any other Seller due and payable prior to its specified maturity or final payment date or any security created in respect of any Material Indebtedness of Cremonini, the Offer Agent, or any other Seller is enforced or the holder or holders of such security become entitled to enforce such security; and for this purpose "**Material Indebtedness**" means any indebtedness of or in respect of an aggregate amount greater than or equal to €2,500,000 (or its equivalent in any other currency) save that such aggregate amount shall be €4,000,000 (or its equivalent in any other currency) if as of the date of determination the Group maintains a credit rating of at least "BBB-" by the Rating Agency;
12. there is a change of control of Cremonini, the Offer Agent, or any of the other Sellers; and for this purpose "**change of control**" means that after the date hereof, a person or group of persons acting together (which do not have control at the date hereof):
- (a) acquire, directly or indirectly, more than one-half of the issued share capital of any of Cremonini, the Offer Agent or any of the other Sellers; or
 - (b) acquire control of Cremonini, the Offer Agent or any of the other Sellers (and for this purpose a person shall be treated as having control of Cremonini, the Offer Agent or any of the other Sellers if such person is able to direct the affairs of and/or to control the composition of the board of directors (or equivalent body) of Cremonini, the Offer Agent or any of the other Sellers).
13. there occurs a change in the ownership (as at the date hereof) of the shares in any of Cremonini or the other Sellers with the exception of:
- (a) a transfer of shares by one Group company to another Group company; or
 - (b) a transfer of less than 50 per cent. in aggregate from the date of the Receivables Purchase Agreement until the date of determination in the aggregate of the shares in any of the Sellers.
14. other than during the period of 18 months from the Closing Date, if an amount of more than €500,000 has been standing to the credit of the Secondary Ledger of the Deposit Account for a period of more than 6 months;

15. other than during the period of 18 months from the Closing Date, if at any time an amount in excess of €30,000,000 is standing to the credit of the Secondary Ledger of the Deposit Account;
16. any statute, rule, regulation or order shall have been enacted, entered or deemed applicable by any government or governmental or administrative agency or court which has the effect of making the transactions contemplated by the Receivables Purchase Agreement illegal or otherwise prevents the consummation thereof;
17. during any Monthly Calculation Period falling after 30 September 2002 less than 75 per cent. of all payments in respect of Receivables by Debtors are paid directly to Cremonini by the relevant Debtors (whether by direct bank transfer to the Collection Accounts or by a cheque in the name of Cremonini).
18. any executive action is commenced by a supplier of a Seller who is an Eligible Debtor in respect of any judgement for unpaid debts obtained by such supplier against a Seller, which action would have a material adverse effect on such Seller;
19. any statute, rule, regulation or order shall have been enacted, entered or deemed applicable by any government or governmental or administrative agency or court which imposes any tax, levy, impost, or duty of any kind on the sale and purchase of the Receivables under the terms of the Receivables Purchase Agreement;
20. the Net Worth of the Group becomes less than €85,000,000 and/or the aggregate indebtedness of the Group (including indebtedness in respect of obligations to affiliates) as a percentage of the Net Worth of the Group becomes greater than 700 per cent. and for this purpose "**Net Worth**" refers to the aggregate of (a) the amounts paid up or credited as paid up on the issued share capital of each company in the Group; (b) the aggregate amount of the reserves of the Group; (c) retained earnings or accumulated losses brought forward from any previous financial year; and (d) the net income or loss for the applicable financial year;
21. the Asset Coverage Difference is negative on two consecutive Weekly Calculation Dates.

Description of Principal Transaction Documentation

The following is a description of certain additional aspects of the issue of the Notes and documents relating thereto about which prospective Noteholders should be aware, but it is not intended to be exhaustive and prospective Noteholders should also read the detailed information set out elsewhere in this document.

1. Receivables Purchase Agreement

Purchase of Receivables

Pursuant to the Receivables Purchase Agreement, the Issuer purchased from the Initial Sellers the Initial Receivables and has undertaken, subject to certain conditions being met, to purchase Subsequent Receivables from the Sellers on each Settlement Date. For the purpose of offering to the Issuer any Subsequent Receivables, the Sellers have appointed Cremonini to act as Offer Agent of each of the Sellers.

The Receivables have been (and, in the case of Subsequent Receivables, will be) identified and selected by each of the Initial Sellers (and, in the case of Subsequent Receivables, the Sellers) and the Issuer on the basis of objective criteria and in compliance with the Eligibility Criteria.

In addition, the Receivables Purchase Agreement provides that if, after the date of purchase of the relevant Receivables, it transpires that any of the Receivables do not meet the relevant criteria, then the claims relating to such Receivables will be deemed not to have been assigned and transferred to the Issuer pursuant to the Receivables Purchase Agreement and the relevant purchase price will be adjusted accordingly.

During the Revolving Period, each of the Sellers shall on each Weekly Calculation Date, offer to sell Subsequent Receivables to the Issuer by delivering to the Issuer an Offer through the Offer Agent.

The Offer Agent shall offer to the Issuer all Subsequent Receivables capable of being identified as one or more "*blocchi*" in accordance with the relevant criteria to be offered for sale to the Issuer and, on each Weekly Calculation Date occurring during the Revolving Period, shall offer to the Issuer Subsequent Receivables by way of an Offer. If all the conditions set forth in the Receivables Purchase Agreement are satisfied, the Issuer may accept such offer on the next following Settlement Date. The Issuer shall publish or cause to be published a relevant Notice of Sale in respect of each accepted Offer.

The purchase price

The aggregate purchase price for the Initial Receivables pursuant to the Receivables Purchase Agreement is equal to €120,096,802. Such amount is required to be paid in full by the Issuer within 2 Business Days of the Closing Date and shall not accrue interest.

The purchase price of each Subsequent Receivable shall be determined by reference to the calculation protocol set out in the Receivables Purchase Agreement, and shall be paid to the bank account of the Offer Agent (on account of the Sellers) on the relevant Settlement Date.

Additional consideration for the Receivables may be payable in accordance with the terms of the Receivables Purchase Agreement and the Cash Management Agreement.

Sellers' Indemnities

Each of the Sellers warrants pursuant to the Receivables Purchase Agreement that each Receivable transferred to the Issuer exists as of the relevant transfer date in accordance with Article 1266 of the Italian Civil Code and shall fully indemnify the Issuer against any loss suffered as a result of a breach of such warranty.

The Sellers have irrevocably undertaken to indemnify and hold harmless the Issuer from and against any and all damages, losses, claims, costs and reasonable and documented expenses, reasonable and documented legal fees and disbursements including any value added tax thereon which are awarded against, or incurred by, the Issuer and which arise out of or as a result of any Collections in respect of any Receivable not being collected or recovered as a consequence of:

- (a) the exercise by any Debtor of any right of set-off or counterclaim against the Issuer in connection with any amounts claimed from a Seller which may be set-off against the Issuer following the transfer thereof;
- (b) any rescission, termination, unwinding, voidability (*annullabilità*), of any contract from which a Receivable arises;
- (c) any discount or other trade credit or credit note (including credit notes in respect of volume rebates).

Guarantee and Indemnity by Cremonini

Pursuant to the Receivables Purchase Agreement, Cremonini guarantees to the Issuer: (i) due and punctual performance of the obligations of each of the Sellers (other than Cremonini), the Offer Agent and CRC under the Receivables Purchase Agreement; and (ii) payment of any sum each Seller, the Offer Agent or CRC is liable to pay under the Receivables Purchase Agreement. Cremonini will also indemnify the Issuer against any loss, liability or expense which may occur as a result of failure by any Seller, the Offer Agent or CRC to perform such obligations or make such payments when due.

Representations in respect of Receivables

Each Offer made by the Offer Agent on behalf of a Seller shall constitute a representation (which representation shall be deemed to be made and repeated on the Closing Date and on each Settlement Date) by such Seller for the benefit of the Issuer that in relation to such Offer each of the statements set out below in relation to the Receivables is true;

1. each Receivable the subject of the Receivables Purchase Agreement or the Offer is an Eligible Receivable owing by an Eligible Debtor in the amount specified in the Receivables Purchase Agreement or the Offer;
2. the assignment of each Receivable the subject of the Receivables Purchase Agreement or the Offer in the manner therein contemplated will be effective to pass to the Issuer

full and unencumbered title thereto and the benefit thereof to the Issuer and, save for the publication of a Notice of Sale in respect thereof, no further act, condition or thing will be required to be done in connection therewith to enable the Issuer to require payment of any such Receivable or the enforcement of any such right in the courts of Italy other than the payment of an applicable Italian stamp duty payable under the laws of Italy;

3. each Receivable is valid and effective and constitutes valid, legal and binding obligations of the relevant Debtor;
4. the relevant Receivables constitute pools of claims selected on the basis of objective criteria, pursuant to and in accordance with the combined provisions of article 1 and article 4 of the Securitisation Law;
5. there is no obligation by the relevant Seller under the relevant Receivables in respect of which the relevant Seller is in default;
6. all and any taxes, costs and expenses required to be paid by the relevant Seller in connection with any Receivables or pursuant thereto have been regularly and timely paid;
7. the origination, servicing, administration, collection and recovery practices adopted by each Seller with respect to each Receivable have in all respects been conducted in compliance with all applicable laws and regulations and with care, skill and diligence, in a prudent manner and in accordance with the Credit and Collection Policies, as well as in accordance with all prudent and customary commercial practices;
8. to the best of each Seller's knowledge and belief none of the Debtors is (i) presently subject to insolvency proceedings and (ii) no circumstances have arisen which may result in the event contemplated by (i) above;
9. with respect to each Receivable, no Debtor thereunder is entitled to exercise any well-grounded right of rescission, counterclaim, set-off or defence to or in respect of the operation of any of the terms of the agreement under which the relevant Receivable arise or any connected agreement or document or in respect of any amount payable or repayable thereunder that would render the relevant Receivable unenforceable, in whole or in part, or subject to any right of rescission, counterclaim, set-off or defence, and no such right of rescission, counterclaim, set-off or defence has been solidly asserted or threatened;
10. there is no litigation, arbitration or administrative proceedings, claim or action in progress, current, pending or, to the best of the relevant Seller's knowledge and belief, threatened against the relevant Seller in respect of any receivable;
11. the assignment of each Receivable the subject of the Receivables Purchase Agreement or the Offer as therein contemplated will not violate any law or any agreement by which a Seller or the Issuer may be bound;
12. the outstanding face amount of the Receivables comprised in the Initial Receivables or specified in any Offer is net of any discount or other trade credit which may have been given, or agreed to be given, in respect thereof;

13. each Seller has fully performed its obligations to the relevant Debtor and is in compliance with the terms of the agreements relating to the Receivables the subject of the Receivables Purchase Agreement or an Offer, and copies of any such written agreements which have been requested by the Issuer have been furnished to the Issuer;
14. the governing law of each Receivable the subject of the Receivables Purchase Agreement or an Offer is Italian law;
15. other than as reflected in the supply agreements and the rebate agreements disclosed to the Issuer prior to the date of the Receivables Purchase Agreement, and as reflected on the forms of invoices of each Seller disclosed to the Issuer prior to the date of the Receivables Purchase Agreement, the contracts relating to the Receivables between the Sellers and the Debtors are governed by the provisions of the Italian Civil Code relating to the supply, sale and purchase of goods or services, with no material amendments; and
16. at the time of any sale and assignment of Initial Receivables or Subsequent Receivables by it to the Issuer pursuant to the Receivables Purchase Agreement, it is the owner of such Receivables free and clear of all encumbrances and restrictions on transferability, its title is and will be at the time of the transfer (as the case may be) enforceable against any third party, and it has full right, corporate power and lawful authority to sell and assign such Receivables (and any documents in respect thereof) and all such substitutions therefor and additions thereto delivered under such agreement.

Re-assignment of Receivables if Misrepresentation or Breach

In the event that a misrepresentation or breach by the Sellers in respect of any of the representations and warranties in relation to the Receivables as set out above shall have been established, the Sellers have agreed in the Receivables Purchase Agreement to grant to the Issuer, during the period commencing on the Business Day following the date on which such misrepresentation or breach has been ascertained and ending on the one-hundred-twentieth day from such Business Day, an option, pursuant to article 1331 of the Italian Civil Code, to assign and transfer to the Sellers the claims then outstanding under the Receivables affected by any such misrepresentation or breach upon the terms and subject to the conditions set out in the Receivables Purchase Agreement.

Repurchase of Defaulted Receivables

The Offer Agent on behalf of the Sellers has the option pursuant to the Receivables Purchase Agreement of repurchasing any defaulted Receivable from the Issuer at a price equal to the outstanding face amount of such Receivable at the time it was sold to the Issuer provided that in any calendar year the Offer Agent may not in aggregate repurchase defaulted Receivables with an aggregate outstanding face amount equivalent to more than €6,000,000.

Additional Sellers

Pursuant to the Receivables Purchase Agreement, additional members of the Group may from time to time become parties to the Receivables Purchase Agreement in the capacity of Sellers by executing a consent and accession agreement substantially in the form set out in the Receivables Purchase Agreement provided, *inter alia*, that (i) a prior written approval shall

have been obtained from the Trustee and (ii) the Rating Agency shall have confirmed that the then current rating of the Notes would not be affected.

Law and Jurisdiction

The Receivables Purchase Agreement is governed by and will be construed in accordance with Italian law. The courts of Modena have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Receivables Purchase Agreement.

2. Servicing Agreement

Pursuant to the Servicing Agreement the Issuer has appointed Emilia Romagna Factor S.p.A. as Servicer for servicing and administering the Receivables. The Issuer and the Servicer have agreed that the latter may appoint a sub-servicer to carry out all or part of its services to be provided by it under the Servicing Agreement within the limits of the servicing guidelines issued by the Bank of Italy on 23 August 2000. The Servicer will nonetheless remain responsible for the actions of such sub-servicer in accordance with the above guidelines and notwithstanding the appointment of a sub-servicer the Servicer shall comply in the interest of the Noteholders with all requirements provided for by the Bank of Italy in order to ensure the segregation of the Collections, keep an adequate archive system for the computerised archiving of the Receivables (*Archivio Unico Informatico*) and maintain any books, records, documents, magnetic and computer supports and systems to comply with applicable laws and regulations in respect of money laundering (*Normativa Antiriciclaggio*).

Undertakings

Under the Servicing Agreement, the Servicer has undertaken, *inter alia*, that it will not (i) cancel, terminate, amend, modify or waive in any material respect any term or condition of any relevant contract under which the Receivables arise or any guarantee related thereto, which term or condition may affect the amount, payment period, collectability or assignability of such Receivables, (ii) materially change the Credit and Collection Policies without the consent of the Issuer and the Trustee, (iii) compromise or settle any dispute or claim in respect of any Receivable or (iv) expressly reduce or otherwise cause the outstanding face amount of any Receivable to be reduced. The Servicer has also undertaken that it will (i) take no action, nor omit to take any action, where such action or omission would substantially impair the rights of the Issuer, (ii) maintain in effect all qualifications required under any applicable law in order to service properly each Receivable and comply in all material respects with all other requirements of law in connection with servicing and collecting each Receivable, the failure to comply with which would result in a material adverse effect with respect to the Receivables or the Issuer, (iii) comply at all times, in all material respects, with any applicable law and good business policies, practices, procedures and internal controls in effect at such time with respect to servicing the Receivables, (iv) maintain its computer files and other records with respect to the Receivables in a manner that such Receivables may at any time be specifically identified; (v) defend the title and ownership of the Issuer in and to the Receivables against all claims of third parties and (vi) not substantially reduce or terminate its business if such reduction or termination would have a material adverse effect with respect to its ability to perform its obligations as Servicer under the Servicing Agreement.

Indemnity

Pursuant to the Servicing Agreement, the Servicer has agreed to indemnify the Issuer against, hold harmless and forthwith pay the amount of, any liabilities awarded against or incurred by the Issuer by reason of any breach of any obligations of the Servicer or of any sub-servicer under the Servicing Agreement or any sub-servicing agreement.

Servicing Fee

In return for the services provided to it by the Servicer under the Servicing Agreement, the Issuer has undertaken to pay to the Servicer on each Interest Payment Date, in accordance with the Priority of Payments, a fee (the "**Servicing Fee**") equal to €25,000 (including VAT if any).

Servicer Termination Events

The occurrence and the continuation of any of the following events shall be a "**Servicer Termination Event**" under the Servicing Agreement enabling the Issuer to terminate the appointment of the Servicer in accordance with Article 1723 of the Italian Civil Code:

- (a) breach on the part of the Servicer of its obligations under the Servicing Agreement and such breach continuing for a period of 10 Business Days after the date on which the Servicer is notified by the Issuer of such breach;
- (b) any representation made by the Servicer pursuant to the Servicing Agreement is false and incorrect in any material respect when made by the Servicer and, if it is capable of remedy, is not remedied within 10 Business Days from a notice for that purpose given by the Issuer to the Servicer and the effect of this has a material adverse effect on the Servicer; or
- (c) the Servicer becomes insolvent or is subject to Insolvency Proceedings or ceases for any reason to exist

provided that: (i) in any such case, a successor servicer is appointed prior to such termination; (ii) the Rating Agency has confirmed that the rating of the outstanding Notes shall not be affected or withdrawn as a consequence of such appointment; (iii) such successor servicer has accepted in writing the appointment on the same terms as the Servicing Agreement; (iv) such successor servicer shall have experience of recovering and administering assets reasonably similar to the assets being administered by the retiring Servicer and shall be a financial intermediary registered in the Special Register pursuant to Article 107 of the Banking Law; and (v) the Issuer has notified the Servicer of such termination and of the new appointment of the successor servicer.

Law and jurisdiction

The Servicing Agreement is governed by and shall be construed in accordance with Italian law. The courts of Modena have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Servicing Agreement.

3. **Cash Management Agreement**

Pursuant to the Cash Management Agreement, the Cash Manager (subject to its receipt of the required information from the English Account Bank) will agree to provide the Issuer with certain cash management, calculation, notification and reporting requirements in relation to the English Accounts and the Deposit Account and the Issuer will agree to direct the operation of the Collection Accounts and make the required ledger entries in respect of the Collection Accounts in accordance with the terms of the Cash Management Agreement.

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

- (i) directing the operation of the English Accounts and the Deposit Account;
- (ii) making the required ledger entries in respect of the Deposit Account in accordance with the terms of the Cash Management Agreement;
- (iii) 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
- (iv) acting on behalf of the Issuer (of following the service of an Issuer Enforcement Notice, the Trustee) in making drawings under the L/C Agreement and the Letter of Credit.

Pursuant to the Cash Management Agreement, the Servicer will prepare and deliver to the Offer Agent, the Issuer, (on request) the Trustee, the Sellers and the Cash Manager a weekly report (the "**Weekly Calculation Report**") containing information as to the performance of the Receivables. The Weekly Calculation Report will be prepared in respect of the period beginning on Monday of each week and ending on, but not including, the immediately following Monday (each a "**Weekly Calculation Period**") and will be delivered on the date falling one business day after the first business day of the immediately following Weekly Calculation Period (each a "**Weekly Calculation Date**"). The Servicer will perform certain additional calculations in respect of the performance of the Receivables relating to the period beginning on the first Monday of each calendar month and ending on the day before the first Monday of the immediately following calendar month (each a "**Monthly Calculation Period**"). The Servicer will perform such calculations on the first Weekly Calculation Date of each Monthly Calculation Period, in respect of the immediately preceding Monthly Calculation Period, and will include the results thereof in the Weekly Calculation Report delivered on such date. The form of the Weekly Calculation Report is set out in the Cash Management Agreement.

In return for the services so provided, the Cash Manager will receive a fee as agreed between the Issuer, the Trustee and the Cash Manager on or about the Closing Date, payable by the Issuer in arrear on each Interest Payment Date in accordance with the Priority of Payments. The Servicer will be remunerated for its services under the Cash Management Agreement by payment of the Servicing Fee.

The appointment of the Cash Manager may be terminated by the Issuer (with the consent or at the direction of the 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 Trustee is entitled to dispose of the assets comprised in the Note Security in accordance with the Deed of Charge, the Deed of Pledge and the Trust Deed. Following any such termination, the Issuer (with the consent or at the direction of the 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.

The termination of the appointment of the Servicer under the Servicing Agreement will cause the simultaneous termination of its appointment under the Cash Management Agreement.

The Cash Management Agreement will be governed by and shall be construed in accordance with English law.

4. **L/C Agreement**

Pursuant to the L/C Agreement the L/C Bank will make available to the Issuer a 364-day renewable irrevocable letter of credit in an initial amount of €19,000,000 (the "**L/C Amount**").

The amount available for drawing under the L/C Agreement from time to time (the "**Available L/C Amount**") will be: (i) prior to the making of an L/C Reserve Drawing, the L/C Amount as reduced by the principal amount of each L/C Drawing made and (ii) after the making of an L/C Reserve Drawing, the amount of the L/C Reserve Drawing Portion (as defined below) as reduced by the principal amount of each drawing from the L/C Reserve Account.

In accordance with the terms of the Letter of Credit (the "**L/C**") issued pursuant to the L/C Agreement, the Issuer may make a letter of credit drawing (an "**L/C Drawing**") (A) on or one business day prior to an Interest Payment Date on which the Cash Manager determines that there will be either be (i) a Cash Shortfall on such Interest Payment Date or (ii) a Revenue Shortfall on such Interest Payment Date or (B) following service of an Issuer Enforcement Notice if the Cash Manager determines that a Revenue Shortfall or Cash Shortfall exists. In accordance with the terms of the Cash Management Agreement, the Cash Manager shall on behalf of the Issuer calculate the relevant Cash Shortfall or, as the case may be, the relevant Revenue Shortfall and shall procure an L/C Drawing under the Letter of Credit of an amount equal to the lesser of such Cash Shortfall or, as the case may be, such Revenue Shortfall and the Available L/C Amount and pay such amount to the Operating Account to reduce or, as applicable, eliminate such Cash Shortfall or, as the case may be, such Revenue Shortfall. The Issuer will have no obligation to repay any L/C Drawing or any amount in respect of interest, costs or indemnities to the L/C Bank or any drawing from the L/C Reserve Account.

If the short term unsecured, unsubordinated and unguaranteed debt obligations of the entity then being the L/C Bank are rated less than, "A-1+" by the Rating Agency or if such entity does not renew the Letter of Credit at least fifteen business days before its termination, then the Issuer may make a drawing (an "**L/C Reserve Drawing**") in an amount of up to the Available L/C Amount under the L/C Agreement.

The Cash Manager will determine on behalf of the Issuer the actual amount which the Issuer will draw down as an L/C Reserve Drawing for deposit in the L/C Reserve Account (the "**L/C Reserve Drawing Portion**"). The L/C Reserve Drawing Portion is permitted to be less than the Available L/C Amount if the Servicer determines that, as at the date of such drawdown (the "**Drawdown Date**"), the Asset Coverage Difference would not be negative after the making of such L/C Reserve Drawing.

The proceeds of the L/C Reserve Drawing will be credited to the L/C Reserve Account. The L/C Reserve Drawing (minus any payments therefrom of L/C Account Drawings (as described below)) will be repayable to the L/C Bank if the short term unsecured, unsubordinated and unguaranteed debt obligations of the entity then being the L/C Bank are rated, equal to or higher than "A-1" by the Rating Agency.

During the period after the date upon which the Issuer has made an L/C Reserve Drawing, the Issuer may make a drawing from the L/C Reserve Account (an "**L/C Account Drawing**") for the same purposes as an L/C Drawing. On the Maturity Date, any amount remaining in the L/C Reserve Account will be repaid to the L/C Bank.

The L/C Agreement will be governed by and shall be construed in accordance with English law.

"**Asset Coverage Difference**" means the difference, calculated on each Weekly Calculation Date and on the Drawdown Date in relation to the making of a L/C Reserve Drawing, between A and B where:

A is the sum of:

- (i) the outstanding face amount of the Receivables as at such date; and
- (ii) the Available L/C Amount as at such date; and
- (iii) the Cash Reserves as at such date.

B is the sum of:

- (i) the Required Reserves as at such date; and
- (ii) the Principal Amount Outstanding of the Notes then outstanding as at such date;

"**Average Collection Period**" means the ratio (expressed as the number of days) determined as of the end of the Monthly Calculation Period, of which the numerator is the aggregate amount of the Receivables outstanding as at the end of the most recent Monthly Calculation Period and the denominator is the amount of Receivables purchased by the Issuer during the most recent Monthly Calculation Period divided by 30.

"**Cash Reserves**" means, as at any date for calculation thereof, the aggregate of:

- (i) the amount of the Secondary Funds and the amount of the Primary Funds in the Collection Accounts;

- (ii) any amount in the Deposit Account; and
- (iii) any amount in the Operating Account;

"Cash Shortfall" shall mean, on the Determination Date falling immediately after the date on which the Servicer has determined that no further Collections are anticipated to be receivable in respect of the Receivables and any remaining Receivables have been determined to be defaulted Receivables or on any date on which the Trustee makes payment, the difference between (A) and (B) where:

- (A) is the aggregate of
 - (i) the Principal Amount Outstanding of the Notes on such Determination Date; and
 - (ii) the amounts due and payable in respect of items (i) through (vii) (inclusive) of the Pre-Enforcement Priority of Payments on the Interest Payment Date immediately succeeding such Determination Date or, as the case may be, items (i) through (vi) (inclusive) of the Post-Enforcement Priority of Payments; and
- (B) is the Issuer Available Funds on such Determination Date

as calculated by the Cash Manager in relation to the relevant Determination Date in accordance with the Cash Management Agreement.

"Default Ratio" means the ratio which is the fraction (expressed as a percentage), determined as of the end of a Monthly Calculation Period, of which the numerator is the aggregate amount of all Receivables which have become defaulted Receivables during such Monthly Calculation Period and the denominator is the aggregate amount of the Receivables generated by the Sellers as at the end of the eleventh Monthly Calculation Period prior to the Monthly Calculation Period for which the ratio is calculated.

"Dilution Ratio" means the ratio which is the fraction (expressed as a percentage), determined as of the end of a Monthly Calculation Period, of which the numerator is the aggregate amount of credit notes awarded by the Sellers to Eligible Debtors of Receivables which remain outstanding during such Monthly Calculation Period (but excluding those that are evidenced by an invoice by a Debtor to the relevant Seller) and the denominator is the aggregate amount of the Receivables owed by such Debtors and sold by the Sellers during the Monthly Calculation Period preceding such Monthly Calculation Period.

"Dilution Horizon Ratio" means the ratio which is the fraction (expressed as a percentage), determined as of the end of a Monthly Calculation Period, of which the numerator is the aggregate face amount of Receivables purchased by the Issuer within the immediately preceding Monthly Calculation Period and the denominator is the aggregate outstanding face amount of Receivables as at the end of such Monthly Calculation Period.

"Loss Horizon Ratio" means the ratio which is the fraction (expressed as a percentage), determined as of the end of a Monthly Calculation Period, of which the numerator is the aggregate face amount of Receivables purchased by the Issuer within the immediately

preceding 11 Monthly Calculation Periods and the denominator is the aggregate outstanding face amount of Receivables as at the end of the immediately preceding Monthly Calculation Period.

"Required Reserves" means, as at each Weekly Calculation Date and the Drawdown Date in relation to the making of a L/C Reserve Drawing, the aggregate of the following amounts calculated by the Servicer in accordance with the Cash Management Agreement and based on the criteria agreed by the Rating Agency:

- (i) the Yield Reserve;
- (ii) the Early Amortisation Reserve; and
- (iii) the greater of:
 - (a) the sum of the Loss Reserve and the Dilution Reserve; and
 - (b) the Reserve Floor.

"Revenue Shortfall" shall mean, on each Determination Date prior to an Interest Payment Date or on any date on which the Trustee makes payment, the difference between (A) and (B) where:

- (A) is the amounts due and payable in respect of items (i) through (vi) (inclusive) of the Pre-Enforcement Priority of Payments on the Interest Payment Date immediately succeeding such Determination Date or, as the case may be, items (i) through (vi) (inclusive) of the Post-Enforcement Priority of Payments; and
- (B) is the aggregate of:
 - (i) the Primary Funds in the Deposit Account; and
 - (ii) the funds in the Operating Account

as calculated by the Cash Manager in relation to the relevant Determination Date in accordance with the Cash Management Agreement.

The following defined terms are defined by reference to the formulae table set out below:

"Dilution Reserve" means at any date the variable amount calculated by multiplying the outstanding face amount of the Receivables at such date by the following formula:

$$\{(ED \times DISF) + (DS - ED) \times (DS/ED)\} \times DHR.$$

"Early Amortisation Reserve" means at any date the variable amount calculated by multiplying the outstanding face amount of the Receivables at such date by the following formula:

$$1.59\% \times (MR/12).$$

"**Loss Reserve**" means at any date the variable amount calculated by multiplying the outstanding face amount of the Receivables at such date by the following formula:

$$\text{LSF} \times \text{DR} \times \text{LHR}.$$

"**Reserve Floor**" means at any date the variable amount calculated by multiplying the outstanding face amount of the Receivables at such date by the following formula:

$$10\% + (\text{ED} \times \text{DHR}).$$

"**Yield Reserve**" means at any date the variable amount calculated by multiplying the outstanding face amount of the Receivables at such date by the following formula:

$$((\text{ER} \times \text{DSF}) + \text{NM} + \text{TC/PO}) \times ((\text{ACP} \times \text{SF})/360) \times \text{YRSF}.$$

Formulae Table*

ACP	=	Average Collection Period
DHR	=	Dilution Horizon Ratio
DISF	=	2.5
DR	=	The highest 3 month rolling average Default Ratio calculated for the most recent 12 Monthly Calculation Periods
DS	=	The highest Dilution Ratio calculated for the most recent 12 Monthly Calculation Periods
DSF	=	2.0
ED	=	The average of the Dilution Ratios calculated for the most recent 12 Monthly Calculation Periods
ER	=	EURIBOR
LHR	=	Loss Horizon Ratio
LSF	=	2.5
MR	=	Number of months starting at 18 as at the Closing Date and reducing by one for each month elapsed since the Closing Date
NM	=	0.50%
PO	=	Principal Amount Outstanding of the Notes

* References to historical data in respect of periods prior to the Closing Date will be based on a notional pool of receivables agreed between the Issuer, the Servicer and the Rating Agency.

TC	=	The aggregate fees payable to third parties by the Issuer in respect of the relevant Interest Period
YRSF	=	1.5
YSF	=	2.0

Use of Proceeds

The net proceeds of the issue of the Notes, after payment of certain fees and expenses by the Issuer, which are expected to amount to approximately €119,760,000, will be applied by the Issuer towards making payment to the Initial Sellers of the purchase price of the Initial Receivables purchased on the Initial Purchase Date.

Summary of Provisions Relating to Notes in Global Form

The Notes will initially be in the form of a Temporary Global Note which will be deposited on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected until certification of non-U.S. beneficial ownership is received by the Principal Paying Agent.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in the denomination of €1,000 each at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Principal Paying Agent if either of the following events (each, an "**Exchange Event**") occurs:

- (a) 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 and no alternative clearing system satisfactory to the Trustee is available; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the Republic of Italy (or any political subdivision thereof), the Issuer or any Paying Agent is or will be required to make any deduction in respect of any taxes which would not be required if the Notes were in definitive form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such definitive Notes, duly authenticated and with Receipts, Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the specified office (set out in the Paying Agency and Agent Bank Agreement) of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions.

Payments: All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note at the specified office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes.

A record of each payment made on a Global Note, distinguishing between any payment of interest and principal will be endorsed on such Global Note by the Principal Paying Agent to

which such Global Note was presented for the purpose of making such payment and such record shall be *prima facie* evidence that the payment in question has been made.

Notices: Notwithstanding the Condition 19, while any of the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a common depository for Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with the Condition 19 on the date of delivery to Euroclear and Clearstream, Luxembourg.

Transfers: For so long as the Notes are represented by a Global Note, the Notes so 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 and the Issuer, the Principal Paying Agent and the Trustee may treat each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of the Notes standing to the account of any person shall be conclusive and binding for all purposes) as the holder of such principal amount of such Notes for all purposes, other than with respect to the payment of interest and repayment of principal on such Notes, the right to which shall be vested solely in the bearer of the relevant Global Note and in accordance with its terms.

Meetings: The holder of a Global Note will be treated as being two persons for the purposes of any quorum requirement of, or the right to demand a poll at, a meeting of holders of the Notes and, at any such meeting, as having one vote in respect of each €1,000 principal amount of Notes for which the Global Note may be exchanged.

Selected Aspects of Italian Law Relevant to the Portfolio and the Transfer of the Receivables

The Securitisation Law was introduced 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 securitisations involving a "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 (such company having an exclusive object to carry out one or more securitisation transactions), and where all amounts paid by the relevant debtors are to be used by the relevant company exclusively to meet its obligations under debt securities issued to fund the purchase of such receivables and all costs and expenses associated with the transaction.

Segregation of Assets

Under the terms of Article 3 of the Securitisation Law, Receivables purchased pursuant to the Receivables Purchase Agreement by the Issuer are by operation of law segregated for all purposes from all other assets of the Issuer. Prior to or at any time following the commencement of a winding-up of the Issuer, the Noteholders would retain the right (to the extent of amounts owed to them) to satisfy themselves on the Receivables and all cash-flows deriving therefrom (to the extent it is available and identifiable), in priority over other creditors. In addition, the Receivables purchased pursuant to the Receivables Purchase Agreement will not be available to the holders of notes issued to finance any other securitisation transaction or to general creditors of the Issuer.

Whilst, according to Article 3 of the Securitisation Law, only the Noteholders would be entitled to initiate proceedings in relation to the Portfolio, pursuant to the Trust Deed, the Deed of Charge, the Deed of Pledge and the Conditions, the claims of certain other creditors will rank senior to the claims of the Noteholders by virtue of the relevant Priority of Payments (insofar as the Noteholders and certain other affected creditors have accepted that their rights in respect of payment by the Issuer of amounts owed to them under the Transaction Documents should be subordinated in accordance with such Priority of Payments). Pursuant to the Trust Deed and the Deed of Charge, the Trustee alone will be empowered to enforce the Note 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 and sale in accordance therewith.

Perfection of the Sale of Receivables

The sale of Receivables by the Sellers and CRC (each for the purpose of this section of this Offering Circular a "**relevant Seller**") to the Issuer will be governed by the Securitisation Law. Such law facilitates the process of transferring receivables by introducing an amendment to the general principles, provided by Article 1264 of the Italian civil code, on the effectiveness of the transfer of receivables. Pursuant to Article 58 paragraphs 2, 3 and 4 of Legislative Decree No. 385 dated 1 September 1993, as subsequently amended, and Article 4 of the Securitisation Law, a notice is required to be published in the Official Gazette of the

Republic of Italy of the sale of Receivables by the relevant Seller to the Issuer. The effect of the publication of such a Notice of Sale is to render such Receivables and the proceeds deriving therefrom immune from any attachment or other action, save to the extent that such attachments or actions are intended to protect the rights of the Noteholders. In addition, as of the date of publication of the Notice of Sale, the sale of Receivables becomes enforceable against (i) the relative Debtors and any creditors of the relevant Seller that have not, prior to the date of publication, commenced enforcement proceedings in respect of the relevant Receivables, (ii) the liquidator or any other bankruptcy officials of each relative Debtor (so that any payments made by such a Debtor to the issuer may not in the case of the insolvency of a Debtor be subject to any claw-back action pursuant to Article 67 of the Royal Decree), and (iii) other permitted assignees of the relevant Seller which have not perfected their assignments prior to the date of publication.

Assignments of Receivables executed under the Securitisation Law are subject to revocation on bankruptcy of the relevant Seller under Article 67 of the Royal Decree, but only in the event that the sale of Receivables is entered into within three months of the adjudication of bankruptcy of the relevant Seller, and in cases where paragraph 1 of Article 67 applies, when the sale of Receivables is entered into within six months of the adjudication of bankruptcy.

The Notice of Sale for the first portfolio to be purchased under the Receivables Purchase Agreement will be published on or before the Closing Date.

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 disposition of the Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to your decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. The following summary does not discuss the treatment of Notes that are held in connection with a permanent establishment or fixed base through which a non-Italian resident beneficial owner carries on business or performs professional services in Italy.

This summary is based upon tax laws and practice of Italy in effect on the date of this Offering Circular which are subject to change potentially retroactively.

Prospective purchasers of Notes should consult their tax advisers as to the consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

Prospective Noteholders who may be unsure as to their tax position should seek their own professional advice.

Income Tax

Under the current legislation, pursuant to the provision of Article 6, paragraph 1 of the Securitisation Law and of Decree No. 239, as amended and restated, in particular, by Law Decree No. 350 of 25 September 2001, converted into law with amendments by Law No. 409 of 23 November 2001 ("**Decree No. 350**"), payments of interest and other proceeds 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 for tax purposes, holding the Notes not in connection with 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* regime according to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997 – the "*Asset Management Option*"); (ii) Italian resident partnerships (other than "*società in nome collettivo*", "*società in accomandita semplice*" or similar partnerships), de facto partnerships not carrying out commercial activities and professional associations; (iii) Italian resident public and private entities, other than companies, not carrying out commercial activities; (iv) Italian resident real estate investment funds established before 26 September 2001, pursuant to Italian Law No. 86 of 25 January 1994, unless the managing company of the funds opts for the application of the new regime provided for by Law Decree No. 351 of 25 September 2001, converted into law with amendments by Law No. 410 of 23 November 2001 ("**Decree No. 351**"); (v) Italian resident entities exempt from corporate income tax and

(vi) non-Italian resident entities or individuals without a permanent establishment in Italy to which the Notes are effectively connected, which are not eligible for the exemption from the "*imposta sostitutiva*" and/or do not timely comply with the requirements set forth in Decree No. 239 and the relevant application rules in order to benefit from the exemption from "*imposta sostitutiva*". As to non-Italian resident beneficial owners, *imposta sostitutiva* may apply at lower or nil rate under double taxation treaties entered into by Italy, where applicable.

The 12.5% (or, in certain cases, for treaty covered non-Italian resident beneficial owners, the lower rate provided for by the relevant applicable double tax treaty) final *imposta sostitutiva* will be applied by the Italian resident qualified financial intermediaries that will intervene, in any way, in the collection of interest and other proceeds on the Notes or in the transfer of the Notes;

(b) will not be subject to the *imposta sostitutiva* at the rate of 12.5% if made to beneficial owners who are: (i) Italian resident corporations or permanent establishments in Italy of non resident corporations to which the Notes are effectively connected; (ii) Italian resident collective investment funds, Italian resident pension funds referred to in Legislative Decree No. 124 of 21 April 1993 and certain Italian resident real estate investment funds which benefit from the new regime provided for by Decree No. 351; (iii) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an Italian authorised financial intermediary and have opted for the Asset Management Option; and (iv), according to Decree No. 350, as to interest and other proceeds in respect of the Notes payable starting from 1 January 2002, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected, provided that:

(A) such beneficial owners (i) are resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information (as identified by Ministerial Decree of September 1996, as amended and restated) and (ii) are not resident, for tax purposes, in certain tax haven countries included in the black list referred to in Article 76, paragraph 7-bis, of Presidential Decree 22 December 1986, No. 917, identified by Ministerial Decree of 23 January 2002, and

(B) all the requirements and procedures set forth in Decree No. 239 and in the relevant application rules, as subsequently amended, in order to benefit from the exemption from "*imposta sostitutiva*" are timely met or complied with.

To ensure payment of interest and other proceeds in respect of the Notes without the application of the "*imposta sostitutiva*" investors indicated above sub-paragraph (b) must (i) be the beneficial owners of payments of interest and other proceeds on the Notes; (ii) timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with an Italian authorised financial intermediary; and (iii) in the event of non-Italian resident beneficial owners being holders of the Notes, according to Decree No. 350, as to interest and other proceeds in respect of the Notes payable starting from 1 January, 2002, file with the relevant depository a self-declaration

(no longer Model 116-IMP) stating, *inter alia*, to be resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information and not to be resident, for tax purposes, in tax haven countries included in the black list referred to in Article 76, paragraph 7-bis, of Presidential Decree 22 December 1986, No. 917, identified by Ministerial Decree of 23 January 2002. Such self-declaration is valid until withdrawn or revoked and must not be submitted in case that a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depositary.

Decree No. 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of interest and other proceeds in respect of the Notes made to (i) international bodies and organisations established in accordance with international agreements ratified in Italy; (ii) foreign institutional investors not subject to income tax or to other similar taxes, which are resident in countries which (a) allow an adequate exchange of information (as identified by Ministerial Decree of September 1996, as amended and restated) and (b) are not tax haven countries included in the black list identified by Ministerial Decree of 23 January 2002 and (iii) Central Banks, even if investing State reserves, that are eligible for the exemption from substitute tax as provided for by Decree No. 239.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 12.5% annual substitute 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 and other proceeds accrued on the Notes (which will not be subject to the *imposta sostitutiva*)). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Interest and other proceeds accrued on the Notes would be included in the corporate taxable income (and in certain circumstances, depending on the "status" of the Noteholders, also in the net value of production) of beneficial owners who are Italian resident corporations and permanent establishments in Italy of foreign corporation, subject to tax in Italy in accordance with ordinary tax rules. Accordingly, the *imposta sostitutiva* will not be levied.

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 and other proceeds accrued on the Notes (which will not be subject to the *imposta sostitutiva*)).

Starting from 1 January 2001, Italian resident pension funds subject to the regime provided by Artt. 14, 14-ter and 14-quater, paragraph 1, of Italian Legislative Decree No. 124 of 21 April 1993 are subject to a 11% annual substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest and other proceeds accrued on the Notes as of 1 January 2001 (which will not be subject to the *imposta sostitutiva*)).

Pursuant to Decree No. 351, the 12.5% *imposta sostitutiva* indicated above sub. paragraph (a) no longer applies to payments of interest and other proceeds in respect of the Notes to beneficial owners of Notes who are certain Italian resident real estate investment funds established, starting from 26 September 2001, pursuant to Art. 37 of Legislative Decree

24 February 1998, No. 58, and Art. 14-bis of Law 25 January 1994, No. 86. In particular, such Italian resident real estate investment funds are subject to an annual 1% substitute tax on the accounting net value of the fund.

However, according to Law Decree No. 351, Italian resident real estate investment funds already existing at the date of 26 September 2001 continue to be subject to 12.5% *imposta sostitutiva* on payments of interest and other proceeds on the Notes, unless the managing company of the funds opts for the application of the new regime, including the new tax regime, provided for by Law Decree No. 351.

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 in full or in part prior to eighteen months from the Issue Date, the Issuer of the Notes may be required to pay an additional amount equal to 20% of interest and other proceeds accrued on the Notes up to the time of the early redemption. In accordance with one interpretation of Italian fiscal law, also in the event of purchase of Notes by the issuer with subsequent cancellation thereof prior to eighteen months from the Issue Date, the Issuer may be required to pay the above additional amount equal to 20% of interest and other proceeds accrued on the Notes up to the time of the early purchase.

Capital Gains

Any capital gain realised upon the sale for consideration or redemption of the Notes would be treated as part of the taxable business income (and, in certain cases, depending on the "status" of the Noteholders, may also be included in the taxable net value of production), subject to tax in Italy according to the relevant tax provisions, if realised by Noteholders who are:

- (a) Italian resident corporations;
- (b) permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; or
- (c) Italian resident individuals carrying out a commercial activity, as to any capital gains realised within the scope of the commercial activity carried out.

Pursuant to Article 5, paragraph 2 of Italian Legislative Decree No. 461 of 21 November 1997, any capital gain realised by Italian resident individuals holding Notes not in connection with entrepreneurial activity and certain other persons upon sale for consideration or redemption of the Notes would be subject to an *imposta sostitutiva* at the current rate of 12.5%. Under the tax declaration regime (the "*Regime della dichiarazione*"), which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activity, *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by Italian resident individual noteholders holding Notes not in connection with entrepreneurial activity pursuant to all disposals on Notes carried out during any given fiscal year. Italian resident individuals holding Notes not in connection with entrepreneurial activity must report overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual

tax declaration to be filed with the Italian tax authorities for such year and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual noteholders holding the Notes not in connection with entrepreneurial activity may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the "*Risparmio Amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, *società di intermediazione mobiliare* (SIM) or certain authorised financial intermediaries and (ii) an express election for the "*Risparmio Amministrato*" regime being timely made in writing by the relevant Noteholder. The financial intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised at revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the taxpayer, deducting a corresponding amount from proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the "*Risparmio Amministrato*" regime, where a sale or redemption of the Notes results in capital loss, such loss may be deducted from capital gains subsequently realised within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the "*Risparmio Amministrato*" regime, the Noteholder is not required to declare capital gains in its annual tax declaration and remains anonymous.

Decree No. 350 has abolished, with effect from 4 August 2001, the *equalizzatore*, previously applicable in certain cases to capital gains realised under the tax declaration and *Risparmio Amministrato* regimes.

Any capital gains realised by Italian resident individuals holding Notes not in connection with entrepreneurial activity who have elected for the Asset Management Option will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to the Asset Management Tax to be applied on behalf of the taxpayer by the managing authorised intermediary. Under the Asset Management Option, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the Asset Management Option, the Noteholder is not required to report capital gains realised in its annual tax declaration and remains anonymous.

Any capital gains realised by Noteholders who are Italian resident collective investment funds will be included in the computation of the taxable basis of the Collective Investment Fund Tax.

Any capital gains realised as of 1 January 2001 by Noteholders who are Italian resident pension funds subject to the regime provided by Artt. 14, 14-ter and 14-quater, paragraph 1, of Legislative Decree No. 124 of 21 April 1993, will be included in the computation of the taxable basis of Pension Fund Tax.

The 12.5% final *imposta sostitutiva* may in certain circumstances be payable on capital gains realised upon sale for consideration or redemption of the Notes by non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 20, paragraph 1, letter f), No. 2 of Presidential Decree No. 917 of 22 December 1986 as amended by Legislative Decree No. 259 of 21 July 1999, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad (including the Luxembourg Stock Exchange) and in certain cases subject to filing of required documentation, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

In case the Notes are not listed on a regulated market in Italy or abroad:

- (i) pursuant to Article 5, paragraph 5 of Legislative Decree No. 461 of 21 November 1997, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from the *imposta sostitutiva* in the Republic of Italy on any capital gains realised starting from January 1st, 2002, upon sale for consideration or redemption of the Notes if they (i) are resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information (as identified by Ministerial Decree of 4 September 1996, as amended and restated) and (ii) are not resident, for tax purposes, in the tax haven countries included in the black list referred to in Article 76, paragraph 7-bis, of Presidential Decree 22 December 1986, No. 917, identified by Ministerial Decree of 23 January 2002 .

In such case, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the *Risparmio Amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate self-declaration stating to meet the requirements indicated under (i) and (ii) above;

- (ii) in any event, non-Italian resident persons or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with the Republic of Italy, providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of Notes.

In such case, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the *Risparmio Amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary appropriate documents which include, *inter alia*, a statement from the competent tax authorities of the country of residence of the non-Italian residents.

Inheritance and gift tax

According to Law No. 383 of 18 October 2001 ("**Law No. 383**"), starting from 25 October 2001, Italian inheritance and gift tax, previously payable on the transfer of the Notes as a result of death or donation, has been abolished.

However, according to the current literal interpretation of Law No. 383, for donees other from spouses, direct descendants or ancestors and other relatives within the fourth degree, if and to the extent that the value of gift attributable to each such donee exceeds Euro 180.759,91, the gift of Notes may be subject to the ordinary transfer taxes provided for the transfer thereof for consideration. Future official ministerial decrees or guidelines should clarify this point.

Moreover, an anti-avoidance rule is provided by Law No. 383 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains subject to the *imposta sostitutiva* provided for by Italian Legislative Decree No. 461 of 21 November 1997. In particular, if the donee sells the Notes for consideration within 5 year from the receipt thereof as gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift has never taken place.

Transfer tax

General

Pursuant to Italian Legislative Decree No. 435 of 21 November 1997, which amended the regime set forth by Royal Decree No. 3278 of 30 December 1923, the transfer of the Notes may be subject to Italian transfer tax (*tassa sui contratti di borsa*) in the following cases and at the following rates:

- (i) contracts entered into directly between private parties or between the parties through entities other than authorised intermediaries (banks, SIMs or other professional intermediaries authorised to perform investment services, pursuant to the Legislative Decree No. 415 of 23 July 1996, as superseded by Legislative Decree No. 58 of 24 February 1998, or stockbrokers) are subject to a transfer tax of Euro 0,0083 for every Euro 51,65, or part of Euro 51,65, of the price of the Notes;
- (ii) contracts between private parties through banks, SIMs or other authorised professional intermediaries or stockbrokers, or between private parties and banks, SIMs or other authorised intermediaries or stockbrokers, are subject to a transfer tax of Euro 0,00465 for every Euro 51,65, or part of Euro 51,65, of the price of the Notes;
- (iii) contracts between banks, SIMs or other authorised professional intermediaries or stockbrokers are subject to a transfer tax of Euro 0,00465 for every Euro 51,65, or part of Euro 51,65, of the price of the Notes.

In the cases listed above under (ii) and (iii), however, the amount of transfer tax cannot exceed Euro 929,62 for each transaction.

Exemptions

In general, transfer tax is not levied, *inter alia*, in the following cases:

- (i) contracts relating to listed securities entered into on regulated markets (e.g. the Luxembourg Stock Exchange);
- (ii) contracts relating to securities which are admitted to listing on regulated markets and finalised outside such markets and entered into:
 - (a) between banks or SIMs or other professional intermediaries authorised to perform investment services, pursuant to the Legislative Decree No. 415 of 23 July 1996, as superseded by Legislative Decree No. 58 of 24 February 1998, or stockbrokers among themselves;
 - (b) between authorised intermediaries as referred to in paragraph (a) above and non-Italian residents;
 - (c) between authorised intermediaries as referred to in paragraph (a) above, also non-Italian resident, and undertakings for collective investment in transferable securities;
- (iii) contracts relating to public sale offers for the admission to listing on regulated markets or relating to financial instruments already admitted to listing on said markets;
- (iv) contracts for a consideration of less than Euro 206,58;
- (v) contracts regarding securities not listed on a regulated market entered into between authorised intermediaries as referred to in (ii)(a) above, on the one hand, and non-Italian residents, on the other hand.

Proposed European Withholding Tax Directive

On 18 July 2001 the European Commission published a proposal for a Directive to ensure effective taxation of savings income in the form of interest payments within the European Union. Subject to a number of important conditions being met, it is proposed that member states of the European Union (each a "**Member State**" and together, "**Member States**") will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, 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 proposed Directive is not yet final and may be subject to further amendment and/or clarification; it is not possible to say what effect, if any, the adoption would have on the Notes or payments in respect thereof.

Subscription and Sale

Banc of America Securities Limited, Abaxbank Banca d'Investimento S.p.A. (together the "**Lead Managers**"), Natexis Banques Populaires (the "**Senior Co-Manager**") and Banca Nazionale del Lavoro S.p.A. (the "**Junior Co-Manager**" and, together with the Senior Co-Manager and the Lead Managers, the "**Managers**") have, pursuant to a subscription agreement dated the date hereof (the "**Subscription Agreement**") agreed with the Issuer to subscribe for the Notes at 100 per cent. of their principal amount. The Issuer will pay a combined management and underwriting commission of 0.20 per cent. of the principal amount of the Notes. The Managers are entitled to terminate the Subscription Agreement in certain limited circumstances prior to the issue of the Notes. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

United States of America

The Notes have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has further represented to and agreed with the Issuer and the other Managers that:

- (a) *No Offer to Public*: it has not offered or sold and, prior to admission of the Notes to listing in accordance with Part VI of the FSMA, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have

not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the FSMA;

- (b) *Financial Promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) *General Compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Republic of Italy

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

Each Manager has acknowledged that no application has been made by it to obtain an authorisation from Commissione Nazionale per le Società e La Borsa ("**CONSOB**") for the public offering of the Notes in the Republic of Italy.

Accordingly, 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 the Notes, this document nor any other offering material relating to the Notes other than to professional investors ("*operatori qualificati*") as defined in art. 31, paragraph 2, of CONSOB Regulation no. 11522 of 1 July 1998, as amended, pursuant to art. 100, paragraph 1, lett. a) and art. 30, paragraph 2, of D.Lgs no. 58 of 24 February 1998 (the "**Financial Laws Consolidation Act**") and in accordance with other applicable Italian laws and regulations. Any offer of the Notes 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 art. 107 of the Banking Law Consolidation Act, to the extent that they are 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 and the relevant implementing regulations.

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General Information

1. The issue of the Notes was authorised by a resolution of the board of directors of the Issuer on 18 June 2002.
2. The principal source of payment of interest and repayment of principal on the Notes will be from Collections made in respect of the Receivables.
3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code and ISIN for the Notes are as follows:

Common Code:.....014973869

ISIN:.....XS0149738691

4. The estimated annual fees and expenses payable by the Issuer in connection with the transaction described herein amount to approximately €377,665 per annum (excluding the fees which have already been paid up-front).
5. Since 8 April 2002 (being the date of incorporation 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.
6. No statutory accounts within the meaning of Article 2423 and following the Italian Civil Code or non-statutory accounts have been prepared in respect of any financial year of the Issuer. The first statutory accounts of the Issuer will be prepared for the period ending 31 December 2002.
7. 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 document, a significant effect on the Issuer's financial position nor, so far as the Issuer is aware, are any such proceedings pending or threatened.
8. Since 8 April 2002 (being the date of incorporation 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.
9. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.
10. Save as disclosed in this document, as at the date of this document, 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.
11. PricewaterhouseCoopers S.p.A., auditors to the Issuer, have given and not withdrawn their written consent to the inclusion herein of their report in the form and context in which it is included and have authorised the contents of that part of the listing particulars for the purposes of Regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.

12. Copies of the following documents (and the English translations thereof, where applicable) will be available for inspection (and in respect of paragraph (b) and (c) below, for collection) during usual office hours on any weekday at the principal office of the Issuer, the registered office of the Trustee and the specified office of the Principal Paying Agent:
- (a) the *statuto* and *atto costitutivo* of the Issuer;
 - (b) the latest annual audited financial reports of the Issuer. No interim financial reports will be produced by the Issuer;
 - (c) the Weekly Calculation Reports in respect of the performance of the Receivables prepared by the Servicer;
 - (d) copies of the following documents:
 - (i) the accountants' report of the Issuer dated the date hereof;
 - (ii) the Paying Agency and Agent Bank Agreement;
 - (iii) the L/C Agreement;
 - (iv) the Cash Management Agreement;
 - (v) the English Account Bank Agreement;
 - (vi) the Collection Account Bank Agreements;
 - (vii) the Collection Account Bank Guarantees;
 - (viii) the Quotaholders Agreement;
 - (ix) the Subscription Agreement;
 - (x) the Deed of Charge;
 - (xi) the Deed of Pledge;
 - (xii) the Issuer Corporate Services Agreement;
 - (xiii) the Receivables Purchase Agreement;
 - (xiv) the Servicing Agreement;
 - (xv) the Trust Deed (which includes the form of each Note); and
 - (xvi) the Deposit Account Bank Agreement.

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