Italian Minibond Day

London — 26th February 2014

INDEX

THE ITALIAN CORPORATE FINANCE REFORM

Ministero dello
Sviluppo Economico

EDITED BY STEFANO FIRPO

CHIEF OF THE ITALIAN MINISTRY OF ECONOMIC DEVELOPMENT'S TECHNICAL SECRETARIAT

The Italian Corporate Finance Reform

by Stefano Firpo, *Chief of the Italian Ministry of Economic Development's Technical Secretariat*

"Bank-centrism" has always been one of the key features of the Italian financial system. Traditionally, banks would provide Italian businesses with almost all the financial resources they needed in order to sustain investments and development.

This is the underlying reason behind a structural gap that Italy now must bridge, as it results in reduced competitiveness of Italian firms on the international markets.

As Bank of Italy Governor Ignazio Visco has authoritatively recommended on several occasions, it is necessary for businesses to increasingly diversify financial sources, in order to rely less and less on the banking system, most notably by having direct access to capital markets both in terms of equity and debt.

This would also make it possible to benefit best from one of the country's biggest assets, i.e. the considerable amount of savings set aside by Italian households (according to the Bank of Italy, the amount is nearly 3,700 billion Euros), and to modernize Italy's financial system through the creation of a virtuous circle between economic growth and savings.

Italian enterprises are still heavily reliant on bank loans, which provide over half of their total financial resources. Conversely, resources generated by issuing debt instruments are still very limited (4%) especially in comparison with other countries, and the same holds true with respect to equity (15%): taken together, they account for less than 1/5 of the overall resources. In France and Germany the same rate is 1/3, while in the UK it is well over half.

Bank loans have grown considerably in Italy especially in the period between the start of the Euro and the beginning of the financial crisis. Following Italy's entry into the EMU system, access to credit has become easier, and bank loans a sort of commodity. As a consequence, bank-centrism has grown increasingly prominent, with banks handing out resources well beyond the trend of investments and industrial production. The financial leverage reached by Italian companies is

around 6 % higher than the average recorded throughout the Euro area.

It must also be pointed out that such resources have also been badly distributed among the various economic sectors. According to some studies, priority has been given to industries that are recording the lowest productivity growth rates. Such allocation of resources has resulted in a reduction of the overall productivity in the manufacturing industry.

One of the most relevant consequences of the recent economic recession is a strong reduction in bank loans. The decrease has been so considerable that it is even being referred to as "credit crunch". In comparison with the peak reached in November 2011, loans granted to businesses have dropped by around 100 billion Euros (i.e. 11% of the overall amount).

The major consideration that can be made in this regard is that this reduction cannot be deemed a mere temporary effect, but rather should be seen as the beginning of a structural deleveraging process, which might soon increase in scope. According to various forecasts, over the next few years loans to Italian companies might decrease by another 160-200 billion Euros, without considering the fact that firms must convert debt instruments into equity in order to bring their leverage on a level that is more in line with that of their international competitors. The Bank of Italy's Deputy Governor Fabio Panetta has recently stated that this process might request additional financial resources, whose amount may range between 150 and 220 billion Euros.

As a consequence, Italian companies will have fewer and fewer opportunities to access bank loans. Additionally, another element has also emerged over the last few years, and that is the fact that loans imply increasingly greater costs. Until the beginning of 2010 Italian businesses paid interest rates that were broadly in line with those of German and French companies, whilst now a gap has appeared, reflecting the spread between sovereign bonds. Now such spread is of around 180 basis points in connection with medium-term loans of the smallest size (up to 1 million Euros).

There are several causes behind the limited capability of Italian banks to grant loans, but basically can be ascribed to both new international

regulations and the consequences of recession on a global level. The overall effect is a trap that stifles investments.

More specifically, the causes that have engendered this situation are the following:

- Basel 3 regulations, setting capital requirements and limitations to liquidity management that are more stringent and pro-cyclical than in the past. Their implementation has been a missed opportunity for the Italian banking system, which could have adopted a more market-oriented approach. The adoption of internal ratings and nearly automatic creditworthiness assessment methods has effectively undermined the ability to assess a debtor's risk profile, with a consequent increase in "*risk warehousing*" for banks.
- The growing amounts of NPLs, as a consequence of the recession. According to the latest data provided by the Bank of Italy, in December 2013 the total amount of gross NPLs was about 156 billion Euros, while net NPLs reached 80 billion. This figure is equal to 4.1% of the total loans.
- The asset quality review by the ECB, which by October 2014 might point either to a need for further recapitalization or to an asset reduction. Recent announcements and rumors concerning capital increases by several Italian banks is a first indication of what might happen over the next few months.
- The persistence of a funding gap between deposits and loans, especially for long term maturity, as a result of the "flight to quality" approach adopted by investors. Current market scenarios make it absolutely necessary to bridge such gap; as a result, in spite of the ongoing growth of deposits, it may be necessary to further reduce the loans.

Thus it is necessary to radically rethink the debt structure of Italian companies, and identify a strategy that may serve as an alternative to bank loans.

Firstly, this goal can be achieved through an increase of companies' equity. This requires the adoption of regulations and tax laws aimed at facilitating investments in corporate capital. Instruments like ACE and

subordinate and profit participation bonds can play a key role in this process, and consequently should be promoted.

Secondly, greater emphasis should be placed on credit assessment methods, so as to reduce the "*risk warehousing*" of banks, and consequently lead the system to a more market-oriented scenario.

In brief, corporate finance can no longer constitute a weakness for Italian firms competing on the international arena, but must become a strength.

This is the objective that the Italian government has pursued over the last few years since the implementation of two "Development Decrees" in 2012. As a result of the corporate finance reform, the scenario has radically changed, with the growing liberalization and competitiveness of the financial sector, and the creation of an intermediation circuit now connecting savings and investments directly.

Notably, numerous barriers preventing access and participation in the capital market by previously excluded issuers – such as unlisted medium and small-sized enterprises - have been removed.

The aim is to permanently channel part of the resources available, especially those deployed on a long-term basis (first and foremost savings and investments in retirement plans and in the insurance sector), which so far have been mainly invested in "sovereign assets" or in instruments representing foreign companies, toward a new asset class: bonds issued both by unlisted medium and large-sized companies and by SMEs.

The issuers concerned are the high-end section of the country's corporate sector (the so-called "Fourth Capitalism"), comprising at least 5,000-15,000 companies (indeed, according to some estimates their number is as high as 30,000), which may gain exposure to Italian and international investors, especially those looking for high yields.

In practice, measures introduced under the "Development Decrees" concern debt instruments, which may be issued either on a short term basis (commercial paper) or on a medium and long term one (bonds), which may also be constituted by profit participation instruments.

The limitations previously provided for by Art. 2412 of the Italian Civil Code regarding bonds listed by joint-stock companies ("S.p.A."), which

could not be in excess of twice the company's corporate capital, have been removed.

Moreover, tax legislation has been made more consistent, extending also to unlisted companies issuing debt instruments the possibility of deducting interest payable, in accordance with the laws applied to listed companies. The new legislation concerns bonds listed on regulated markets or on multilateral trading systems, i.e. those underwritten by qualified investors who hold up to 2% of the company's capital.

Additionally, another change concerns the possibility of deducting, for tax purposes, issuance costs in order to avoid double taxation, and of excluding withholding taxes on proceeds received in connection with bonds sold on regulated markets or multilateral trading systems adopted by EU Member States or White List countries.

The introduction of this reform, which became fully operational at the end of 2012, has enabled a large number of issuance operations concerning bonds of various sizes. The value of such transactions has reached nearly 6 billion Euros, and the issuance of so-called "minibonds", sized only few million Euros, is on the rise. Moreover, several institutional investors are building funds for the purpose of investing in these instruments.

The Destination Italy Decree, finally enacted by the Italian Parliament a few days ago, is a further step of the sweeping reform concerning Italian corporate finance.

The new legislation introduced some further major regulatory and fiscal reforms, aimed at facilitating the issuance of these instruments and promoting the development of their market.

From a fiscal point of view, the major innovations are the following:

- ✓ A reduction of the indirect fiscal pressure exerted on secured loans (mortgages, pledges over shares, or over quotas of S.r.l. companies, intellectual property patents), either granted by banks or not. This measure is expected to have a major impact especially on the issuances of "minibonds", which are extremely likely to be issued as secured instruments.
- ✓ The possibility of establishing a dedicated guarantee ("*privilegio speciale*") on fixed assets used for business purposes, currently

possible only in case of bank loans, also for bonds emissions. Consequently, businesses intending to issue bonds can avoid having recourse to alternative forms of guarantees, such as mortgages.

- ✓ The removal of the withholding tax on proceeds paid out to closed bond funds held by qualified investors, and proceeds paid to companies issuing bonds in connection with securitization transactions, thus making the inclusion of these intermediaries in an investment structure fiscally neutral.

From a legal and regulatory point of view, the biggest changes are the following:

- ✓ The streamlining of securitization procedures (e.g. now receivables may also not be transferred necessarily in block) and the possibility of extending the relevant legislation also to operations concerning bonds, with the expected result of helping the creation of new investment intermediaries that operate as underwriters of such bonds, and thus of boosting the market.
- ✓ The possibility of using bonds, secured stocks and quotas of funds investing mainly in such bonds, as assets for the purposes of covering technical reserves in insurance companies and in compliance with the investments limitation requirements applicable to pension funds. The aim is to promote them as part of the portfolio of these institutional investors.
- ✓ The possibility of including among securities used in the collateral pool for bonds issued by banks also corporate bonds and loans to SMEs.
- ✓ The possibility for the National Guarantee Fund ("*Fondo Centrale di Garanzia*") to provide coverage also to investment companies ("SGR"), with respect to both single bonds issued by SMEs and to entire portfolios of such instruments.
- ✓ Inclusion of overdrafts on current accounts among the secured assets that may be used as collateral in refinancing operations in connection with the Eurosystem of Central Banks.

The attempt made at extending the market for corporate bonds so as to include also institutional investors has already brought the first results. On January 23, 2014 IVASS, the Italian Insurance Supervisory Authority, has officially announced a forthcoming amendment to the legislation on investments that can be used for the purpose of covering assets, which will start affecting the investments used for such purpose in the first quarter of 2014. Two new investment classes have been included: bonds issued by unlisted companies and ABS derived from securitization transactions. Insurance companies will be able to invest in each of the new categories up to the limit of 3% of their assets.

CERVED GROUP RATING MODEL

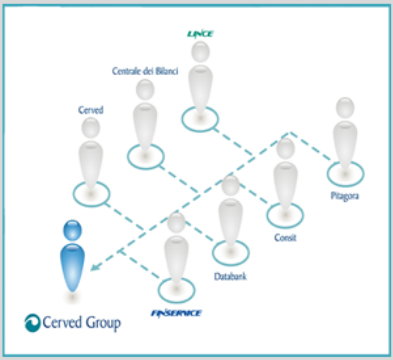
COMPANY PRESENTATION

Company History

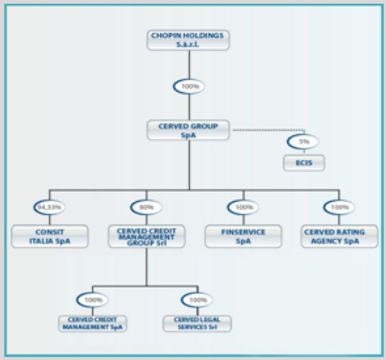
Company Key Numbers

Current company Status

Company History

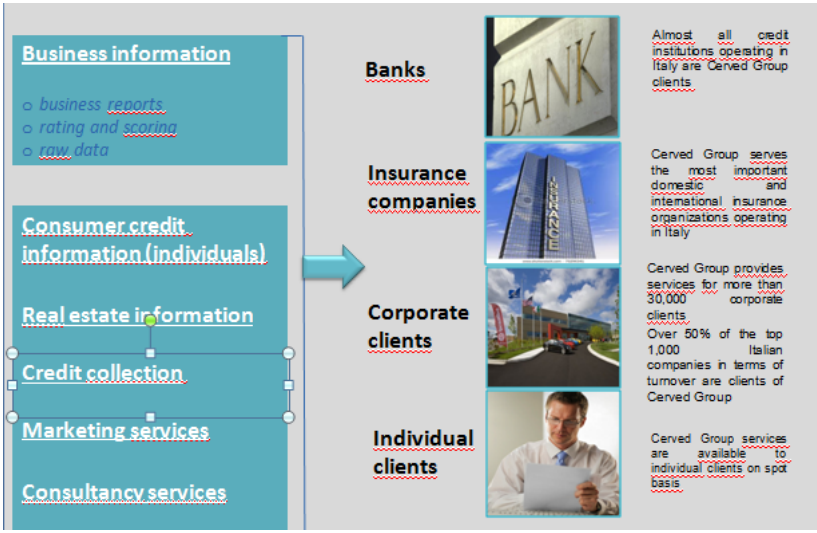


Cerved Group is the result of the merger of seven companies, each one a leader in its own sector



Currently Cerved Group is owned by CVC Capital Partners

Cerved Group Market Landscape



Company Key Numbers

More than **1,000 employees**, **120** of them are **credit rating analysts**

More than **30,000 clients**

Cerved Group database contains:

- **>13,000,000 balance sheets**
- **>57,000,000 payment experiences**
- **>10,000,000 official company functions**
- **>42,000 Italian groups**
- **>623,000 geo-referenced companies**

Revenues 2013 (exp) 310 Mil €

EBITDA 2013 (exp) 150 Mil €

CURRENT CERVED GROUP STATUS

EC Regulation on CRAs

Regulation EC 1960/2009

- Cerved Group is registrated as European Credit Rating Agency (CRA).

ECAI Regulation

Domestic Regulation relative to use of external ratings for regulatory purposes [Circolare BI 263/2006]

- Since 2008 Cerved Group is the first and the only Italian ECAI recognized by Bank of Italy. Italian commercial banks use Cerved Group ratings for regulatory purposes (e.g. for credit risk weighting and for calculation of the relative capital requirement)

ECB Rating Tool Regulation

Acceptance criteria for third-party Rating Tools within ECAF Framework

- Cerved Group ratings are used to determine eligible assets for a certain type of monetary policy operations performed by Eurosystem.

CERVED GROUP RATING MODEL

- **Data sources**
- **Default definition**
- **Model segmentation**
- **Model Components**
- **Rating Process**
- **Rating scales comparison**

DATA SOURCES

Data	Sources	Rating Variables	Type of source	Requirement criteria		
				Large Corporate	Limited Companies	Unlimited & Partnership
Balance sheet *(13,000,000)*	Italian Chambre of Commerce	Financial ratios Filing date Size (turnover/total assets)	External	Required	Required	Not available
Descriptive information *(6,000,000 registered companies)*	Trade Register Information (Italian Chambre of Commerce)	Firm age, location, management, shareholders, partnerships ...		Required	Required	Required
Negative events and proceedings *(10,000,000)*		Protests (on cheques and bills of trade)		Check required	Check required	Check required
		Bankruptcies and other legal proceedings		Check required	Check required	Check required
	National real estate database	Real Estate negative charges	External	Check required	Check required	Check required
CIGS (Wage Supplementation Fund) *(16,000)*	Ministry of Employment	Wage Supplementation details	External	Check required	Check required	Check required
Payline database *(57,000,000)*	Company's suppliers	Company's Trade payments behavioral ratios	Internal	Optional	Optional	Optional
On-line accesses on CG databases	Cerved Group Business Info	Cerved Group on-line access frequencies & trend	Internal	Required	Required	Required
Direct Contact with company's commercial partners	Company's commercial partners	Unofficial information about company status, behavior on payments and trends	Internal	Optional	Optional	Optional
Company's news	Magazines and media	Negative news	External	Check required	Check required	Check required
Company's website	Web	Company presentation and products and services	External	Required	Optional	Optional
Company's group	CG Italian Groups database	Group's relationships	Internal	Check required	Check required	Check required
Macro-economic & micro-economic data	Official statistics (Eurostat, Istat, Bank of Italy...)	Macro/sectoral/geographical statistics	External	Required	Required	Optional
		Macro/sectoral/geographical forecasting (internal models)	Internal			

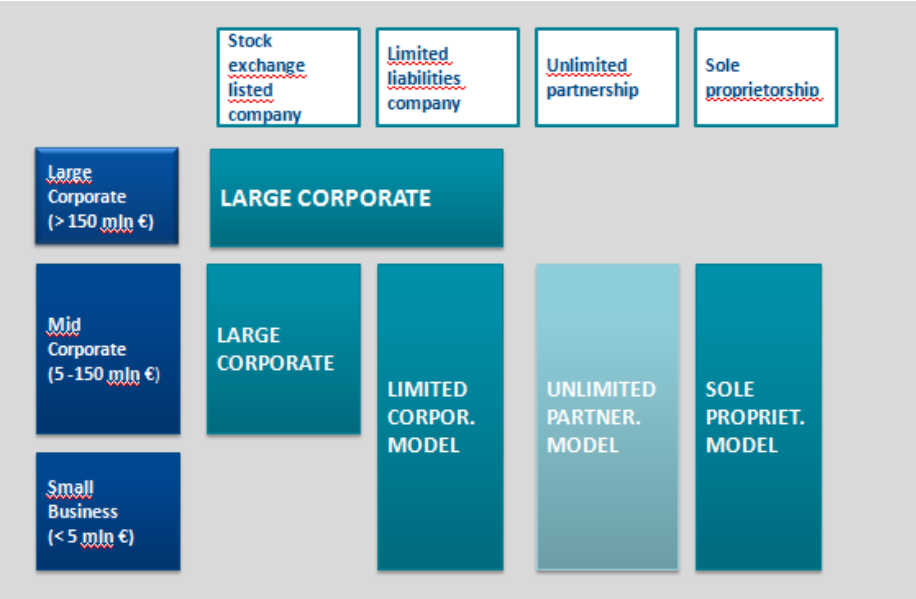
INTERNAL DEFAULT DEFINITION

The new models have been developed on a broad definition of default. It includes:

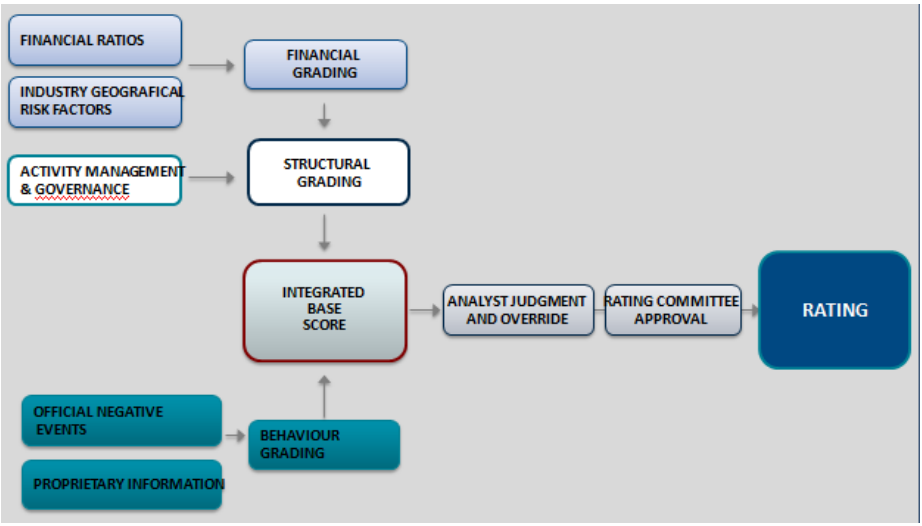
- bankruptcy and other legal procedures
- debt restructuring (1)
- missed or delayed disbursement of a contractually required interest or principal payment

(1) The Italian bankruptcy law rules from 2008 also debt restructuring agreement, if registered by a court (art. 182).

RATING MODEL SEGMENTATION



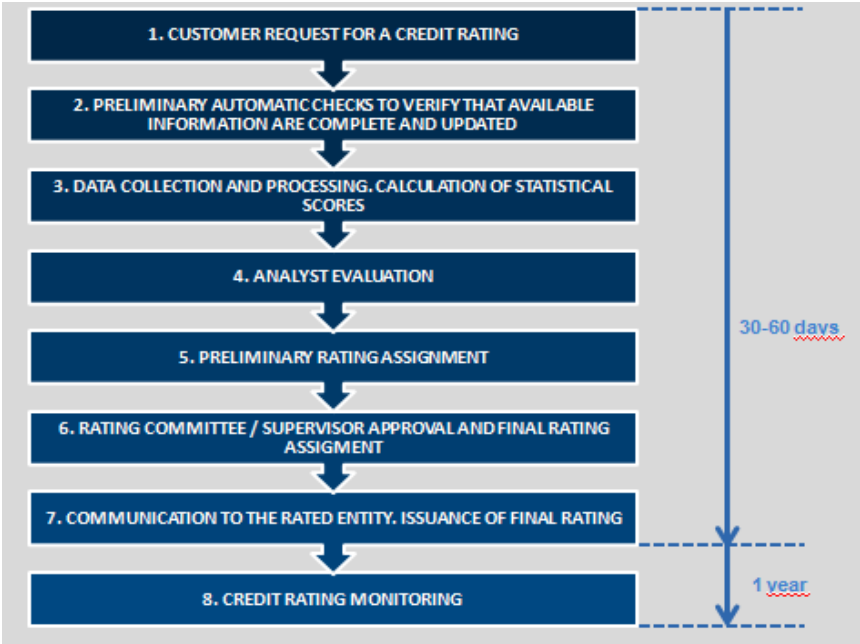
RATING COMPONENTS



RATING SCALE COMPARISON

Cerved Group	S&P's	Moody's	Fitch	
A1.1	AAA	Aaa	AAA	Investment Grade
A1.2	AA+ / AA	Aa1 / Aa2	AA+ / AA	
A1.3	AA-	Aa3	AA-	
A2.1	A+	A1	A+	
A2.2	A	A2	A	
A3.1	A-	A3	A-	
B1.1	BBB+ / BBB	Baa1 / Baa2	BBB+ / BBB	
B1.2	BBB-	Baa3	BBB-	
B2.1	BB+ / BB	Ba1 / Ba2	BB+ / BB	Speculative Grade
B2.2	BB-	Ba3	BB-	
C1.1	B+ / B	B1 / B2	B+ / B	
C1.2	B-	B3	B-	
C2.1	CCC / C	Caaa /Ca /C	CCC / C	

RATING PROCESS



ITALIAN MINIBOND PROJECT

DIRECT EXPOSURE TO ITALIAN SMES

Banca Popolare di Vicenza

Tradizione e futuro

BANCA POPOLARE DI VICENZA S.C.P.A.

The Minibond Law

The Italian Parliament passed in 2012 a new bill enabling SMEs to issue small size bonds (2.5-to-50 mln euro)

The Initial Target Group

BPVi has preliminarily identified a group of about 800 SMEs meeting the following criteria:

- existing BPVi clients with comprehensive a long term relation with the bank
- last 2 year accounts bearing a net profit
- Ebitda > 10%* Turnover
- Rating already appointed by ECAI with PDs varying from 0.13% to 1.50%

The BPVi Proposal

- Joint efforts to underwrite minibonds issued by the target group
- Shared methodology to select eligible counterparties
- Full transparency of the due diligence process and creditworthiness evaluation through **external credit rating**

The Target Yield

- The portfolio will target a yield of ca 6.50% (unlevered and un-tranched return)

The legal framework

- DL Svilu ppo
    - DL 83 June 2012
- DL Sviluppo
    - DL 221 December 2012

Key Points

- Tenor
    - From 36 to 84 months
- Issuer cost
    - [5-7%] coupon – mid swap + 450-650bps
- Amount
    - Eur [2.5-50] min
- Redemption
    - Bullet
- Placement fee
    - [tba]%
- Listing
    - ExtraMOT PRO

Audit Accounts

- 2013
    - mandatory
- Support
    - Top-class auditing firm to sign framework agreement to provide auditing services at pre-defined cost and time frame

Credit Profile

- Internal Rating
    - BPVi will submit prospective clients to his internal rating system
- Ext. Rating
    - External rating provided by ECAI specialised in SMEs

Eligibility criteria

- Industry concentration limits to be set
- Granular distribution of the exposure

BPVi Internal Rating

- BPVi will pre-emptively submit client application through its internal approval process
- Proposed transaction will bear positive recommendation of BPVi credit dept.

External Rating

- External rating agency (ECAI) will appoint its rating and provide periodic surveillance

Placement

- BPVi will provide full underwriting of the securities and will retain at least 5.00% of each transaction

New Issue

EXTERNAL RATING

Rating Agency

The rating agency is registered with Consob and enjoys European approvval as ECAI. The rating agency is registered in accordance with Regulation (EC) no 1060/2009 of the European Parliament and the Council of 16 Sept 2009 on credit rating agencies (the Credit Rating Agencies Regulation).

It provides an external and objective assessment of the creditworthiness of prospective clients.

Rating

It is a solicited rating based on public available information and Rating agency proprietary information. Client specific data set might be added to the client application.

The surveillance is active on a daily basis and the rating has to be reconfirmed on an annual basis following an on-site review

Rating methodology is public and can be discussed with the rating agency

KEY POINTS FOR THE ISSUERS

More Favourable Tax Treatment

Investors are not charged any with-holding tax (20%)

Covenant

Financial and non-financial covenants are to be be negotiated e.g.

- Change of Ownership,
- Interest Coverage,
- Leverage Ratio,
- Net Financial Debt/Ebitda,
- Disposal of Assets
- Negative Pledge

HOW TO GET THE EXPOSURE

Underwriting of the Securities

Investors can buy the bond at issuance or in the secondary market (if available)

Closed-end Fund

A portfolio of bonds can be the underlying asset of a closed-end fund

PIPELINE & RISK REWARD PROFILE…

Where We Are

After 4 months of origination we have a pipeline of 20-30 names by 1H2014

Main Features

- Average issue size: Euro [10/15] mln

- Average 1 Year PD: [0.80-1.00]%
- Average Yield: [6.15]%
- Equity Kicker: yes if not listed
- Industries: utility, mechanic, automotive, wine, steel maker, logistics, organic farm&food products, chemicals

…

Comparison based on historical 3 year CDR (source Cerved)

Cerved Group Rating	Rating S&P	Rating Moody's	Rating Fitch	
A1.1	AAA	Aaa	AAA	Investment Grade
A1.2	AA+ / AA	Aa1 / Aa2	AA+ / AA	
A1.3	AA-	Aa3	AA-	
A2.1	A+	A1	A+	
A2.2	A	A2	A	
A3.1	A-	A3	A-	
B1.1	BBB+ / BBB	Baa1 / Baa2	BBB+ / BBB	
B1.2	BBB-	Baa3	BBB-	
B2.1	BB+ / BB	Ba1 / Ba2	BB+ / BB	Sub Investment Grade
B2.2	BB-	Ba3	BB-	
C1.1	B+ / B	B1 / B2	B+ / B	
C1.2	B-	B3	B-	
C2.1	CCC / C	Caaa /Ca /C	CCC / C	

60% of the prospective issuers

40% of the prospective issuers

ITALIAN MINIBONDS: AN INVESTMENT OPPORTUNITY

KNG SECURITIES LLP

LONDON

SMEs IN EUROPE

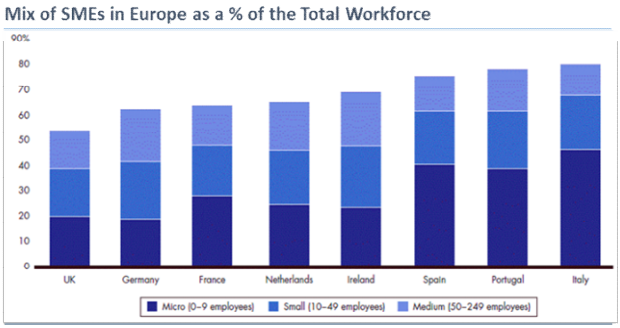
In Europe, SMEs provide two of every three jobs. SMEs play an even more prominent role in Italy, Portugal and Spain, where they account for 20% more employment than the European average.

Microenterprises, with fewer than 10 employees, account for 47%, 41% and 39% of employment in Italy, Spain and Portugal, respectively, compared with 30% across Europe.

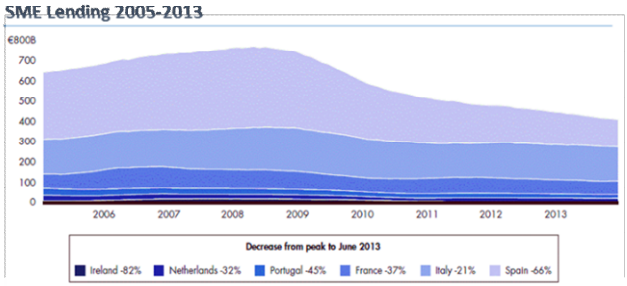
The size of SMEs and how they are managed varies significantly from country to country. For example, the average SME in Germany is more than twice as large as its counterparts in Italy and Spain. German SMEs - the *Mittelstand* - often have separate ownership and management, while firms in Italy and Spain typically are family owned and managed. The sophistication and professionalism of SMEs' management across the EU vary significantly.

New bank lending to SMEs (using loans of less than €1 million as a proxy) has declined by 47% since the pre-crisis peaks. Declines from the peaks range from 21% to 45% for Italy, the Netherlands, France and Portugal and were 66% for Spain and 82% for Ireland.

Each country is unique, but common factors have contributed to a fall in SME lending. Tighter credit standards in the majority of quarters since 2009 (see Figure 3). Banks are setting more stringent collateral requirements and lower loan-to-value ratios on real estate, as well as seeking larger personal guarantees. SMEs have borne the brunt of these measures through diminished credit availability in most half-year periods since the ECB began surveying them in 2009 and higher funding costs in some, but not all, of the countries in the Euro Area core.



Source: European Commission Annual Report on Small and Medium-sized Enterprises in the EU



Source: National Central Banks

SMEs in Europe: Supply and Demand of Credit

Smaller and regional lenders, such as the former cajas in Spain and the regional banks in Italy, traditionally provide a much higher share of SME lending than their larger peers. As many of these institutions now are deleveraging faster than their peers, their customers have struggled to find credit from other lenders.

For Issuers, credit demand has shifted from investment to working capital needs. The reasons include:

- Short term funding to build new customer relationships or adapt their products
- Delay of payment by customers, including local and regional authorities

To gauge the supply of credit from banks to SMEs, the ECB asked the

SMEs, "For each of the following ways of financing, would you say that their availability has improved, remained unchanged or deteriorated for your firm over the past six months?" referring to bank loans. Average tightening/easing refers to the weighted percentage of banks indicating a tightening/easing of credit availability.

To gauge the demand of credit from SMEs to banks, the ECB asked the SMEs, "For each of the following ways of financing, could you please indicate whether you applied for them over the past six months?" referring to bank loans. Percentage is weighted according to the number of employees in each firm.

Supply of Credit, according to SMEs: 2009-2012H2

	Tightened, most recent six months		Eased, most recent six months	
	Number of half-year periods	Average tightening, %	Number of half-year periods	Average easing, %
France	8	-15.9	0	–
Ireland	8	-42.6	0	–
Italy	7	-20.9	1	1.0
Netherlands	8	-31.1	0	–
Portugal	7	-36.6	1	3.0
Spain	8	-30.8	0	–

Source: ECB Access to Finance of SMEs (SAFE)

Demand of Credit, according to SMEs: 2009-2012H2

	Applications for credit, % of respondents		Number of decreases from half-year to half-year
	2009H1	2012H2	2009H1–2012H2
France	26	28	2
Ireland	17	14	4
Italy	33	25	3
Netherlands	17	12	3
Portugal	20	15	4
Spain	37	27	3

Source: ECB Access to Finance of SMEs (SAFE)

SMEs in European Exchanges

A number of European exchanges have recently developed SME-targeted bond platforms in response to the lack of bank credit availability for these businesses caused by the financial crisis and stricter capital requirements.

Policymakers as well as exchange officials have created new exchanges specifically for SMEs and midcaps. Each exchange has their own

unique listing requirements, such as whether the investors are professional or retail, and if they are qualified or not.

Issuing bonds on these exchanges provides benefits to both Issuers and Investors.

FEB 2010 In England, the LSE opened a special platform focusing on the trade of retail bonds, referred to as the Order Book for Retail Bonds (ORB) for both professional and retail investors

DEC 2010 Regional German stock exchanges (Dusseldorf, Frankfurt, Hamburg/Hanover, Munich, Stuttgart) have successfully launched SME bond market platforms. The majority of these issues have been EUR 50mm or less in size and are available to both professional and retail investors

FEB 2013 Borsa Italiana created ExtraMOT Pro, strictly for qualified and professional investors

MAY 2013 EnterNext, NYSE Euronext's new SME marketplace, was launched in Brussels and covers over 750 SMEs listed on the regulated markets of NYSE Euronext and NYSE Alternext, open to both professional and retail investors

OCT 2013 The Ministry of Economy in Spain created the MARF, for domestic and foreign qualified investors

ITALIAN MINIBOND MARKET

Since 2012, the Italian Government has started to introduce rules aimed at facilitating the issuance of debt instruments by unlisted companies – called 'minibonds' (the term refers to their lower average size if compared to bonds issued by listed companies). To date, there have been around 20 issuances of minibonds in Italy, with an average size higher than EUR 100mm, but the market is expecting the pipeline to expand considerably in 2014.

What is a Minibond?

The Government Decree no. 83/2012 and subsequent amendments (Government Decrees no. 179 / 2012 and no. 145 / 2013), introduce the possibility for non listed companies to issue debt instruments (Minibond) under the following conditions:

- the issuance has a sponsor, generally a local bank, if the company is classified as an SME according to the EU Recommendation no. 2003 / 361 (section 32, paragraph 18, Government Decree no. 83/2012)
- The last financial statements have been audited by a registered statutory auditor
- The securities issued will be sold (both on primary and secondary markets) solely to qualified investors

Minibonds are issued medium to long term, enabling greater coherence between the average duration of assets and average duration of liabilities by lengthening the average maturity of the sources of financing of the issuer.

Minibonds can be traded on ExtraMOT Pro, the Professional Segment of ExtraMOT, dedicated to the listing of bonds, commercial papers and local and project bonds. The new segment was created to offer to corporates, especially SMEs, a national, flexible and cost effective market through which to take opportunities and tax benefits arising from the new regulatory framework.

Monte Titoli is the sole depository for minibonds.

A way to diversify debt and mitigating risks related to a strong

dependence on banks, Minibonds are thus a financing option for all those corporates that, despite being healthy or even growing, are experiencing difficulties in financing themselves through 'traditional' means (i.e. loans or factoring), especially due to their size.

Borsa Italiana has broadened its bond market offering with a new professional segment on its ExtraMOT market, dedicated to the trading of debt instruments issued by both listed and unlisted Italian companies.

The new segment, called ExtraMOT PRO, has been launched to offer listed and unlisted Italian companies of any size a national market on which to benefit from opportunities arising from recently-implemented regulatory reforms (Decree-Law No. 83/2012).

ExtraMOT PRO is specifically targeted at professional investors, and adopts a more flexible regulatory approach in terms of admission and disclosure requirements. This reduces the time and cost associated with listing, while retaining an appropriate level of regulation for participants.

As part of London Stock Exchange Group, the new segment will offer issuers exposure to a broad, international network of professional investors.

ExtraMOT Pro features:

- Initial and reporting requirements less costly and stringent
- Faster and cheaper listing procedure
- EU directive on prospectuses not applicable
- Liquidity support
- Issue outstanding limit in line with listed companies
- Wide network of professional investors
- Well known market, eligible to the Eurosystem operation (ECB)
- Electronic trading MiFID compliant and straight-to-process
- Optional specialist, also Bid only, to offer an official daily price to investors
-

"With the introduction of this new segment we can play an important role in the evolution of debt capital fundraising, as issuers seek alternatives to traditional bank lending across Europe. ExtraMOT PRO provides companies with a flexible and accessible route to a specific section of the public fixed income markets, without an overbearing listing process.The new segment is part of ExtraMOT, the fixed income MTF operated by Borsa Italiana, which counts the European Central Bank among its issuers".

Pietro Poletto, Head of Fixed Income Markets London Stock Exchange

THE ITALIAN MINIBOND MARKET: ISSUERS

ExtraMOT Pro Issuers

There have been 25 Issuers as of January 2014 with a diverse range of issue sizes and payment ranks.

THE ITALIAN MINIBOND MARKET: SNAPSHOT

	ISSUER	ISIN	ISSUE DATE	MATURITY	CRNCY	AMT ISSUED	PAYMENT RANK	INDUSTRY	MOODYS	S&P	BID PX	ASK PX	BID YLD	ASK YLD
1	Cerved Technologies	XS0876813600	29/01/2013	15/01/2020	EUR	300,000,000	Secured	E-Marketing/Info	B2	B	106	106.75	5.18	5.04
	Cerved Technologies	XS0876829945	29/01/2013	15/01/2019	EUR	250,000,000	Secured	E-Marketing/Info	B2	B	-	-	-	-
	Cerved Technologies	XS0876835595	29/01/2013	15/01/2021	EUR	230,000,000	Sr Subordinated	E-Marketing/Info	B3	CCC+	105.75	106.5	6.94	6.80
2	IVS F. S.p.A.	XS0911441409	04/04/2013	01/04/2020	EUR	200,000,000	1st lien	Commercial Services	-	BB-	105	105.375	6.13	6.06
3	Buscaini Angelo S.r.l.	IT0004899594	08/04/2013	08/04/2015	EUR	10,000,000	Sr Unsecured	Food-Retail	-	-	106.826	106.883	-	-
4	Teamsystem Holding S.p.A.	XS0808638372	07/05/2013	15/05/2020	EUR	300,000,000	1st lien	Computer Software	B2	B	104.625	105.375	6.46	6.32
5	Sisal Holding Istituto di Pagamento S.p	XS0931919947	15/05/2013	30/09/2017	EUR	275,000,000	1st lien	Internet Gambling	B1	B	102.375	103	6.49	6.29
6	Fide S.p.A.	IT0004923725	03/06/2013	03/06/2016	EUR	2,700,000	Sr Unsecured	Finance-Other Services	-	-	-	-	-	-
7	Caar S.p.A.	IT0004923816	01/07/2013	01/07/2018	EUR	3,000,000	Sr Unsecured	Engineering/R&D Services	-	-	-	-	-	-
8	Gamenet S.p.A.	XS0954289913	01/08/2013	01/08/2018	EUR	200,000,000	1st lien	Internet Gambling	B1	B+	101.75	102.5	6.78	6.59
9	Manutencoop Facility Management S.	XS0808635352	02/08/2013	01/08/2020	EUR	425,000,000	1st lien	Building-Maint&Service	B2	B+	107	107.75	7.13	6.99
10	IFIR S.p.A.	IT0004953201	02/08/2013	02/02/2015	EUR	114,000	Sr Unsecured	Finance-Consumer Loans	-	-	-	-	-	-
	IFIR S.p.A.	IT0004953235	02/08/2013	02/08/2017	EUR	2,570,000	Sr Unsecured	Finance-Consumer Loans	-	-	-	-	-	-
11	Primi sui Motori S.p.A.	IT0004954381	08/08/2013	08/08/2016	EUR	16,800,000	Unsecured	Computer Graphics	-	-	-	-	-	-
12	Filca Cooperative S.C.	IT0004964364	30/09/2013	30/09/2019	EUR	9,000,000	Sr Unsecured	Bldg-Residential/Commer	-	-	118.212	118.377	-	-
13	Sudcommerci s.r.l.	IT0004964612	09/10/2013	09/10/2018	EUR	22,000,000	Sr Unsecured	Real Estate Oper/Develop	-	-	100.375	100.625	5.99	5.93
14	Rhino Bondco S.p.A.	XS0986071537	05/11/2013	15/11/2020	EUR	215,000,000	1st lien	Auto/Trk Prts&Equip-Repl	(P)B2	(P)B	104.25	104.875	6.46	6.35
	Rhino Bondco S.p.A.	XS0986071453	05/11/2013	15/12/2019	EUR	200,000,000	1st lien	Auto/Trk Prts&Equip-Repl	B2	-	-	-	-	-
15	Grafiche Mazzucchelli S.p.A.	IT0004974207	07/11/2013	31/12/2019	EUR	2,000,000	Sr Unsecured	Printing-Commercial	-	-	-	-	-	-
16	Meridie S.p.A.	IT0004974181	12/11/2013	12/11/2015	EUR	4,000,000	Sr Unsecured	Invest Mgmnt/Advis Serv	-	-	-	-	-	-
17	Marcolin S.p.A.	XS0991815241	14/11/2013	15/11/2019	EUR	200,000,000	Secured	Optical Supplies	B2	B-	105.5	106.375	7.31	7.12
18	Mille Uno Bingo S.p.A.	IT0004975485	15/11/2013	15/11/2018	EUR	9,000,000	Sr Unsecured	Commercial Services	-	-	108	108.25	-	-
19	Alessandro Rosso Group S.p.A.	IT0004983398	20/12/2013	20/12/2018	EUR	4,000,000	Sr Unsecured	Travel Services	-	-	-	-	-	-
20	Iacobucci HF Electronics S.p.A.	IT0004982143	20/12/2013	20/12/2017	EUR	4,950,000	Sr Unsecured	Engineering/R&D Services	-	-	-	-	-	-
21	GPI S.p.A.	IT0004981913	23/12/2013	30/06/2018	EUR	3,750,000	Sr Unsecured	Computer Graphics	-	-	-	-	-	-
22	ETT S.p.A.	IT0004982572	-	-	-	-	-	-	-	-	-	-	-	-
23	Finanziaria Internazionale Holding S.p	IT0004988082	22/01/2014	22/01/2015	EUR	12,000,000	Unsecured	Investment Companies	-	-	-	-	-	-
24	Microcinema S.p.A.	IT0004983042	-	-	-	-	-	-	-	-	-	-	-	-
25	JSH Group S.p.A.	IT0004991706	-	-	-	-	-	-	-	-	-	-	-	-

Source: Bloomberg, ExtraMOT PRO News

KEY ASPECTS FOR ISSUERS TAPPING INTO ALTERNATIVE MARKET BONDS

Access to a more efficient and reliable funding market: Bond markets, *ceteris paribus*, provide cheaper funding than bank lending. They also permit the corporate to "disaggregate" its funding costs from other financial costs such as insurance, cash management, etc.

Diversification of funding sources and geographies: Issuing through the bond market permits key relationship banks to release capital from loans that can be used in the future if, for example, bond markets freezes up and the bank would, otherwise, exceed single name concentration limits. The bank can also plough the capital into other non-loan but essential capital consuming business with the corporate such as guarantees. The corporate can still reward the key relationship bank by awarding it a leading position in its bond syndicates.

Tax advantages: (i) deductibility of interest without any requirements from Italian Revenue Agency and (ii) exemption from withholding tax for foreign investors.

Cross fertilization of trades with investors: A significant number of investors tend to not only buy bonds, but to invest in equity, project finance, real estate, special situations, etc.. By creating a relationship with bond investors, companies can, sometimes, have easier access to other types of funding from these investors

Increased debt tenure: In current market conditions, a good SME can comfortably issue a 5 year bond while bank loans are increasingly short dated and have, in many cases, either implicit or explicit break clauses which can lead to a corporate having to refinance at the worst market opportunity. An increased debt maturity can permit the company to more confidently invest in a factory or other long dated assets and also help it weather short dated cyclical downswings

Potential reduction in covenant burden: Bank loans are often "covenant heavy" which can sometimes create added difficulties for companies in cyclical downswings. The bond markets tend to be "covenant lighter" reducing treasury uncertainty, permitting companies to invest with more confidence and to manage the company with economic rationale at heart rather than manage it for the covenants

KEY ASPECTS FOR INTERNATIONAL INVESTORS IN ALTERNATIVE MARKET BONDS

Appealing yield: Yield will be at an attractive premium in line with the high yield market.

Dedicated minibond funds are being formed and growing in size, in Italy as well as in Europe.

KNG secondary liquidity support: For example, in the case of the COPASA issue, c.10% of the notional has been traded in the secondary market so far.

Lead time and marketing initiatives will take place to achieve transparency and familiarity with the issues for the investors.

Support of the local banks: Local banks have the relationships, client knowledge, capability and willingness to support the issues, be it through their balance sheet or more qualitative aspects such as research.

Market participants with external reach: Economies where banks have limit credit supply, having a syndicate that can reach domestic and foreign investors (specially private banks, family offices and other specialized investors) will be particularly important in raising capital for corporate.

Benefits to insurance companies and pension funds: Direct investments in minibonds, in shares of securitization structures and in funds that invest in minibonds, even if unlisted or unrated, will be compatible with the regulation related to the cover of reserves of insurance companies and investment restrictions for pension funds.

Withholding Tax: Issuer is no longer required to apply 20% withholding tax on interest if (1) the securities are traded on a regulated market or multilateral trading facility such ExtraMOT Pro (Extends regime previously Fiscal regime applicable only to banks and listed companies) or (2) held by professional investors which are not shareholders and resident in white-list country.

OTHER EUROPEAN SME BOND MARKETS

SME BOND MARKET: GERMANY

In 2010, Börse Stuttgart launched **Bondm**, a special corporate bond trading segment for small and medium sized companies in the regulated unofficial market. Besides bond trading (secondary market), retail investors have the opportunity to participate directly in the bond subscription (primary market), which was originally reserved for institutional investors.

Germany has been successful is launching SME bond markets in regional German stock exchanges rather than on a national level.

Currently SME bond markets exist in Dusseldorf, Frankfurt, Hamburg/Hanover, Munich and Stuttgart exchanges.

New SME bond issues in Germany are typically allocated evenly between local institutional and retail investors.

In a radical departure from the traditional fixed-income culture, the Bondm model allows companies to issue bonds directly to the retail investor in the primary market – during the subscription phase - without the help of an underwriter. The retail subscription saves companies the fees incurred by issuing through an underwriter; it also gives individual investors an early price advantage over the first listing.

To address concerns about liquidity, the Stuttgart Börse has employed so-called QLPs (Quality Liquidity Providers) who provide a kind of market making. The QLPs ensure full execution of orders and safeguard the best price principle.

Ca. EUR 3bn capital raised in mid-cap bond markets so far.

MDAX for mid-caps and SDAX for small-caps have outperformed its European peers by 33% and 22%.

While these new market segments still face numerous issues in terms of documentation, underlying credit quality and overall liquidity, the emergence of dedicated institutional fund managers, various initiatives covering issuer quality and the ongoing need for yield will ensure the further development of this market into the little brother of the high-

yield market for established German corporations.

Recent successful and oversubscribed issues are electronics company Alfmeier (€30m) and manufacturer of doors Hörmann (€50m).

SME BOND MARKET: UNITED KINGDOM

The **Order book for Retail Bonds (ORB)** offers electronic trading in gilts and retail-size corporate bonds, i.e. those which are tradable in smaller, more manageable denominations of £1,000 or similar. The securities on the ORB are available to retail investors.

Ever since the London Stock Exchange launched the Orderbook for Retail Bonds (ORB) in February 2010 the hope has been that the retail bond market in the UK can become a more robust source of finance for small firms. Since then, however, there have been only three instances of small scale exercises which include:

- £627,000 raised by shaving products company King of Shaves
- £3.7m raised by retailer Hotel Chocolat

The ORB was developed as part of the Main Market rather than an AIM-type bond market. This means that the ORB requires the highest level of disclosure and transparency so tends to be used by mid-to large-cap firms.

SME BOND MARKET: SPAIN

MARF stands for Mercado Alternativo de Renta Fija.

Market created in 2013 to facilitate the issuance and transaction of small and medium enterprises fixed income instruments (commercial paper, bonds and notes).

Market created exclusively for institutional investors with minimum pieces and increments of EUR 100,000.

Regulated Multilateral Trading System with a Electronic Trading Platform supported by the SEND technology (the main Spanish market for corporates).

Lower listing costs and requirements than SEND.

Securities represented by book entries in Iberclear, the Spanish Central Clearer, and linked to Euroclear for European non-domestic settlements.

Market Participants:

- Market Members: credit institutions and authorized institutions that arrange and trade bond issues and provide custodian and settlement services
- Intermediaries: order routing of market members
- Registered Advisors - advise and coordinate the documentation presented by the issuing company
- ESMA registered Rating Agencies

First and only issue, thus far executed, in the market has been a EUR 50 mm, 5yr bond issued by COPASA, a Spanish Construction company, in which KNG participated.

CASE STUDY: COPASA S.A.

Transaction Summary

Issuer	COPASA S.A.
Size	EUR 50mm
Type	Senior Unsecured
Maturity	December 2018
Rating (Issue)	BB (Positive outlook) by Axesor
Use of Proceeds	International projects
Coupon	7.5%
Market	MARF

COPASA is a Spanish engineering business that generates the majority of its revenues from large international civil engineering works such as railways, roads, hospitals and sports stadia. It is also involved in the construction and operation of wastewater treatment plants and toll roads in Spain. COPASA sought funding to finance further international expansion.

Financial Highlights:

- High quality earnings generated from long term contracts primarily with government counterparties
- Long-term visibility on core revenues and free cash flow
- Low current leverage, significant debt capacity
- International operations c. 50% of revenues
- Rated BB with positive outlook

In (EUR mm)	2013 (forecast)	2012 (actual)	2011 (actual)
Revenue	312	237	357
EBITDA	36	33	37
EBITDA Margin (%)	11.5%	13.9%	11.3%
Net Debt	55	54	(16)
Net Debt / EBITDA Pre bond	1.53 x	1.64 x	NM
Net Debt / EBITDA Post bond	2.9 x	-	-

EXECUTION HIGHLIGHTS

COPASA Distribution

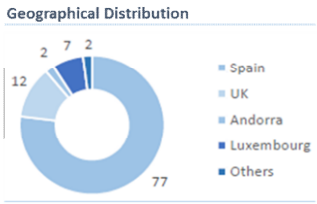
The issue was officially launched on 16 Dec 2013 after a roadshow done during the previous week.

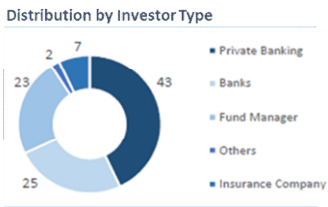
With more than 35 orders in the book, this deal demonstrates the depth of demand that exists for Spanish Issuers.

Investor distribution was well diversified:

- Most of the demand allocated to Private Banks and Fund Managers
- Geographical distribution with over 20% of the issue allocated to international investors
- KNG is active in the secondary market as clients adjusted positions.
- Bond traded up in the market

Over 80 sales calls made, numerous Bloomberg messages, investor reports and documents.





INVESTMENT IN MINIBONDS

LEGAL ASPECTS

ORRICK

EDITED BY

PATRIZIO MESSINA

Index

INTRODUCTION

In 2012, the Italian government introduced new rules aimed at facilitating the issue of bonds, debt securities and commercial paper (so called "Minibonds") by Italian large and midsize unlisted corporations (small-size corporations are excluded) and at encouraging economic growth by relaxing certain legal and tax restrictions previously applicable to the issuance of Minibonds by Italian unlisted companies.

Prior to the reforms introduced by the Italian Law Decree No. 83, entered into force on 26 June 2012, (the "Development Decree"), the Italian corporate bond market was largely composed of investment-grade listed issuers. Access to this market was mainly closed to unlisted companies due to legal and tax restrictions.

The provisions introduced by the Development Decree, as subsequently amended in 2012 and 2013 by Law Decree No. 179, dated 18 October 2012, and by Law Decree No. 145, dated 23 December 2013 (the "*Decreto Destinazione Italia*") [1] regarding the issuance of Minibonds, represent a significant step towards creating a new method of financing for Italian unlisted companies, moving away from the traditional bank debt approach, with an instrument which is attractive also to non – resident professional investors.

This handbook describes the principal legal features of Minibonds, certain possible structures for Minibond transactions and the current market.

February 2014

Patrizio Messina

[1] As at the date of this Handbook the draft conversion Law of the *Decreto Destinazione Italia* has been approved by the Chamber of Deputies and remains subject to approval by the Senate.

Chapter One

MAIN FEATURES OF MINIBONDS: THE LEGAL FRAMEWORK

SUMMARY: 1. Main features of the new regulation. 2. Tax regime. 2.1. Trading of Minibonds on regulated markets or multilateral trading facilities. 2.2. Tax regime applicable to "secured" Minibonds and the extension of *privilegio speciale* to medium – long term corporate bond. 3. Further provisions of *Decreto Destinazione Italia* relating to the expansion of Minibonds. 4. The Italian Guarantee Fund for Minibond.

1. Main features of the new regulation

The provisions dealing with the issuance of Minibonds by Italian unlisted companies are set out in Article 32 of the Development Decree. It introduced broadly three categories of reforms as follows:

(i) reforms to the tax regime applicable to all Minibonds;

(ii) legal reforms relating to bonds and similar securities (*obbligazioni e titoli similari*); and

(iii) legal reforms relating to short-term debt /commercial paper (*cambiali finanziarie*).

2. Tax regime

According to Article 32 of the Development Decree the below described tax regime shall apply to all Minibonds.

(A) Deductibility of Interest: where Minibonds are issued by an Italian unlisted company (other than a bank and a micro enterprise) and are

(i) traded on regulated markets or on multilateral trading facilities; or

(ii) subscribed by professional investors who do not hold (either directly or indirectly, through trust companies, third parties or otherwise) more than 2% of the share capital or assets of the issuer and provided that the beneficial owner of the proceeds is resident in Italy or in States and territories that allow an adequate exchange of information,

interest due by the issuer is deductible by the issuer even if certain conditions provided under Italian law are not fulfilled[2].

(B) Withholding Tax of 20%: issuers of Minibonds are no longer required to apply 20% withholding tax on interest and other income:

(i) deriving from Minibonds issued by banks and companies whose shares are traded on a regulated market or multilateral trading facility in an EU Member State or other State in the European Economic Area;

(ii) deriving from Minibonds traded on the above mentioned regulated markets or multilateral trading facilities issued by companies other than those mentioned under (i) (i.e. whose shares are not so traded);

(iii) to be paid by the issuer, in relation to Minibonds, to undertakings for collective investment in transferable securities ("*organismi di investimento collettivo in valori mobiliari*"), whose units are held by professional investors and whose assets are invested mainly in bonds, similar securities and commercial paper;[3] and

(iv) to be paid by the issuer, in relation to Minibonds, to special purpose vehicles ("**SPV**") created pursuant to the Law 30 April 1999 ("**Law 130**" or the "**Italian Securitisation Law**"), whose notes are

---

[2] Such conditions are contained in Article 3, paragraph 115, of Law dated 28 December 1995 no. 549, according to which "*interest is deductible if, at the time of issuance, the actual interest rate is no higher than: a) twice the amount of the official reference rate (*tasso ufficiale di riferimento*) for bonds and similar securities traded in regulated markets of Member States of the European Union and of the States belonging to the agreement of the EEA (*Accordo sullo Spazio economico europeo*), or distributed by public offer pursuant to the legislation in force at the time of the issuance; b) the official reference rate (*tasso ufficiale di riferimento*) multiplied by two-thirds, for bonds and similar securities other than those mentioned above sub let. b). If the actual interest rate upon issuance exceeds the limits set forth above, interest due by the issuer exceeding the amount deriving from the application of those limits are not deductible from the issuer's income*".

[3] This provision is included in the draft conversion Law of the *Decreto Destinazione Italia*, which as at the date of this Handbook has been approved by the Chamber of Deputies and remains subject to approval by the Senate.

held by professional investors and whose assets are invested mainly in bonds, similar securities and commercial paper[4].

2.1. Trading of Minibonds on regulated markets or multilateral trading facilities

One of the requirements provided by Article 32 of the Development Decree in order to make the above more favourable tax regime applicable to Minibonds is the trading of Minibonds on regulated markets or multilateral trading facilities.

In February 2013, the Italian Stock Exchange (*Borsa Italiana*) launched ExtraMOT Pro**,** the new Professional Segment of the ExtraMOT multi-lateral trading facility dedicated to the listing of bonds, commercial paper and project bonds.

The new segment was created to offer to corporates, especially small and medium enterprises (SMEs), a flexible and cost effective national market through which to take opportunities and tax benefits arising from the new regulatory framework of Article 32 of the Development Decree.

The regulatory infrastructure of the new segment facilitates access by corporates to the capital markets. The only listing requirements are for the issuer: (i) publication of the annual financial statements for the past two years, the most recent of which must be audited, and (ii) providing an offering document in Italian or in English with some minimal essential information. After admission to listing, requirements are: ongoing publication of audited financial statements, disclosure of any public rating assigned, provision of information concerning any changes in the bond holders' rights, and any technical information related to the characteristics of the bonds (e.g. payment dates, interest coupons, amortisation schedule).

The segment has the same structure as the ExtraMOT, but trading is strictly for professional investors.

---

[4] This provision is included in the draft conversion Law of the *Decreto Destinazione Italia*, which as at the date of this Handbook has been approved by the Chamber of Deputies and remains subject to approval by the Senate.

2.2. Tax regime applicable to secured Minibonds and the extension of *privilegio speciale* to medium – long term corporate bond

The *Decreto Destinazione Italia* which was passed in December 2013 and must be converted into law by the end of February 2014 introduced certain additional new provisions relating to the security package of Minibonds[5].

Such provisions comprise:

(a) introduction of substitutive tax for security packages securing Minibonds (ie a 0.25% tax substituting any other applicable taxes); and,

(b) the extension of the *privilegio speciale* (a specific Italian law security interest), applicable to medium-long term financings, to Minibonds.

(A) Tax regime applicable to secured Minibonds:

The security package created to secure Minibonds could be subject, at the option of the issuer, to the substitutive tax regime. It would be more favourable than general tax rules as it is equal to only 0.25% of the aggregate principal amount of the Minibonds.

The payment of this tax would replace all other taxes that would normally apply to the security package such as registration tax, stamp duty, mortgage tax and/or land registry tax which in aggregate are likely to be considerably higher than the 0.25% rate of the substitutive tax.

(B) Extension of *privilegio speciale*:

The application of *privilegio speciale* is extended to medium-long term bonds (ie with a maturity of longer than 18 months) issued by corporate and subscribed by qualified investors, while previously the *privilegio speciale* was only available to medium-long term financing (ie with a maturity of longer than 18 months) granted to corporate by banks.

The *privilegio speciale* is a security interest, provided by Article 46 of the Italian Consolidated Banking Act (Italian legislative decree No

[5] The provisions of *Decreto Destinazione Italia* expressly refer only to bonds and similar securities (*obbligazioni e titoli similari*) but they should be deemed to be applicable also to commercial paper.

385/1993), similar in nature to the floating charge seen in other jurisdictions such as England and Wales. The *privilegio speciale* attaches to any asset the issuer uses, even after the constitution of the *privilegio speciale*, for the conduct of its business.

*****

A comparison of the tax regime applicable to Minibonds and loans is set out in the grid in the following page. Other than the differences described in grid, as a result of the reforms, the tax treatment is now broadly the same.

TAX REGIME (direct and indirect taxation)	**LOANS**	**MINIBONDS** (commercial paper, bonds and similar securities)
Deductibility of interest due by the borrower / issuer	**YES:** subject to certain limits including 30% EBITDA	**YES:** subject to certain limits including 30% EBITDA
Withholding 20% on interest paid to the lender (an Italian bank) / noteholder (an Italian company / bank / investment fund)	**NO**	**NO**
Withholding 20% on interest paid to the lender (a foreign white-list bank) / noteholder (a foreign white-list company / bank / investment fund)	**YES: subject to certain conditions the withholding might be reduced**	**NO**
Taxation of interest to the purpose of IRES	**YES:** 27.5%	**YES:** 27.5%
Stamp duty	**YES:**:if no substitute tax applies	**NO:** if issued in dematerialised form[1]
Registration tax	**YES:** fixed amount (€ 200) if the maturity is lower than 18 months	**NO**
Substitute tax	**YES:** 0.25% if the maturity is higher than 18 months[2]	**N/A**[3]

[1] The non application of the stamp duty refers to the commercial paper issued in dematerialised form only. In accordance with Resolution 21 December 2012, No, 48/E issued by *Agenzia delle Entrate* and pursuant to the Italian Ministerial Decree dated May 24, 2012, it seems that the periodic communications to the clients related to Minibonds subscribed by an Italian bank are not subject to stamp duty.

[2] According to *Decreto Destinazione Italia*, substitute tax is applicable upon option to be exercised in the facility agreement. *Decreto Destinazione Italia* is still subject to the final approval of the conversion Law.

[3] According to *Decreto Destinazione Italia*, substitute tax could be optional and applicable also to any guarantees related to Minibonds, still subject to the final approval of the conversion Law.

3. Further provisions of *Decreto Destinazione Italia* relating to the expansion of Minibonds

The *Decreto Destinazione Italia* provided for certain changes to the Italian Securitisation Law, also aimed to increase the potential for issuance of Minibonds.

The proposed reforms expressly permit:

(i) securitisation under the Italian Securitisation Law of not only receivables (*crediti*), but also bonds (*obbligazioni e titoli similari*) with the exception of exchangeable and convertible bonds, hybrids and bonds representing company equity. This change will allow Italian securitisation SPV issuers to be more like investment companies holding a portfolio of assets comprising both receivables and bonds including Italian securitisation asset-backed securities ("**ABS**") and Minibonds;

(ii) insurance companies and pension funds to invest more easily in Minibonds or in Italian securitisation ABS backed by Minibonds. In particular:

a) Minibonds;

b) Units of Investment Funds that mainly invest in Minibonds; and,

c) Italian Securitisation Law ABS backed by bonds (including Minibonds) even if they are unrated and/or unlisted and even if they are not traded on regulated markets or on multilateral trading facilities,

are stated to be suitable assets to be held as investments by Italian pension funds and by Italian insurance companies to form their technical reserves (*riserve tecniche*). Such amendment should have the effect of expanding the potential investor base for Italian securitisation ABS.

An implementing regulation by IVASS (the Italian insurance industry regulator) containing further details in relation to the proposed reform is required.

4. The Italian Guarantee Fund for Minibond

The *Decreto Destinazione Italia* also provided that the Italian Guarantee Fund (*Fondo di Garanzia*), which was set up for financings granted by banks to SMEs, may provide guarantees also to asset management companies which subscribe Minibonds issued by SMEs[6] on behalf of the investment funds they manage.

The granting of guarantees by the Italian Guarantee Fund is subject to the adoption of a specific Decree by the Ministry of Economy and Finance, which must also define, *inter alia*, the characteristics of the eligible transactions and the maximum amount of the Italian Guarantee

[6] This provision is included in the draft conversion Law of the *Decreto Destinazione Italia*, which as at the date of this Handbook has been approved by the Chamber of Deputies and remains subject to approval by the Senate.

Chapter Two

BONDS AND SIMILAR SECURITIES

SUMMARY: 1. Changes to the limits for bond. 2. Changes to bond and similar securities with subordination and participation clauses. 3. Issuance of debt securities by an S.r.l.

1. Changes to the limits for bonds

The Development Decree provided the disapplication of Article 2412 of the Italian civil code (first and second paragraph) which impose to the issuance of bond by a company limited by shares (*società per azioni or* S.p.A.) a limit of no more than twice the aggregate of its share capital, legal reserves and distributable reserves.

Such limits no longer applies to bonds issued by an S.p.A. which:

(i) are traded on a regulated market or multilateral trading facility (such as ExtraMOT Pro); or

(ii) give the right to acquire or subscribe for shares (convertible bonds and exchangeable bonds).

2. Changes to bond and similar securities with subordination and participation clauses

The Development Decree (as subsequently amended) introduced a reform to the legislation on bonds and similar securities with subordination and participation clauses providing that bonds and similar securities issued by non-listed companies (other than banks and micro enterprises) may have subordination and dividend participation clauses as long as they have an initial maturity equal to or greater than 36 months.

The subordination clause:

(a) must contain a fixed income component in addition to the profit-related component and the fixed income rate must be no lower than the ECB base rate from time to time;

(b) must define the terms of the subordination of the holder of the securities with reference to the rights of the other companies' creditors;[7]

(c) must regulate the portion of the amount payable to the holder of the securities, calculated on the basis of the economic outcome of the issuer; the company issuing participation securities shall undertake to pay annually to the holder of the securities, within thirty days of the approval of the balance sheet, a sum calculated on and the basis of and linked to the results for the year, in the proportion indicated at the time of issuance.

3. Issuance of debt securities by an S.r.l.

The legal reforms introduced by the Development Decree (as amended) do not affect or amend the legislation applicable to the issuance of debt securities by S.r.l.

[7] The bondholders could not be subordinated to the shareholders.

Chapter Three

COMMERCIAL PAPER

SUMMARY: 1. Changes to the legislation on commercial paper. 2. Conditions for commercial paper' issuance by Italian non-listed companies. 3. Role of the sponsor.

1. Changes to the legislation on commercial paper

The Development Decree also introduced certain changes to commercial paper, provided for by Law No. 43 dated 13 January 1994 ("**Law no. 43/1994**"), in order to allow (i) companies (in addition to banks), to issue commercial paper and, hence, to access capital of professional investors, and (ii) professional investors to diversify their risk by investing also in SMEs.

Pursuant to Law no. 43/1994, as amended, companies may now issue commercial paper. In particular, the following companies (in addition to banks) can now issue commercial paper:

(a) companies limited by shares (S.p.A.) and companies limited by quotas (S.r.l.),

(b) cooperative companies (S.c.) and

(c) mutual insurance companies,

that do not fall within the category of micro enterprises[8]. Non-listed companies (i.e. whose shares are not traded on a regulated or non-regulated market) may issue commercial paper but only under certain conditions, as described in paragraph 2. below.

---

[8] Commission Recommendation 2003/361/EC defines SMEs, small enterprises and micro companies as follows. The category of SMEs is represented by enterprises having less than 250 employees, annual turnover not higher than Euro 50 million or total annual balance sheet not higher than Euro 43 million. In that category, a "*small enterprise*" is an enterprise having less than 50 employees, an annual turnover or the total annual balance not higher than Euro 10 million. A "*micro enterprise*" is an enterprise having less than 10 employees and an annual turnover or the total annual balance not higher than Euro 2 million.

Issuing commercial paper with a minimum denomination per unit of at least EUR 50,000 (save in case they are issued by companies listed in regulated markets and intended to be listed in the same markets) can be particularly advantageous for the following reasons:

(i) Ease of transferability

Commercial paper is a type of debt instrument called "*titoli all'ordine*"[9] having a maturity between one month and thirty-six months from the date of issuance. They are transferred by way of endorsement (*girata*).

Furthermore, they are transferable exclusively with the clause "without recourse" (*senza garanzia*) or equivalent which exempts the person transferring the securities from any liability for the debt.

(ii) Enforceability

Commercial paper, like an ordinary promissory note, is, in the event of insolvency of the issuer, enforceable against the assets of the issuing entity. They represent so called "*titoli esecutivi*".

2. Conditions for the issuance of commercial paper issuance by Italian non-listed companies

In order for non-listed companies to issue commercial paper, certain conditions need to be fulfilled. In particular, it is necessary that:

(a) the issuance is assisted by a bank or an investment firm, or an asset management company (*società di gestione del risparmio - SGR*), or a asset management company (*società di gestione armonizzata)* or an open-ended investment company (*società di investimento a capitale variabile* - SICAV), which in its capacity as "sponsor" has (at least) a branch in Italy. The sponsor shall assist the issuer during issuance and placement of commercial paper;

[9] The so called "*titoli all'ordine*" are regulated by the Italian civil code, Articles 2008 and ff.. The main feature of those securities is that their holder is entitled to transfer the rights attaching thereto on the basis of a continuous series of endorsements (*girate*). The endorsement, which shall be made directly onto the securities and signed by the transferor, has the effect of transferring all the rights related to the securities.

(b) the sponsor shall retain to maturity, a portion of the commercial paper issued which is not less than: (i) 5% of the value of the bond issuance, for issuances of up to Euro 5 million; (ii) 3% of the value of the bond issuance from Euro 5 to 10 million, in addition to the amount resulting from the application of the percentage referred to in (i) above; (iii) 2% of the value of the bond issuance exceeding Euro 10 million, in addition to the amount resulting from the application of the percentages referred to in paragraphs (i) and (ii) above[10];

Notwithstanding the above, companies which do not fall within the category of SME (ie. larger companies) are able to waive the requirement to appoint of the sponsor.

(c) the issuer's most recent financial statements shall be certified by an auditor or an auditing firm registered with the register of auditors[11];

(d) commercial paper is issued and endorsed exclusively in favour of professional investors who are not, directly or indirectly, shareholders of the issuer.

3. Role of the sponsor

The sponsor shall not only assist the issuer during issuance and placement of commercial paper but shall also:

---

[10] The undertaking of the sponsor to hold the commercial paper (in respect of the percentages indicated above) may be derogated when the issuance is guaranteed, for at least 25% of the value of the issuance, by guarantees issued by a bank or an investment company or a consortium of collective guarantee (*consorzio di garanzia collettiva dei fidi*) for the commercial paper issued by companies belonging to such consortium.

[11] For a period of 18 months starting from 26 June 2012, the undertaking of having a certified balance sheet can be derogated if the issuance is guaranteed, for at least 50% of the value of the issuance, by guarantees issued by a bank or an investment company or a consortium of collective guarantee (*consorzio di garanzia collettiva dei fidi*) for the commercial paper issued by companies belonging to such consortium. In such a case, the commercial paper shall not have a maturity higher than 18 months.

(i) indicate, for each issuer, if the amount of commercial paper in circulation is greater than the issuer's total current assets[12] as set out in the last approved financial statements;

(ii) classify the issuer upon issuance on the basis of five categories of credit quality of the issuer (excellent, good, satisfactory, poor and negative); the classification shall be made, in relation to the guaranteed operations, with the guarantee levels high, normal or low; and

(iii) make public the descriptions of the classification adopted.

[12] *Current assets* means the amount of the assets in the balance sheet having a maturity within the year from the reference date of the same balance sheet.

Chapter Four

ISSUANCE OF MINIBONDS

SUMMARY: 1. Main steps to issuance. 1.1. Pre-Issue Obligations. 1.2. Post-issue Obligations.

1. Main steps to issuance

The issuance of Minibonds is structured as follows:

(i) issuance of Minibonds by SMEs subject to the satisfaction of applicable laws, regulations and regulatory requirements (including any selling restrictions provided by law);

(ii) settlement of the Minibonds into the clearing house of Monte Titoli S.p.A;

(iii) Minibonds admission to trading on the ExtraMOT Pro Segment;

(iv) subscription of the Minibonds by professional investors.

1.1. Pre-Issue Obligations

(A) *Amendment (if any) to By-laws for commercial paper and debt securities*

Company limited by quotas (*S.r.l.*): if the issuer is an S.r.l. the by-laws should expressly provide for the possibility for the company to issue debt securities or commercial paper. The by-laws should also indicate the competent body authorised to decide on the issue of debt securities, as well as any limits, procedures and majorities required for the decision. In light of the above, it could be necessary (prior to the issue of Minibonds) to make a change to the by-laws allowing the issue, through adoption of a resolution of the extraordinary shareholders' meeting whose minutes are drawn up by a notary public. In this case, if the shareholders' meeting is the competent body authorised to decide on the issue of Minibonds, it is possible to discuss with the Notary to combine in a single meeting of the shareholders and, therefore, in one resolution, the changes to the by-laws and the authorisation to issue and admit to trading the Minibonds on the ExtraMOT Pro Segment.

Company limited by shares *(S.p.A.)*: if the issuer is a company limited by shares it is not necessary that the by-laws expressly provide for the possibility for the company to issue bonds (except for commercial paper). An S.p.A. is entitled to issue bonds by Article 2410 of the civil code. In the absence of an express provision in the by-laws regarding the issuance of bonds and debt securities, the board of directors of the issuer is entitled and responsible for such decision. In any case the resolution authorising the issuance must be notarised and registered with the competent Chamber of Commerce.

Cooperative company *(S.c.)*: if the issuer is a cooperative company the by-laws must expressly provide for the possibility to issue financial instruments. In case of cooperative companies to which the rules for S.r.l.s apply, according to Article 2519 Italian civil code, the by-laws should also indicate the competent body to decide on the issuance of debt securities or financial instruments, as well as provide for any limits to issuance, procedures and the majorities necessary for the resolution to be validly adopted.

(B) *Issuance resolution*

The competent body of the issuer, according to the by-laws, must resolve on the issue of Minibonds and their subsequent admission to trading on the ExtraMOT Pro Segment, as well as on the conferral of the powers to execute the documentation relating to the issuance of the Minibonds.

In case of a company limited by shares (S.p.A.) or a cooperative company (S.c.p.A.) to which the provisions relating to an S.p.A. apply according to Article 2519, paragraph 1, Italian civil code, the resolution shall be contained in the minutes prepared by a Notary public and shall be filed and registered at the competent Chamber of Commerce.

In case of a company limited by quotas (S.r.l.) or a cooperative company to which the provisions relating to an S.r.l. apply according to Article 2519, paragraph 2, Italian civil code, the directors have the duty to register the resolution at the competent Chamber of Commerce.

(C) *Register of the issuer*

If the issuer is an S.p.A., according to Article 2421 of the Italian civil code it has to establish and maintain the so-called "register of the

bondholders" or "register of the issuer" which must contain the following information:

(i) amount of issued and paid-up Minibonds;

(ii) name of the holders of (registered) Minibonds; and

(iii) transfers and liens related to Minibonds.

Article 2021 of the Italian civil code provides for the obligation to establish and maintain the register of the issuer with regard to any registered debt instrument issued by a company (whether an S.p.A, S.r.l. or S.c.).

It is also considered necessary to have a register of the issuer also in case the bonds or debt instruments issued are bearer securities: in such case the name of the bondholder or the transfers of such bond will not be included in the register, but only the amount issued and eventually redemption payments made under the bond will be included.

(D) *ISIN Code request*

The request for an ISIN code from the Bank of Italy, is completed through the new procedure for ISIN code assignment, as recently amended, divided into two phases:

1) firstly, the issuer must fill in the application form of financial instruments coding available on the website of the Bank of Italy (at: http://www.bancaditalia.it/statistiche/racc_datser/antit-isin/isin/accesso-servizio/richiesta.pdf) and must send the form validated and digitally signed to the certified email address res@pec.bancaditalia.it;

2) once access has been obtained (this should happen within 48 hours of the request) the issuer (or the person named in the application form who has registered themselves on the site of the Bank of Italy at the address http://infostat.bancaditalia.it) may require the assignment of the ISIN code by sending the Message "ISIN Request", through the on-line application (**FEAT**) and following the instructions published by the Bank of Italy on its website; the message for the ISIN code assignment must be accompanied by (a) the terms and conditions of the Minibond, (b) the minutes of the competent body of the issuer that has resolved the issue and (c) in case of debt instruments issued by

companies limited by quotas (S.r.l.) or by cooperative companies to which the rules of S.r.l.s apply, a declaration of acceptance of the role of subscribers by "professional investors subject to prudential supervision in accordance with special laws", in accordance with Article 2483, paragraph 2 of the Italian civil code.

For the purposes of the ISIN code assignment request referred to in paragraph 2) above, each company can evaluate whether to delegate this activity to a third party; Bank of Italy confirmed that such third party may also be external to the issuer itself.

(E) *Crediting to Monte Titoli and request for central securities depository ("gestione accentrata")*

If the Minibonds are issued in dematerialised form, they need to be deposited with a clearing system such as Monte Titoli S.p.A. In order for the Minibonds to be admitted into the centralised management system of Monte Titoli S.p.A., the issuer needs to:

(i) open an "issuer's account" with Monte Titoli S.p.A., if it does not already hold one; and

(ii) submit the request of admission of the Minibonds to the centralised management system of Monte Titoli S.p.A.

The process of admission to Monte Titoli S.p.A. must be completed by the issuer before the Italian Stock Exchange decides definitively on the admission to trading of the Minibonds on the ExtraMOT Pro Segment.

(F) *Financial statements*

According to the Rules governing the ExtraMOT multilateral trading facility, in order for the issuer to admit to trading the Minibonds on the ExtraMOT Pro Segment it has to comply with the following requirements:

1) the financial statements (including consolidated ones, where existing) of the last two financial years must be published;

2) at least the most recent published financial statements must be audited pursuant to Legislative Decree no. 39 dated 27 January 2010 (except for different applicable regulation to specific sectors). For such purpose it is sufficient that the financial statements of the issuer are audited by a public accountant who is licensed as a "*revisore*", on

condition that such accountant is external and independent from the issuer;

3) the financial statements may be published by the issuer (a) either directly on its web-site (if available) or (b) through the signing of a contract with an authorised SDIR (a regulated information distribution system authorised by Consob under Articles 65 *et seq.* of the Consob Regulation no. 11971/1999) and included in the list held by Consob for the purposes of disclosure obligations of the issuer.

(G) *Request for admission*

Submission by the issuer or a market intermediary (with the prior consent of the issuer) of the request for admission to trading of Minibonds on the ExtraMOT Pro Segment, must be prepared on the basis of a model provided by the Italian Stock Exchange.

The admission request must be accompanied by the following documents:

(a) a summary of the characteristics of financial instruments according to the scheme and the form provided by the Italian Stock Exchange based on the characteristics of the instrument;

(b) the prospectus or admission document, or information regarding where either of the two can be found;

(c) the conditions of admission, if not included in the prospectus or admission document.

(H) *Publication of the Prospectus or Admission Document*

The issuer has to publish at least 3 days prior to the date provided for the admission to trading on the ExtraMOT Pro Segment the prospectus or the document for admission to trading. The timing of the publication may be agreed upon with the Italian Stock Exchange.

- The Prospectus - publication of a prospectus according to the applicable provisions and annexes of the EC Regulation No 809/2004 (*Commission Regulation (EC) implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements*) or, as an alternative,

- Admission Document - a document of admission to trading containing the information specified in the guidelines of ExtraMOT Pro MTF.

The Prospectus or Admission Document shall be sent in draft form to the Italian Stock Exchange in order to verify the completeness of the information herein and accelerate the process of the admission to trading carried out by the Italian Stock Exchange.

In order to admit to trading bonds and debt securities on the ExtraMOT Pro Segment the publication of a listing prospectus pursuant to Directive 2003/71/EC of the European Parliament and of the Council (the prospectus directive) is not required.

Publication of the Prospectus or Admission Document can be made on the website of the issuer or through an authorised SDIR.

(I) *Notice for admission to trading*

The Italian Stock Exchange will publish, within seven market days of the date of receipt of the request for admission to trading, the notice of the completed admission of the Minibonds to trading on the ExtraMOT Pro Segment.

Trading will start from the second market day following the date of publication of the notice.

1.2. Post-issue Obligations

Following the publication by the Italian Stock Exchange of the notice of the completed admission to trading of the Minibonds on the Professional Segment of ExtraMOT, the issuer is required, in compliance with the ExtraMOT Regulation, to publish the following information:

(i) the audited annual financial statement, without delay and in any case no later than six months after the conclusion of the financial year to which it refers;

(ii) the public credit rating assigned to the issuer or the Minibonds (if any) and any variation thereof;

(iii) any information on the issuer that may have an impact on the price/value of the Minibonds admitted to trading;

(iv) any change in the features of the issuance as well as in the methods of exercising the rights of the Minibond holders;

(v) the technical information concerning the Minibonds, *i.e.* information on the calculation of interest and any early redemption of the securities (in this case, the information notice must be provided to the Italian Stock Exchange at least 4 (four) days prior to the early redemption).

Chapter Five

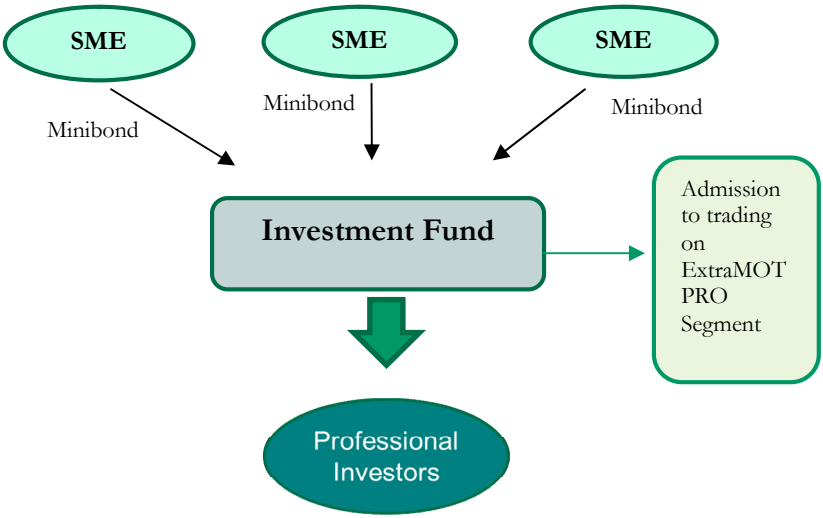
MAIN FEATURES OF STRUCTURED MINIBOND TRANSACTIONS

SUMMARY: 1. Transaction A. 2. Transaction B. 3. Standard transactions document. 4. Orrick Minibond Transactions. 5. Orrick Minibond Team

1. Transaction A

- Identification and selection of potential SMEs on the basis of pre-determined criteria.
- Issuance of Minibonds by selected SMEs.
- Subscription of Minibonds by a closed-end investment fund reserved to professional investors (the Fund).
- Admission to trading of the Minibonds on the ExtraMOT Pro Segment of the Italian Stock Exchange.
- Subscription of the Fund units by professional investors (as defined by annex ii, part 1 and 2 of directive 2004/39/CE ("MIFID") and Article 100 of the legislative decree 24 February 1998, n. 58 (TUF).

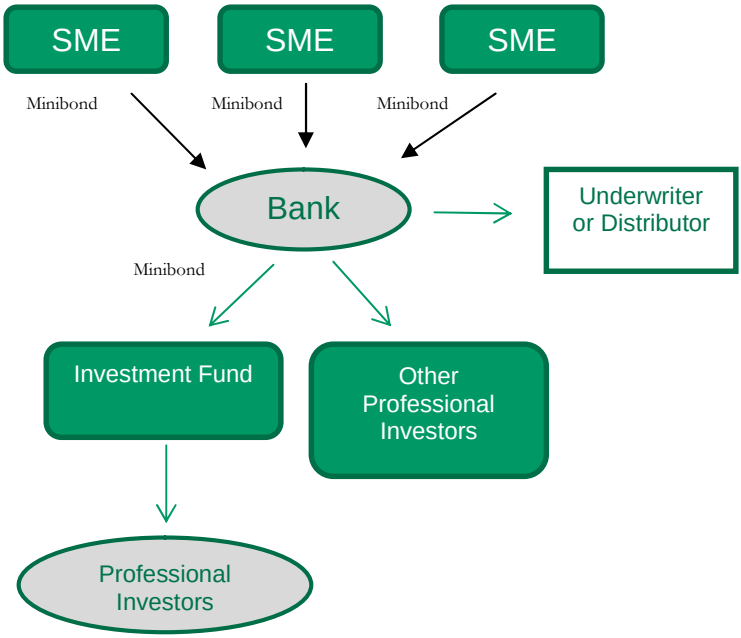
Graph 1


SME
SME
SME
Minibond
Minibond
Minibond
Investment Fund
Admission to trading on ExtraMOT PRO Segment
Professional Investors

2. Transaction B

- Identification and selection of potential SMEs on the basis of pre-determined criteria.
- Issuance of Minibonds by selected SMEs.
- Subscription of the Minibonds by a Professional Investor (e.g. Bank or Investment Fund) and admission to trading on the ExtraMOT Pro Segment.
- The Bank may either subscribe directly the Minibonds or distribute them to professional investors (e.g. close-end Fund reserved to professional investors) for subscription.
- Subscription of the Fund units by Professional Investors (as defined by Annex II, part 1 and 2 of Directive 2004/39/CE ("Mifid") and Article 100 of the Legislative Decree 24 February 1998, n. 58 (TUF).

Graph 2


SME
SME
SME
Minibond
Minibond
Minibond
Bank
Underwriter or Distributor
Minibond
Investment Fund
Other Professional Investors
Professional Investors

3. Main Standard Transaction Documents

(i) **Letter of intent -** agreement among all the parties of the transaction in order to define the main steps of the deal structure and acknowledge the mutual interest in the continuation of the negotiations related to the issuance of the Minibond.

(ii) **Arrangement Agreement** – an agreement between the issuer and the arranger for the assistance in the structuring of the financial terms of the issuance of Minibond, as well as assistance in carrying out all the necessary steps for the conclusion of the transaction.

(iii) **Terms and conditions of the Bond -** which sets the main terms and conditions of the Minibond - *e.g.* duration of the Bond, applicable interest rate, amount of the bond, conditions for the exercise of the early redemption of the bond, undertakings of the issuer, guarantees.

(iv) **Subscription Agreement** – between the issuer and each relevant subscriber which sets-out the main terms for the subscription of the Minibond and the payment of the subscription price, as well as the representation and warranties granted from the issuer to the subscribers.

(v) **Further documentation requested by the Stock Exchange for the purposes of the admission request:**

a. Admission request;

b. Agreement with an authorised SDIR (authorised dissemination system for disclosure of regulated information) appearing on the list held by Consob for the purposes of the information notice obligations (if any, should the issuer instead NOT decide to publish the information notice provided for by the ExtraMOT Market Rules on its own website);

c. Table summarising the features of the Minibond according to the outline of the Italian Stock Exchange.

(vi) **Consultancy Agreement –** an agreement between the advisor and the subscriber of the Minibond (in case of a close–end and reserved Investment Fund) in order to establish the main features and characteristics of the Minibond the Fund is interested in, and the main steps of the related screening process of the potential issuers.

(vii) **Distribution agreement** – an agreement between the issuer and the distributor of the Fund, or between the Investment Fund and the distributor in order to regulate the distribution activity of the units of the Fund among Professional Investors.

(viii) **Underwriting form** – a form signed by each underwriter of the Fund units.

(ix) **Agency Agreement** – an agreement between the issuer and the Bank in the role of "Agent bank" which sets-out the main terms of the activities to be carried out by the Agent Bank in relation to a Minibond issuance.

*****

This document is intended solely for informational purposes. Therefore, it should not be used or interpreted or relied upon as a substitute for legal opinion or advice for any transaction or used by any individual or entity and/or by their legal advisers for any purpose other than a general analysis; any reference herein shall be intended merely as an example.

ORRICK MINIBOND TRANSACTIONS

MPS CAPITAL SERVICES

MONTE DEI PASCHI DI SIENA BANCA DAL 1472

FINANZIARIA INTERNAZIONALE

FONDO PMI ITALIA

Legal assistance in the incorporation of the first fund in Italy investing in senior unsecured Minibonds having a raising fund target of

7 years /€100 – 150 million

Deal Legal Counsel

ORRICK

Banca Akros

Gruppo Banca Popolare

Anthilia Capital Partners

BOND IMPRESA E TERRITORIO

Legal assistance in the incorporation of a closed fund investing in Minibonds having a raising fund target of

2 years/€ 200 million

Deal Legal Counsel

ORRICK

ALETTI GESTIELLE SGR

UNICASIM SOLUZIONI D'ECCELLENZA

FONDO CRESCITA IMPRESA

Legal assistance in the incorporation of a closed fund having a raising fund target of

2 years/€ 200 million

Deal Legal Counsel

ORRICK

FINANZIARIA INTERNAZIONALE

Finanziaria Internazionale Holding S.p.A.

Legal assistance to Finanziaria Internazionale in the issue of

€ 12,000,000 – 5% - 2015 maturity

Senior Minibonds

Adviser to the issuer

ORRICK

Sud Commerci S.r.l.

Legal assistance to Sudcommerci (advisor in the project design, development and constructions of malls in the Apulia Region) in the issue of

€ 22,000,000 - 6% - 2018 maturity

Secured Minibonds

Adviser to the issuer

ORRICK

MERIDIE Investimenti

Meridie S.p.A.

Legal assistance to Meridie (investment firm, M&A , Private Equity and strategic business advisor for SMEs in the South of Italy) in the issue of

€ 4,000,000 - 8% - 2015 maturity

Minibonds

Adviser to the issuer

ORRICK

ORRICK MINIBOND TRANSACTIONS

TerniEnergia S.p.A.

Legal assistance TerniEnergia in the issue of

€ 25,000,000 – 6.875% - 2019 maturity

Senior Minibonds

Adviser to the issuer

ORRICK

Alessandro Rosso Goup

Legal assistance to Alessandro Rosso Group in the issue of

€ 4,000,000 – 10% - 2018 maturity

Senior Minibonds

Adviser to the issuer

ORRICK

Microcinema S.p.A.

Legal assistance to Microcinema in the issue of

€ 1,500,000 – 8,125% - 2017 maturity

Senior Minibonds

Adviser to the issuer

ORRICK

Buscaini Angelo S.p.A.

Legal assistance to Buscaini Angelo in the first issue in Italy of

€10,000,000 - 7% - 2015 maturity

Cambiali Finanziarie

Adviser to the issuer

ORRICK

ORRICK MINIBOND TEAM

Patrizio Messina, Managing Partner Italy; Head of the Finance Group
pmessina@orrick.com
Patrizio Messina is Orrick's Italian managing partner and head of the Italian Finance department.
He has significant expertise in structured finance transactions, private and public, in financings, corporate finance and debt restructuring. Patrizio Messina assists on these matters the main Italian and international banks and large corporations.
Author of several books and publications on banking & finance topics in national and international reviews, he teaches Banking & Finance and European Union law at Luiss Business School, where he coordinates the Master Course in "*Consulente Legale d'Impresa*".

Raul Ricozzi, Partner
Finance Group
rricozzi@orrick.com
Raul Ricozzi is a partner in Orrick's Finance department. He has significant experience in banking and finance law, financings, corporate finance, project financing and debt issues.
He worked in Orrick's New York (NY) offices in the Structured Finance Group. In 2000 he spent one year as visiting lawyer in the Brussels offices of a primary Italian firm as winner of the scholarship "EU Leonardo da Vinci" from the Rome University "Tor Vergata".
In 1994 he attended a semester at the "Johannes Gutenberg Universität" in Mainz (Germany) as winner of the scholarship of the "Erasmus" programme. He is member of the Italian Bar Association of Rome.

Gianrico Giannesi, Partner
Finance Group
ggiannesi@orrick.com
Gianrico Giannesi is a partner in Orrick's Finance department. Since 2001, he advises leading Italian and international investment banks acting as arrangers and managers in structured finance transactions.
In particular, he gained significant experience in lending and securitisation transactions (including MBS, CBO, multioriginator transactions, revolving and warehouse on public and private asset transactions).
He is member of the Italian Bar Association of Rome.

Madeleine Horrocks, Partner
Finance Group
mhorrocks@orrick.com
Madeleine Horrocks is a partner in the Milan office, a member of the firm's Finance department and is dual qualified to advise under English and Italian law. She has over ten years experience in the Italian market. Her practice covers all types of finance and capital markets work, with a particular emphasis on securitisation, covered bonds, EMTN, swaps and other derivatives. She advises major Italian and international banks and financial institutions active in the financial markets. Madeleine is a member of the Law Society of England and Wales and the Milan Bar Association.

Dorothy de Rubeis, Senior Associate
Finance Group
dderubeis@orrick.com
Dorothy de Rubeis is an Italian qualified lawyer and senior associate in Orrick's Finance Group.
Her expertise is very well known in the market and she has a wide range of experience in lending, banking law and banking regulation law. Dorothy specialises in acquisition financings, leveraged finance, MLBO, real estate loans, syndicated loans, bilateral financings, club deals and debt restructuring transactions. She is ranked as leading lawyer in Banking & Finance by Chambers and Partners since 2006. Her practice also includes finance law generally and in particular the area of structured finance.

Giulia Scirpa, Senior Associate
Finance Group
gscirpa@orrick.com
Giulia Scirpa is a senior associate of Orrick's Finance department.
She has significant experience in Banking and Finance and Debt Capital Markets advising national and international banks acting as lenders, arrangers, lead managers or otherwise in several financings or structured finance transactions.
She gained a Master degree in International Business Law at the University "La Sapienza di Roma", faculty of Economics and Business.
She is member of the Italian Bar Association of Rome since 2006.

Sabrina Setini, Associate
Finance Group
ssetini@orrick.com
Sabrina Setini is an associate of Orrick's Finance department. She specialises in banking and corporate law in Europe attending leading companies and banks in complex financing and structured finance transactions. She achieved a Ph.D. in "European law and European judicial systems" at "Università degli Studi di Roma Tre" where she is currently teaching fellow of "Civil Law". Member of the Italian Bar Association of Rome since 2008.

Andrea Cicia, Associate
Finance Group
acicia@orrick.com
Andrea Cicia is an associate of Orrick's Finance department. His practice areas are Debt Capital Markets and Banking & Finance advising prominent domestic and international corporate as issuer and banks as arranger and lead managers. He is an expert in civil law having achieved a Ph.D. in European civil law in the law department at the "Università degli Studi di Roma Tre".
He is qualified in Italy since 2008.

Printed by LAPIDARI S.r.l.
Rome