

(Cover)

**PROSPECTUS**

**THE DATE OF THIS PROSPECTUS IS 25 APRIL 1996**

**ATRIUM-1 V.B.S. NAAR BELGISCH RECHT  
ISSUER**

**Naamloze Vennootschap  
Registered Office at 25 rue de Trèves, 1040 Brussels, Belgium**

**SECURITISATION OF SOCIAL HOUSING LOANS  
GUARANTEED BY THE FLEMISH REGION**

**PUBLIC OFFER FOR SALE**

**AND**

**LISTING ON THE FIRST MARKET OF  
THE BRUSSELS STOCK EXCHANGE**

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**BEF 7,585,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF  
CLASS A-1 AND CLASS A-2 BONDS**

**WITH INTEREST PAYABLE QUARTERLY IN ARREARS**

<b>CLASS</b>	<b>ORIGINAL PRINCIPAL AMOUNT</b>	<b>INTEREST RATE PER ANNUM</b>	<b>FINAL MATURITY</b>	<b>AVERAGE LIFE</b>	<b>EXPECTED RATING</b>
<b>A-1</b>	<b>BEF 2,670,000,000</b>	<b>5.73 %</b>	<b>April 2006</b>	<b>5.5 years</b>	<b>Aa2</b>
<b>A-2</b>	<b>BEF 4,915,000,000</b>	<b>7.31 %</b>	<b>April 2016</b>	<b>15.5 years</b>	<b>Aa2</b>

**UNDERWRITERS**

**BACOB BANK c.v.**

**MORGAN STANLEY & CO.  
*INTERNATIONAL***

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**FISCAL AGENT**

**BACOB BANK c.v.**

**PAYING AGENT**

**BACOB BANK c.v.**

**UNDERWRITERS**

**BACOB BANK c.v.**

**MORGAN STANLEY & CO.  
INTERNATIONAL**

**RATING AGENT**

**MOODY'S INVESTORS SERVICE, INC.**

*This Prospectus has been approved by the Belgian Banking and Finance Commission on 24 April 1996 in accordance with article 129, §1 of the law of 4 December 1990 on financial transactions and financial markets. Such approval does not imply any assessment of the suitability or the quality of the transaction, nor of the suitability of the party that is completing this transaction.*

*The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended. The Bonds will be in bearer form and subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered, directly or indirectly, within the United States or to U.S. persons.*

*The Bonds will not be obligations or responsibilities of or guaranteed by any person other than the Issuer. In particular, the Bonds will not be obligations or responsibilities of, or guaranteed by, Bacob Bank c.v., the Flemish Region, the Management Company or the Supervision Company (as defined below). None of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due in respect of the Bonds.*

*The distribution of this document and the offering of the Bonds in certain jurisdictions may be restricted by law; persons into whose possession this document (or any part hereof) comes are required by the Issuer and the Underwriters to inform themselves about, and to observe, any such restrictions. Neither this document nor any part hereof constitutes an offer to sell or the solicitation of an offer to buy any of the Bonds, and neither this document nor any part hereof may be used for the purpose of or in connection with an offer or a solicitation by any person, in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. A more detailed description of the restrictions on offers, sales and deliveries of Bonds and the distribution of this Prospectus is set out in "Subscription and Sale".*

*All references in this document to "Belgian Francs" or "BEF" are to the lawful currency of Belgium.*

*On issue, the Bonds are expected to be assigned an "Aa2" rating by Moody's Investors Service, Inc. ("Moody's"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.*

*Application has been made to list the Bonds on the first market of the Brussels Stock Exchange.*

*The Underwriters intend to act as market-makers in respect of the Bonds, without any obligation to do so. Such market-making, if commenced, may be discontinued at any time.*

*In connection with the issue and sale of the Bonds, the Underwriters may over-allot or effect transactions which stabilise or maintain the market prices of the Bonds at levels which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.*

## CHAPTER I - RESPONSIBILITY FOR THE PROSPECTUS

*This Prospectus has been approved by the Belgian Banking and Finance Commission on 24 April 1996 in accordance with article 129, §1 of the law of 4 December 1990 on financial transactions and financial markets. Such approval does not imply any assessment of the suitability or the quality of the transaction, nor of the suitability of the party that is completing this transaction.*

### THE ISSUER

The members of the board of directors of Atrium-1 V.B.S. naar Belgisch recht N.V. (the "**Issuer**"), represented by Mr. [\_\_\_\_\_] [\_\_\_\_\_] , Director, and Mr. [\_\_\_\_\_] [\_\_\_\_\_] , Director are responsible for the contents of this Prospectus. To the best of their knowledge, the information stated herein is true and accurate and there are no material facts the omission of which could change the import of such information.

### AUDITORS

Deloitte & Touche B.C.V. of Britselei 23-25, 2000 Antwerpen (the "**Auditors**") represented by Mr. J. Vlaminckx have been appointed as statutory auditor of the Issuer and such appointment has been approved by the Commission for Banking and Finance in accordance with article 3 §1 12° of the royal decree of 29 November 1993 on institutions for investment in receivables. No annual accounts of the Issuer have been prepared since its incorporation. The Issuer's accounting reference date will be on 31 December of each year and the first annual accounts will be drawn up for the period ending on 31 December 1996.

The Auditors have reviewed the financial plan attached as Annex 1 (the "**Financial Plan**") and have confirmed that based on certain assumptions the calculations underlying the Financial Plan are correct.

### CHANGE OF CERTAIN INFORMATION

The information contained in this Prospectus with respect to the interest rate on the Bonds (the "**Interest Rate**"), the total amount of the issue, the number of Bonds, their average life, and the Financial Plan attached as Annex 1 to this Prospectus is subject to change depending on market conditions on 29 April 1996. Any change as to the Interest Rate, the total amount of the issue or the number of Bonds will be published in the financial press with general circulation in Belgium (which are expected to be the *Financieel Economische Tijd* and the *Echo de la Bourse*), on 30 April 1996 (the "**Offering Day**").

In addition, an addendum to this Prospectus will be made available in the same way as this Prospectus. Such addendum will contain the final Financial Plan, as reviewed by the Auditors.

## CHAPTER II - THE BONDS

### A. DESCRIPTION OF THE BONDS

*The following is a summary of certain provisions governing the Bonds, the terms and conditions of which (the "Conditions") are set out in full in Annex 2.*

*The main characteristics of the Bonds are described on the following pages: 6 to 19.*

*The Interest Rate, the total amount of the issue and the number of Bonds and their average life is still subject to change depending on market conditions on 29 April 1996. Any change as to the Interest Rate, the total amount or the number of Bonds will be published in the financial press with general circulation in Belgium (which are expected to be the Financieel Economische Tijd and the Echo de la Bourse) on 30 April 1996.*

#### TOTAL AMOUNT AND DENOMINATION

The Board of Directors of the Issuer has resolved to issue two classes of bearer bonds:

- Class A-1 Bonds in aggregate nominal amount of BEF 2,670,000,000, each in the denomination of BEF 5,000,000 serially numbered 1 to 534;
- Class A-2 Bonds in an aggregate nominal amount of BEF 4,915,000,000, each in the denomination of BEF 5,000,000 serially numbered 1 to 983;

(both classes collectively to be referred to as the "**Bonds**" which expression shall include the Permanent Global Notes referred to below).

#### FORM OF THE BONDS

Each class of the Bonds will be represented by a Permanent Global Note. The Permanent Global Notes may in limited circumstances be replaced, entirely with Bonds in definitive form at the request and at the expense of the holders of the Bonds (the "**Bondholders**"). The global notes and the delivery of Bonds in definitive form is more fully described herein under the section "Delivery of the Bonds".

#### ISIN CODES

The Bonds will be assigned the following ISIN Codes:

- Class A-1: BE 0002300698
- Class A-2: BE 0002301704

## **SUBSCRIPTION**

All Bonds will be fully subscribed by the Underwriters at the subscription price (the "Subscription Price") which shall be their nominal amount or a fixed percentage of their nominal amount as determined on the evening before the Offering Day. Subject to the final determination of the Subscription Price the proceeds of the issue are expected to be BEF 7,585,000,000.

## **SALE PRICE**

The price for sale of the Bonds by the Underwriters (the "**Sale Price**") shall be determined as a fixed percentage of their nominal amount the evening before the Offering Day and published on the Offering Day in the financial press with general circulation in Belgium (which are expected to be the *Financieel Economische Tijd* and the *Echo de la Bourse*).

## **INTEREST AND INTEREST RATE**

The Bonds shall bear interest on their outstanding principal amount as follows:

- Class A-1 Bonds at the rate of 5.73 % per annum;
- Class A-2 Bonds at the rate of 7.31 % per annum.

The Interest Rate is subject to change depending on market conditions on 29 April 1996.

The period beginning on (and including) 8 May 1996 and ending on (but excluding) the first Payment Date and each successive period beginning on (and including) a Payment Date and ending on (but excluding) the next Payment Date is called an interest period (each an "**Interest Period**").

Interest in respect of any Interest Period (or any other period) will be calculated on the basis of the number of days in the Interest Period (or such other period) and divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the last day of the Interest Period).

The Issuer will make the payments of interest set opposite each Payment Date as set out in Condition 16 (page 65 below).

## **DEFAULT INTEREST**

If any amount of principal is not paid in respect of a Bond on the date when due and payable (other than because the due date is not a Business Day as defined below), such unpaid principal shall bear interest at the rate of interest due with respect to such Bond plus a default interest. Such default interest shall be payable only to the extent the Issuer receives default interest from the Borrower or Guarantor pursuant to the Long

Term Facility Agreement or the Guarantee Decrees and only until the amount of principal in respect of the Bond is available for payment.



## **REDEMPTION AND MATURITY OF THE BONDS**

### **Payments on Payment Dates**

Unless previously redeemed, or purchased and cancelled, the Issuer will make the payment of interest and the repayment of principal set opposite each payment date (each such date a "*Payment Date*") on such Payment Date as indicated in Condition 16 on page 65 below.

### **Final Maturity**

The final repayment of principal of the Bonds will be due as follows:

- Class A-1 Bonds on 8 April 2006;
- Class A-2 Bonds on 8 April 2016.

### **Average Life**

On the assumption that the Borrower (or the Guarantor) makes repayments on the due dates in respect of the Purchased Loans (as defined below) the Bonds will have an average life as follows:

- Class A-1 Bonds: 5.5 years;
- Class A-2 Bonds: 15.5 years.

### **Redemption for Tax Reasons**

If on the next Payment Date as a result of any change of the laws or regulations of the Kingdom of Belgium or any subdivision thereof or any authority thereof or therein having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 8 May 1996:

- (a) the Issuer would be required to deduct or withhold from any payment of principal or interest on the Bonds any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Belgium or any political sub-division thereof or any authority thereof or therein; or
- (b) the Issuer is subject to any circumstance (whether by reason of any law, regulations, regulatory requirement or double-taxation convention or the interpretation or application thereof or otherwise) or to a tax charge (whether by direct assessment or by withholding) or other imposition by Belgium or any political sub-division thereof or any authority thereof which would materially increase the cost to it of complying with its obligations under the Fiscal Agency

Agreement or under the Bonds or materially increase the operating or administrative expenses of the Issuer or reduce the amount of any sums received or to be received under the Transaction Documents (as defined below) or otherwise oblige the Issuer to make any payment on, or calculated by reference to, the amount of any sum received or to be received by the Issuer;

then the Issuer may (but shall not be obliged to), on any Payment Date, after having given not more than 60 nor less than 30 days' notice to the Bondholders, redeem all (but not some only) of the Bonds at their outstanding principal amount together with accrued interest.

Any such notice shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Bonds at their outstanding principal amount.

### **RATING**

On issue, the Bonds are expected to be assigned an "Aa2" rating by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

### **RISK WEIGHTING**

The CBF has agreed to apply a 0 % risk weighting to the Bonds for purposes of the applicable capital adequacy regulations. This 0 % risk weighting only applies to Bondholders that are subject to the regulatory supervision of the CBF. The approved weighting expressly relies and depends on the following characteristics of the transaction:

- the Bondholders at all times benefit from a pledge over the Pledged Assets; and
- cash flows used for payments to the Bondholders originate from 0 % risk weighted assets, i.e. the Purchased Loans (each as defined below).

Bondholders that are not, or not exclusively, subject to the regulatory supervision of the CBF should consult their competent supervising authorities on the issue of the applicable risk weighting.

### **STATUS AND SECURITY**

The Bonds will be constituted by the fiscal agency agreement to be dated on or about 8 May 1996 and made between the Issuer and BACOB Bank c.v. (the "***Fiscal Agency Agreement***").

The Bonds will constitute direct obligations of the Issuer secured by, and pursuant to, the pledge agreement to be dated on or about 8 May 1996 and made between the Issuer, BACOB Bank c.v., the Supervision Company and the Management Company (each as defined below) (the "***Pledge Agreement***").

All Bonds will rank *pari passu* and without any preference or priority amongst themselves.

The Bondholders will be entitled to the benefit of the Pledge Agreement and the Fiscal Agency Agreement and by subscribing for or otherwise acquiring the Bonds, the Bondholders shall be deemed to have knowledge of, accept and be bound by the terms and conditions set out therein, including the appointment of the Supervision Company as agent of the Bondholders to hold the Pledged Assets and to exercise the Bondholders' rights under the Pledge Agreement.

The Bondholders shall be entitled to exercise recourse only against the assets listed in clauses 5.1 and 5.3(c) of the Pledge Agreement (as more fully described on page [ ] below) and not against any other assets of the Issuer.

As beneficiaries of the Pledge Agreement the Bondholders shall, through the Supervision Company as their agent, be entitled to collect payments under the Long Term Facility directly from the Borrower or, after a call has been made under the Guarantee, from the Guarantor.

These aspects of the security structure are more fully described herein under section B below.

#### **FISCAL AGENT AND PAYING AGENT**

BACOB Bank c.v. shall act as fiscal agent (in such capacity the "*Fiscal Agent*") and as paying agent (in such capacity the "*Paying Agent*") for the Bonds.

The Fiscal Agent will be in charge of the transfer of any amounts that need to be paid to the Bondholders. As long as the Bonds are in the form of a Permanent Global Note this will mean transferring these amounts to the Clearing System (as defined below). If a Permanent Global Note is exchanged for Definitive Bonds, the Fiscal Agent will arrange with the Paying Agent that payments in respect of the Bonds can be made at the specified office of the Paying Agent against presentation of the relevant Coupon or Bond, as the case may be.

In addition the Fiscal Agent will, as agent of the Issuer, be responsible for receiving notices from and sending notices to the Bondholders.

#### **DELIVERY AND CLEARING OF THE BONDS**

The Bonds have been accepted for clearance through the "X/N securities clearing system" currently operated by the National Bank of Belgium (the "*Clearing System*") under the following ISIN numbers:-

- Class A-1 Bonds: BE 0002300698;
- Class A-2 Bonds: BE 0002301704.

Each class of Bonds will be represented by a Permanent Global Note, in bearer form, which will be deposited with the National Bank of Belgium on 8 May 1996 or such later date (the "**Closing Date**") as may be agreed between the Issuer and the Underwriters of the issue of the Bonds.

Upon deposit of such Permanent Global Note, the National Bank of Belgium will credit the account of the Fiscal Agent with the amount of Bonds representing an interest in the Permanent Global Note. The Fiscal Agent shall credit each Underwriter with a principal amount of Bonds equal to the principal amount thereof for which the underwriter has subscribed and paid. Each Underwriter shall cause each buyer of such Bonds to be credited with a principal amount of Bonds equal to the principal amount thereof which such buyer has bought and paid for in accordance with section F below.

Each Permanent Global Note will be transferable by physical delivery. The Permanent Global Notes will not be exchangeable for individual, physical bearer Bonds (each a "**Definitive Bond**") except in the limited circumstances described below and not before the Exchange Date (as defined below).

Interest and principal on each Permanent Global Note will be payable against presentation of the Permanent Global Note by the National Bank of Belgium to the Fiscal Agent.

Each of the persons appearing from time to time in the records of the Clearing System as the holder of a Bond will be entitled to receive any payment so made in respect of that Bond in accordance with the respective rules and procedures of the Clearing System. Such persons shall have no claim directly against the Issuer in respect of payment due on the Bonds. Any claim which such person has must be made by the holder of the relevant Permanent Global Note, as long as such Permanent Global Note is outstanding.

If a Permanent Global Note is lost, stolen or destroyed, it shall, upon satisfactory evidence of, and indemnity for, such loss, theft or destruction being given to the Issuer be replaced with a duly executed replacement Permanent Global Note delivered by the Issuer to the National Bank of Belgium. The Permanent Global Notes will be subject to the Law of 24 July 1921 on the involuntary loss of securities, as amended from time to time.

As long as the Bonds are represented by the Permanent Global Notes, the Bonds will be transferable in accordance with the rules and procedures of the Clearing System, as amended from time to time.

As long as the Bonds are represented by the Permanent Global Notes, each person who is for the time being shown in the records of the Clearing System as the holder of a particular principal amount of Bonds (each such person an "**Accountholder**") will be entitled to be treated by the Issuer and the Supervision Company (as defined below) as the holder of such principal amount of Bonds and the expression "Bondholder" shall be

construed accordingly, but without prejudice to the entitlement of the bearer of the relevant Permanent Global Note to be paid principal and interest thereon in accordance with its terms.

Principal and interest on a Permanent Global Note will be payable against presentation of the Permanent Global Note at the specified office of the Fiscal Agent or, at the option of the holder, at the specified office of any Paying Agent provided that no payment of interest on a Permanent Global Note may be made by, or upon presentation of the Permanent Global Note to, any Paying Agent in the United States of America. A record of each payment made on a Permanent Global Note, distinguishing between any payment of principal and interest, will be endorsed on the Permanent Global Note by the Fiscal Agent, and such record shall be *prima facie* evidence that the payment in question has been made.

Upon:

- (i) not less than 60 days' written notice by or on behalf of a Bondholder to the Fiscal Agent, if the Permanent Global Note is held by or on behalf of the National Bank of Belgium and the Clearing System is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) not less than 60 days' written notice by or on behalf of a Bondholder to the Fiscal Agent, following the occurrence of an Event of Default (as defined in Condition 10.1) in respect of the relevant class of Bonds,

a Permanent Global Note may at any time be presented to or to the order of the Fiscal Agent for exchange as to the whole, but not part only, of its then outstanding principal amount, at the expense of the Bondholders, for Definitive Bonds in bearer form with coupons attached, in accordance with the provisions of Schedule 1 to the Fiscal Agency Agreement.

Upon any exchange of a Permanent Global Note for Definitive Bonds:

- (a) the Issuer shall procure that the Fiscal Agent shall deliver, in exchange for the then outstanding principal amount of the relevant Permanent Global Note, an equal principal amount of Definitive Bonds and coupons in bearer form and otherwise complying with the requirements of the Fiscal Agency Agreement; and
- (b) details of the principal amount thereof so exchanged shall be endorsed by or on behalf of the Fiscal Agent on Appendix A thereto, whereupon the principal amount thereof shall be reduced for all purposes to zero and the Fiscal Agent shall procure that the relevant Permanent Global Note is cancelled.

Definitive Bonds for which interests in the Permanent Global Note have been exchanged shall have attached thereto coupons in respect of interest which has not already been paid against presentation of the Permanent Global Note.

If at any time the Bonds are transferred to another clearing system, not operated or not exclusively operated by the National Bank of Belgium, these provisions shall apply mutatis mutandis to such successor clearing system and successor clearing system operator or any additional clearing system and additional clearing system operator.

## **TAX STATUS**

*The statements in this section are intended only as a general guide to current Belgian law and practice. Any person who is in doubt as to his taxation position or who requires more detailed information than that outlined below or who is resident for tax purposes in a jurisdiction other than or in addition to Belgium should consult his own professional adviser.*

If the Issuer or any Paying Agent is required to make any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature in respect of any payment in respect of the Bonds, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor any Paying Agent will be obliged to gross up the payment in respect of the Bonds or make any additional payments to holders of Bonds in respect of such withholding or deduction.

### **General rule**

Any taxes which may be due relating to payments of interest and/or principal in respect of the Bonds will be borne by the beneficiary of those payments.

### **Belgian withholding tax**

Under current Belgian withholding tax legislation, all interest payments in respect of Bonds will be subject to Belgian withholding tax on the gross amount of the interest, currently at the rate of 15%. Under current Belgian legislation interest payments in respect of the Bonds are not subject to any other withholding or deduction for, or on account of, any taxes, duties or charges.

A Bondholder who holds Bonds in a securities account opened with a Belgian or foreign financial institution, *beursvennootschap/société de bourse* or securities clearing system, which participates in the Clearing System may benefit from a special tax treatment.

Depending on the category of taxpayer to which the Bondholder belongs, the Bondholder is required to deposit his Bonds on either an "X account" ("**X-Account**") or an "N -account" ("**N-Account**") with an institution participating in the Clearing System:

- (a) An X-Account (an account which is exempted from withholding tax) is reserved for:
- (i) Belgian resident companies subject to corporate income tax;
  - (ii) institutions, associations or companies referred to by article 2 par. 3 of the law of 9 July 1975 on the supervision of insurance businesses;
  - (iii) semi-public governmental social security institutions or institutions assimilated thereto referred to by article 105, 2° of the Royal Decree of 27 August 1993 implementing the 1992 Income Tax Code;
  - (iv) non-resident savers referred to by article 105, 5° of the same Royal Decree;
  - (v) investment funds referred to by article 115 of the same Royal Decree, approved in the context of pension savings;
  - (vi) companies, associations and other taxpayers referred to by article 227, 2° of the 1992 Income Tax Code which are subject to taxation of non-residents and which purchase and hold the Bonds in the course of the exercise of their professional activity in Belgium;
  - (vi) the Belgian State as regards its investments exempted from withholding tax;
  - (vii) foreign law collective investment schemes which comprise an undivided estate managed by a management company for the account of the holders of certificates representing an interest in such collective investment schemes, when such certificates have not been the subject of a public issue in Belgium and are not being traded in Belgium; and
  - (ix) resident companies not referred to in (i) above, the exclusive or principal activity of which consists of the granting of credit or loans.

On the opening of an X-Account with a participating institution in the Clearing System, the holder of such account must submit to the said organisation a certificate which complies with the rules laid down by the Belgian Ministry of Finance, which confirms that the holder of the account belongs to one of the classes of persons referred to above.

- (b) An N-Account (an account which is not exempted from withholding tax) is reserved for any other persons which are subject to taxation of physical persons or taxation of legal entities.

The interest attributed on each Payment Date to the Bonds held on X-Accounts will be exempted from withholding tax. Under current legislation, the interest attributed on

each Payment Date on bonds held on N-Accounts will be subject to a withholding tax of 15 %. Such withholding is the final tax for the purpose of the taxation of physical persons to which Belgian residents are subject and the final tax for entities subject to taxation of legal entities.

In the case of transactions within the Clearing System, the buyer of a Bond transfers to the seller an amount equal to the agreed price plus gross accrued interest (without retaining any withholding tax). The National Bank of Belgium will, to the extent required, retain withholding tax on the amount of the accrued interest or pay an indemnity equal to such withholding tax in accordance with the following rules:

- (a) in the case of a transfer of Bonds between holders of X-Accounts, no withholding tax whatsoever shall be deducted by the National Bank of Belgium;
- (b) in the case of a transfer of Bonds between holders of N-Accounts, on the day of the settlement of the transaction, (i) withholding tax is due from the seller on the amount of interest accrued and is withheld by the National Bank of Belgium and (ii) the buyer receives from the National Bank of Belgium an indemnity equal to the withholding tax retained;
- (c) in the case of a transfer of Bonds from a holder of an X-Account to a holder of an N-Account, on the day of the settlement of the transaction, (i) the seller will receive from the buyer the amount of gross interest accrued and no retaining of any withholding tax whatsoever will be effected by the National Bank of Belgium and (ii) the buyer will receive from the National Bank of Belgium an indemnity equal to withholding tax on the amount of interest accrued on the condition that the price of the transaction does not differ significantly from the market value of the Bonds transferred;

In cases (b) and (c) above, the indemnity equal to the withholding tax on the amount of the interest which is paid to the holder of the N-Account by the National Bank of Belgium is justified by the fact that the buyer will incur the retention by the National Bank of Belgium of an amount equal to the withholding tax calculated on (i) the total amount of interest payable on its due date or (ii) the total amount of interest accrued which it will receive if it resells the Bonds prior to the due date for the payment of interest.

- (d) in the case of a transfer of bonds by a holder of an N-Account to a holder of an X-Account, withholding tax will be retained by the National Bank of Belgium on the amount of interest accrued which is included in the price which the buyer pays to the seller.

In the case of transactions which result in the entry or exit of Bonds in or out of the Clearing System, the following rules will apply:



- (a) the deposit in an N-Account or the withdrawal from an N-Account will not give rise to any deduction of withholding tax;
- (b) in the case of withdrawal of Bonds from an X-Account, no withholding tax whatsoever will be retained on the amount of interest accrued on the date of the withdrawal. Withholding tax will be retained on the total amount of interest payable on its due date. On the due date for the payment of interest, the holder of the X-Account will be entitled to compensation, at the expense of the Belgian Treasury, in an amount equal to the withholding tax charged on the amount of interest accrued up to the date of withdrawal, which will be paid to it by the National Bank of Belgium;
- (c) in the case of a deposit in the X-Account of Bonds which were held outside the Clearing System, withholding tax will be retained by the National Bank of Belgium on the amount of interest accrued prior to the date of deposit on that X-Account. On the due date for the payment of interest, the amount of such interest will be paid to it without any deduction.

All payments of withholding taxes or any indemnity arising out of a transaction will be made on the business day following the day of settlement of the transaction.

### **Special levy**

Private investors which are subject to Belgian taxation of physical persons who have received net interest income of Belgian origin in the course of the same fiscal year exceeding a certain amount (fixed at BEF 539,000 for the fiscal year 1997), must pay a special levy of 25.75% (i.e. 25% increased by 3% additional crisis tax) on the portion of interest which exceeds such amount, except if such sum is reinvested under certain conditions.

### **Stamp and transfer duties**

The sale and purchase of Bonds through a Belgian professional intermediary are subject to a transfer tax ("*beurstaks*"), the normal rate of which is 0.70 per thousand. However, a number of institutional investors (such as financial intermediaries, insurance companies and pension funds) enjoy an exemption from this tax.

### **PRESCRIPTION**

All amounts of interest, principal or other amounts due with respect to any Bond or coupon relating to such Bond (each a "*Coupon*") that is not surrendered for payment within six months of the due date shall be transferred by the Issuer to the Belgian *Caisse de Dépôt et de Consignation* in accordance with article 45 of the law of 24 July 1921 on the involuntary loss of securities, as amended, where they will remain in custody for the holder of the relevant Bond for 30 years.

## **OPPOSITION**

If with respect to any lost Bond or Coupon which is the subject of an opposition procedure under the law of 24 July 1921 on the involuntary loss of securities any amounts become due and payable or if such Bond or Coupon is redeemed or cancelled as a consequence of the liquidation of the Issuer, then the due amount will be reinvested by the Issuer in Belgian government bonds in accordance with article 19 of the Law of 24 July 1921 on the involuntary loss of securities.

## **B. LEGAL ISSUES**

### **RESOLUTION OF THE BOARD OF DIRECTORS**

The issue of the Bonds (which expression includes, unless the context otherwise requires, the Permanent Global Notes) was authorised by a resolution of the Board of Directors of the Issuer passed on 25 April 1996.

The Board of Directors of the Issuer has resolved to issue the Bonds for a total aggregate principal amount of BEF 7,525,000,000, consisting of two separate classes:

- Class A-1 Bonds in an aggregate nominal amount of BEF 2,670,000,000, each in the denomination of BEF 5,000,000, serially numbered 1 to 534;
- Class A-2 Bonds in an aggregate nominal amount of BEF 4,915,000,000, each in the denomination of BEF 5,000,000, serially numbered 1 to 983;

The Board further resolved that the total aggregate principal amount may still be varied depending on market conditions on 29 April 1996.

### **TRANSACTION DOCUMENTS**

The Bonds will be constituted by the Fiscal Agency Agreement.

BACOB Bank c.v. will be the initial Fiscal Agent and Paying Agent for the Bonds.

Copies of the Fiscal Agency Agreement together with copies of the other Transaction Documents (as defined below) other than the Bonds and the Coupons will be available for inspection at the principal office of the Fiscal Agent (being at the date hereof 25, Rue de Trèves, 1040 Brussels, Belgium).

The statements set out below include summaries of, and are subject to, the detailed provisions of the Fiscal Agency Agreement and the Pledge Agreement.

By subscribing for or otherwise acquiring the Bonds, the Bondholders will be entitled to the benefit of, and will be deemed to have knowledge of, accept and be bound by all the provisions of the Fiscal Agency Agreement, the Pledge Agreement, the Management Agreement, the Servicing Agreement, the Custody Agreement, the Liquidity Facility Agreement, the Supervision Company Agreement, the Clearing Agreement and the Loan Sale Agreement (as these are defined below).

### **THE PLEDGE AGREEMENT**

As provided in the Pledge Agreement, the Issuer's obligations under the Bonds, are secured by a perfected, first priority commercial pledge of:

- (a) all Purchased Loans, as transferred by the Originator to the Issuer pursuant to the Loan Sale Agreement, the related entitlement of the Issuer under the Guarantee and all payments (including all principal, interest and any other amounts payable) with respect to the Purchased Loans;
  - (b) the bank account of the Issuer into which all moneys of the Issuer will be payable from time to time (the "**Issuer Collection Account**"), which is and will be maintained with the Custodian (as defined below) as at and from the date hereof or at any other bank approved by the Supervision Company to which the Issuer Collection Account may be transferred in accordance with the Custody Agreement;
  - (c) all investments of the Issuer made in accordance with its by-laws, the Pledge Agreement and the Servicing Agreement including the Treasury Bills (as defined below) held in a special securities account maintained with the Custodian;
  - (d) all the rights of the Issuer under the Transaction Documents (as defined below);
- (collectively, the "**Pledged Assets**").

The Pledged Assets shall be held for the Bondholders by the Supervision Company and actual custody of some of the Pledged Assets is delegated to the Custodian.

Until the Supervision Company shall have served an Enforcement Notice (as defined in clause 5.17 of the Pledge Agreement) on the Issuer:

- (a) the Issuer, the Custodian and the Servicer shall be entitled to collect payments with respect to the Pledged Assets and to deal with the Pledged Assets as provided in the Custody Agreement and the Servicing Agreement; and
- (b) payments out of the Issuer Collection Account may be made in accordance with clause 5.13 of the Pledge Agreement except with the prior written consent of the Supervision Company.

Following an Enforcement Notice:

- (a) the Supervision Company shall be entitled, but not obliged, to collect all payments due to the Issuer under or in relation to the Pledged Assets; the Servicer and the Custodian will continue to provide their services as directed by the Supervision Company;
- (b) amounts will only be withdrawn from the Issuer Collection Account upon the written instructions of the Supervision Company; and
- (c) the amounts collected by the Servicer or the Supervision Company shall be applied in accordance with the priority of payments established pursuant to clause 5.22 of the Pledge Agreement as described below.

After the service of an Enforcement Notice moneys shall be applied in the amounts required and to the extent that such payment does not cause the Issuer's accounts to become overdrawn, in the following order of priority:

- (a) firstly, to pay all amounts of remuneration and the payment of any amount by way of indemnification due to the Supervision Company pursuant to the Supervision Agreement and all amounts due in respect of legal fees and other costs, charges liabilities, expenses, losses, damages, proceedings, claims and demands incurred by the Supervision Company under or in relation to this Agreement, the Supervision Agreement or any other Transaction Document;
- (b) secondly, to pay pro rata to the respective amounts thereof, any amounts due and payable by the Issuer to:
  - (i) the Servicer under the Servicing Agreement;
  - (ii) the Custodian under the Custody Agreement;
  - (iii) the Fiscal Agent with respect to its fees and expenses under the Fiscal Agency Agreement;
  - (iv) the Management Company under the Management Agreement;
  - (v) all amounts due and payable by the Issuer with respect to the Liquidity Facility Agreement;
  - (vi) all amounts due and payable to the Brussels Stock Exchange;
  - (vii) all amounts due and payable to the National Bank of Belgium under the Clearing Agreement;
  - (viii) all amounts due and payable to GIMV under the Corporate Services Agreement (both as defined below);
  - (ix) all amounts due to the CBF and the Auditors; and
  - (x) all other amounts due and payable by the Issuer for services provided and costs and expenses arising in connection with the operation of the transaction provided such payment is made only with the express permission of the Supervision Company, which shall not be unreasonably be withheld or delayed;
- (c) thirdly, to pay pari passu all amounts due and payable by the Issuer with respect to the Bonds.

The Bondholders will be entitled to the benefit of the Pledge Agreement and by subscribing for or otherwise acquiring the Bonds, the Bondholders shall be deemed to

have knowledge of, accept and be bound by the terms and conditions set out therein, including the appointment of the Supervision Company as agent of the Bondholders to hold the Pledged Assets and to exercise the Bondholders' rights under the Pledge Agreement.

The Pledge Agreement will be available for inspection by members of the public at the registered office of the Fiscal Agent.

As beneficiaries of the Pledge Agreement the Bondholders will, through the Supervision Company as their agent, be entitled to collect payments directly from the Borrower or, after a call has been made under the Guarantee, from the Guarantor.

## **MEETINGS OF BONDHOLDERS AND REPRESENTATION OF BONDHOLDERS**

### **General**

The Fiscal Agency Agreement contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined therein) of the Bondholders of a modification of the Bonds (including the Conditions (as defined therein)) or the provisions of any of the Transaction Documents excluding modifications by the Supervision Company as described below (see "Representation by the Supervision Company" below). Such provisions are an integral part of the Conditions (as defined therein) and by subscribing for or otherwise acquiring the Bonds, the Bondholders shall be deemed to have knowledge of, accept and to be bound by such provisions.

### **Quorum**

The quorum at any meeting of Bondholders for passing an Extraordinary Resolution shall be two or more persons holding or representing over 50 per cent. of the aggregate outstanding principal amount of the Bonds then outstanding or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the aggregate outstanding principal amount of the Bonds so held or represented except that, at any meeting the business of which includes the sanctioning of a modification which would have the effect of postponing any day for payment of interest thereon, reducing or cancelling the amount of principal payable in respect of the Bonds or the rate of interest applicable to the Bonds or altering the currency of payment of the Bonds (any such modification being referred to below as a "**Basic Terms Modification**"), the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing 75 per cent., or at any such adjourned meeting 33 1/3 per cent., or more of the aggregate outstanding principal amount of the Bonds then outstanding.

### **Binding Resolutions**

An Extraordinary Resolution passed at any meeting of Bondholders shall be binding on all Bondholders, whether or not they are present at the meeting, and, if Definitive Bonds

have been issued, on all holders of Coupons. The majority required for an Extraordinary Resolution shall be 75 per cent. of the votes cast on that resolution.

A resolution which affects the interests of the holders of one class only of the Bonds shall be duly passed if passed at a separate meeting of the holders of Bonds of that class.

A resolution which affects the interests of the holders of both classes of the Bonds but does not give rise to a conflict of interest between the holders of the Bonds of any of the classes so affected shall be duly passed if passed at a single meeting of the holders of the Bonds of the classes so affected.

A resolution which affects the interests of the holders of both classes of the Bonds and gives or may give rise to a conflict of interest between the holders of Bonds of the classes so affected shall have been duly passed only if in lieu of being passed at a single meeting of the holders of the Bonds of all such classes it shall be duly passed at separate meetings of the holders of the Bonds of each class so affected.

In the event it is disputed whether or not the interests of any class of Bonds are affected or whether or not a conflict of interest arises or may arise, the Supervision Company's opinion shall be requested and such opinion shall be decisive on the issue.

#### **REPRESENTATION BY THE SUPERVISION COMPANY**

By subscribing or otherwise acquiring the Bonds each Bondholder shall accept, confirm and ratify the appointment of the Supervision Company to hold the Pledged Assets and to exercise the Bondholders' rights with respect to the Pledged Assets with full power to delegate the actual custody of the pledged assets, all as provided in the Pledge Agreement.

The Supervision Company may without the consent of the Bondholders, at any time and from time to time, concur with the Issuer and the other parties thereto in making (i) any modification to the Transaction Documents which in the opinion of the Supervision Company may be proper provided that the Supervision Company is of the opinion that such modification is not materially prejudicial to the interests of Bondholders or (ii) any modification to the Transaction Documents which in the opinion of the Supervision Company is of a formal, minor, or technical nature or is to correct a manifest error or comply with the mandatory provisions of Belgian law. In no event shall such modification be a Basic Terms Modification. The Supervision Company shall not be bound to give notice to Bondholders of any modifications to the Transaction Documents pursuant to this paragraph.

In determining whether any proposed change will be materially prejudicial to the interests of Bondholders the Supervision Company shall be entitled to rely on, and act on any advice or opinion of or any certificate obtained from, any lawyer, valuer, accountant, banker, broker, securities company or other company whether obtained by itself or the Issuer and shall not be responsible for any loss occasioned by so acting.

All variations or amendments of, or additions to, the Transaction Documents will be notified to the CBF.

Only the Supervision Company may enforce the security interests created by or pursuant to the Pledge Agreement or declare the Bonds or any class of the Bonds to be due and payable following an Event of Default, and no Bondholder or holder of a Permanent Global Note shall be entitled to enforce such security or proceed against the Issuer to enforce the performance of any of the provisions of the Pledge Agreement or declare the Bonds or any class of the Bonds to be due and payable unless the Supervision Company, having become bound to take such steps as provided in the Pledge Agreement, fails to do so within a reasonable period (60 days being deemed for this purpose to be a reasonable period) and such failure shall be continuing. The Supervision Company shall be bound to take steps to enforce the security interests created by or pursuant to the Pledge Agreement or to declare the Bonds to be due and payable following an Event of Default if directed or requested to do so (i) by an Extraordinary Resolution of the Bondholders or the Class A-1 Bondholders, or the Class A-2 Bondholders as appropriate, or (ii) in writing by the holders of at least one quarter of the aggregate principal amount outstanding of the Bondholders or the Class A-1 Bondholders, or the Class A-2 Bondholders, as appropriate, (in either case then only if the Supervision Company shall be indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing. The following events will constitute Events of Default:

- (a) default is made for a period of 5 Business Days or more in the payment on the due date of any principal due on the Bonds or any of them or for a period of 7 Business Days or more in the payment on the due date of any interest upon the Bonds or any of them. For these purposes, the expression "Business Day" means any day (other than a Saturday or Sunday) on which banks are open for business in Belgium; or
- (b) default is made by the Issuer in the performance or observance of any material obligation, condition or provision binding on it under the Bonds or the Fiscal Agency Agreement or the Pledge Agreement (other than any obligation for the payment of any principal or interest on the Bonds) and such default (if capable of remedy) continues for 30 days after written notice given to the Issuer at the specified office of the Fiscal Agent requiring the same to be remedied; or
- (c) an order is made or an effective resolution is passed for the winding up of the Issuer except a winding up for the purpose of a merger, reconstruction or amalgamation, the terms of which have previously been approved by an Extraordinary Resolution of the Bondholders; or
- (d) proceedings shall be initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws including, for the



avoidance of doubt, any *liquidation volontaire ou forcée/vrijwillige of gedwongen vereffening, faillite/faillissement, concordat judiciaire/gerechtigd akkoord* or an execution, *saisie* or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and in any of the foregoing cases it shall not be discharged within 60 days or if the Issuer shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or shall make a conveyance or assignment for the benefit of its creditors generally; or

- (e) any Future Securities are declared immediately due and payable as a consequence of an event of default under the terms and conditions of such securities.

The Supervision Company shall not be liable in respect of any loss or damage which arises out of the exercise, or the attempted exercise of, or the failure to exercise any of its powers or any loss resulting therefrom except that the Supervision Company shall be liable for such loss or damage that is caused by its gross negligence or wilful misconduct.

#### **GOVERNING LAW AND JURISDICTION**

The Bonds are governed by, and shall be construed in accordance with, Belgian law. The courts of Brussels will have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Bonds.

#### **C. THE LISTING**

Application has been made for the Bonds to be listed on the first market of the Brussels Stock Exchange.

#### **D. USE OF PROCEEDS**

The proceeds of the issue will be used by the Issuer in discharging the purchase price for the acquisition of the Purchased Loans pursuant to the Loan Sale Agreement, as more fully described under Chapter III below.

#### **E. SUBSCRIPTION**

Pursuant to a subscription agreement (the "*Subscription Agreement*") dated 25 April 1996, the Underwriters have agreed to subscribe the entire issue of the Bonds on the Offering Day.

#### **F. SALE**

The Bonds will be offered by the Underwriters for sale at the Sale Price.

## **OFFERING DAY**

The Bonds will be offered for sale and acceptances of such offer will be received on 30 April 1996 from 9.00 a.m. until 4 p.m. Brussels time.

The Underwriters shall be entitled to terminate the offering of, and refuse receipt of acceptances in respect of, each class of Bonds at any time during the Offering Day as soon as all Bonds of such class shall have been sold.

Any decision to terminate the offering early will be published the next day in the financial press with general circulation in Belgium (which is expected to be the *Financieel Economische Tijd* and the *Echo de la Bourse*.)

## **ENTERING OF ACCEPTANCES**

Acceptances may be lodged on the Offering Day from 9:00 a.m. until 4:00 p.m. Brussels time exclusively at the office of BACOB Bank c.v., Rue de Trèves 25, 1040 Brussels and at the office of Morgan Stanley & Co. International Limited, 25 Cabot Square, Canary Wharf, London E14 4QA, England.

Acceptances may be lodged either by duly completing and submitting the attached acceptance forms or by way of any other formality acceptable to the Underwriters.

The price for the Bonds which have been allocated to any buyer shall be payable to the Underwriter with whom the acceptance has been entered prior to 4 p.m. 8 May, 1996 by transfer to the bank account of the relevant Underwriter or as otherwise directed by the relevant Underwriter.

## **ALLOCATION OF BONDS**

Provided the offering of the Bonds and receipt of acceptances are not terminated early, the Underwriters will on the evening of 30 April, 1996 calculate the total number of Bonds for which valid acceptances have been received. If such number exceeds the number of Bonds offered for sale, the Underwriters shall be entitled to apportion the Bonds between applicants from whom valid acceptances have been received.

If the offering of the Bonds and receipt of acceptances is terminated early and the number of acceptances nevertheless exceeds the number of Bonds, the Underwriters shall use their best efforts to allot Bonds to all investors who have entered acceptances no later than the time of termination of the offering.

## **CANCELLATION OF THE OFFER**

The Issuer or the Underwriters shall be entitled to cancel the issue of the Bonds and the offer for sale if market conditions shall have changed substantially in the period between the time the Sale Price was fixed (as set out on page [ ] above) and 9 a.m. on the Offering Day. Such cancellation shall be published in the financial press the day

following the Offering Day. As a consequence of such cancellation, the issue of the Bonds and all acceptances and sales shall be cancelled automatically.

#### **EXPENSES OF THE OFFER**

The expenses related to the offering of the Bonds are estimated, to be approximately BEF 59,900,000, relating in particular to the fees of the competent authorities, publicity, clearing and administrative costs and including fees of advisers and the management, underwriting and selling commission of the Underwriters.

These expenses are therefore estimated to amount to BEF 39,800 per Bond.

These figures are still subject to changes depending on the final determination of the issue and the number of Bonds.

These expenses will be born by Bacob.

Securities transfer tax ("*beurstaks*") and all similar expenses related to the Bonds due in accordance with Belgian law shall be born by each Bondholder.

#### **G. UNDERTAKINGS**

The Bonds are not subject to any selling restrictions in Belgium.

Each Underwriter agrees that the Bonds have not been and will not be registered under U.S. Securities Act 1933 (the *Securities Act*) and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Underwriter represents that it has not offered or sold, and agrees that it will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act (*Regulation S*). Accordingly each Underwriter represents and agrees that neither it, its affiliates nor any persons acting on its behalf have engaged or will engage in any directed selling efforts with respect to the Bonds. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Underwriter agrees that, under U.S. Treasury Regulations s. 163-5(c)(2)(i)(C) (the *C Rules*), must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Underwriter represents and agrees that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, the Bonds within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of the Bonds each Underwriter represents and agrees that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either of such Underwriter or the prospective purchaser is within the United States or its possessions or otherwise involve a U.S. office of such Subscriber in the offer and sale of the Bonds.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

Each Underwriter agrees that (i) it has not offered or sold and, prior to the expiry of six months from the Closing Date, will not offer or sell any Bonds except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offer of Securities Regulations 1995; (ii) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom and (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Bonds to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1995 or is a person to whom such document may otherwise lawfully be issued or passed on.

No action has been or will be taken by the Issuer or any Underwriter that would permit a public offering of the Bonds or possession or distribution of the Prospectus or other material relating to the Bonds in any country or jurisdiction where action for that purpose is required.

Accordingly, each Underwriter has undertaken that it will not, directly or indirectly, offer, sell or deliver Bonds or distribute or publish any preliminary or other offering memorandum, advertisement or other material relating to the Bonds in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

## CHAPTER III - BACKGROUND OF THE ISSUE

### A. SECURITISATION OF SOCIAL HOUSING LOANS

Due to advances in the Belgian legal and regulatory framework, it is now possible to securitise most types of Belgian financial assets, including residential mortgage loans, consumer credit receivables, corporate loans and social housing loans.

In July 1994 the requirements for the transfer of debts under Belgian law were simplified so that an assignment of a receivable can be perfected without any formalities and without the need to notify the debtor in all circumstances.

In addition, the Belgian law of 4 December 1990 on financial transactions and financial markets (the "**Law**") and the royal decree of 29 November 1993 on institutions for investment in receivables (the "**Royal Decree**") provide a detailed framework for securitisation structures. This framework offers a dedicated special purpose vehicle, the "*vennootschap voor belegging in schuldvorderingen*" (a "**VBS**"), and requires the involvement of a rating agency, a company to manage the vehicle, a custodian to hold the assets of the vehicle and a supervision company to supervise the structure.

The main advantages of the dedicated structure are:

- its special tax status, which is designed to make the structure tax neutral;
- particular regulations that provide for strict rules on investor protection and bankruptcy remoteness; and
- particularly flexible rules for the assignment of Belgian residential mortgage loans and consumer credit receivables.

From the investors' point of view, the dedicated legal structure has the following advantages:

- a VBS may not engage in any other activity outside the securitisation transaction(s) to which it is dedicated, and may not hold assets nor incur liabilities for any other purpose;
- the transaction and the documentation must be approved by the Belgian financial supervisory authority, the Belgian Commission for Banking and Finance (the "**CBF**"), prior to the establishment, and during the whole lifetime, of the structure;
- the VBS must be managed exclusively in the interests of the investors; and
- all parties to the transaction (see section B below) will only be approved and licensed for the transaction if they meet all legal requirements, which relate mainly to their general or professional suitability and independence.

It should be noted that the use of a VBS is not compulsory. However, the use of the Belgian legal framework has been preferred because of its tax neutrality and its high degree of investor protection.

In the light of these changes, BACOB Bank c.v. (the "**Originator**") has decided to securitise BEF 6,585,855,616 of social housing loans made by it pursuant to a long term credit facility between it and Domus Flandria N.V. (the "**Borrower**") and guaranteed by the Flemish Region (the "**Guarantor**").

The Originator and the Issuer envisage that in 1997 another portfolio of loans originated under the same long term credit facility and equally secured by the Guarantor may be sold to the Issuer for the purpose of issuing additional securities secured on such additional portfolio. The second portfolio shall exclusively secure the additional securities and holders of such securities shall not be entitled to exercise any recourse against the Pledged Assets.

## **B. TRANSACTION PARTIES**

In order to manage and operate the securitisation transaction the Issuer has entered into agreements with a number of additional parties, and in particular with T.B.E. S.A. as management company (the "**Management Company**"), BACOB Bank c.v. as servicer (the "**Servicer**") and as custodian (the "**Custodian**") and Bankers Trustee Company Limited as supervision company (the "**Supervision Company**").

More detailed information on some of these parties and their precise role in the securitisation transaction is contained in Chapter V below.

## **C. THE LOANS**

### **THE LOANS**

The portfolio of loans to be purchased by the Issuer consists of 70 loans (the "**Purchased Loans**") comprising a principal amount of approximately BEF 6.585.855.616 in aggregate advanced by the Originator to the Borrower pursuant to a long term credit facility in the amount of BEF 11.1 billion (the "**Long Term Facility**") during the previous two years.

The Purchased Loans will be sold by the Originator to the Issuer pursuant to a loan sale agreement to be entered into between the Originator, the Management Company (as agent of the Issuer) and the Supervision Company (the "**Loan Sale Agreement**").

The sale will include all accrued but unpaid interest on the Purchased Loans as well as all payments with respect to the Purchased Loans made after 30 April 1996.

Each Purchased Loan represents a fixed rate, non-prepayable, annuity-style obligation requiring level annual repayments over approximately twenty years.

All Purchased Loans are listed individually in Annex 3 to this Prospectus.

## **THE LONG TERM FACILITY**

The Long Term Facility is a facility which allows the Borrower to request for individual loans (each a "*Loan*") up to a maximum aggregate principal amount of BEF 13.5 billion which are governed by the terms and conditions of a long term facility agreement entered into by the Originator and the Borrower on 20 January 1994 (the "*Long Term Facility Agreement*"). All requests for Purchased Loans were made and approved prior to 31 December 1995 and thus Loans have been requested for a total aggregate amount of BEF 11.1 billion. In this transaction only Loans that are fully drawn down on 30 April 1996 are to be sold to the Issuer. The remaining loans are required to be drawn down by the Borrower prior to 30 June 1997.

The Long Term Facility Agreement expressly provides that the Originator is entitled to assign or transfer all or any part of its rights under the Long Term Facility without the prior approval of the Borrower or the Guarantor. Notice prior to the sale of the Loans to the Issuer will be given to the Borrower and the Guarantor in accordance with the terms of the Long Term Facility Agreement and the Guarantee (as defined below).

The Issuer and the Originator envisage that the remaining loans under the Long Term Facility may be sold to the Issuer in 1997 for the purpose of issuing additional securities secured on these additional loans. The additional loans will exclusively secure the additional securities and the holders of such securities shall not be entitled to exercise any recourse against the Pledged Assets.

## **BORROWER - DOMUS FLANDRIA N.V.**

The Borrower is a Belgian limited liability company set up on the instruction of the Flemish Region.

Pursuant to an agreement of 23 December 1993 between the Flemish Region, the Vlaamse Huisvestingsmaatschappij N.V. ("*VHM*"), and the Borrower, the Borrower was charged with the implementation of the Flemish Region's social housing emergency programme (the "*Emergency Programme*"). The Emergency Programme provides for the creation of more than 10,000 social housing units in Flanders.

The Borrower's main tasks are the financing of appropriate social housing construction or renovation projects, assistance in respect of the payment of subsidies for social housing and supervision of social housing construction projects.

The current shareholders of the Borrower are:

- VHM (25.06%)
- Habifin N.V. (25.06%);

- CGER Bank (11.22%);
- Vlaams Woningfonds c.v. (11.22%);
- BACOB Bank c.v. (9.98%);
- Kredietbank N.V. (9.98%);
- Gemeentekrediet (7.48%).

VHM and Habifin N.V. are each directly or indirectly controlled by the Flemish Region.

In addition to the Long Term Facility the Borrower has another credit facility with the Originator in the amount of BEF 555 million (the "**Standby Facility**") and other long term financing with other lenders for approximately the same amount as the Long Term Facility.

The Standby Facility and the Loans benefit from a guarantee by the Flemish Region (the "**Guarantee**").

The Long Term Facility provides the principal financing for social housing projects and the Standby Facility is designed to provide liquidity and to minimise the potential for draws under the Guarantee.

## **D. THE GUARANTEE**

### **SECURED LIABILITIES**

All Purchased Loans benefit from the Guarantee issued by the Flemish Region.

Under the Guarantee the Flemish Region guarantees repayment of principal up to a maximum amount of BEF 14 billion under the Long Term Facility and the Standby Facility and payment of all interest due under both facilities.

With respect to the Long Term Facility, the Guarantee has entered into force on a loan-by-loan basis. Payments made by the Guarantor in respect of amounts due under the Standby Facility do not reduce its liability under the Guarantee in respect of amounts payable under the Long Term Facility.

### **MECHANICS OF THE GUARANTEE**

If a serious and continuing default occurs with respect to the Long Term Facility or the Loans, the Issuer will be entitled to require the Flemish Region to take over all the obligations of the Borrower under the Long Term Facility with respect to each Loan.

If the Guarantee is duly called, the Flemish Region shall become primary debtor under the Loans and will be liable to continue payments of principal and interest in full accordance with the terms of the Loans as set out in the Long Term Facility Agreement.



Both the Long Term Facility and the Standby Facility provide for a list of particular events upon occurrence of which the Originator is entitled to call the Guarantee (see subsection "Events of Default" below). The terms and conditions of both facility agreements have been expressly approved and accepted by the Flemish Region.

The terms and conditions of the Guarantee expressly provide that it can be transferred in whole or in part together with the Loans.

As assignee of the Purchased Loans, the Issuer will benefit directly from the Guarantee.

The Issuer will pledge the Purchased Loans together with its entitlement to the Guarantee to the Bondholders.

#### **EVENTS OF DEFAULT UNDER THE GUARANTEE**

If any of the following events (each a "*Loan Default*") occurs and is continuing, the Guarantee will be called without delay:

- (a) in the event of failure to pay on the date that they are due any instalments in respect of any Loan made under the Long Term Facility Agreement;
- (b) in the event of certain insolvency related events in relation to the Borrower;
- (c) in all cases in which a certain and fixed debt of the Borrower to the tax authorities or a social security body would exceed the amount of its normal annual tax or quarterly contribution;
- (d) in all cases of automatic acceleration provided or to be provided by Belgian law.

Other events of default (including breach of warranties, merger or amalgamation and transfers of a substantial part of its assets) require a formal default notice to the Borrower and a period of one month to allow the Borrower to remedy the default. Upon an Event of Default the Flemish Region will promptly receive a copy of the default notice.

#### **GUARANTOR - THE FLEMISH REGION**

The Flemish Region is one of the sovereign subdivisions which together form the Belgian federal state. It has its own legislature, executive and civil service and, subject to appropriate delegations by its legislature, the executive may enter into financial transactions, including the issuing of guarantees.

Flanders has a dominant role in Belgium's economy and ample capacity to generate tax revenues.

The Flemish Region's long term debt is as of the Date of this Offering rated Aa2 by Moody's.

## E. THE CREDIT STRUCTURE

*The Bonds will not be obligations or responsibilities of, or guaranteed by, any person other than the Issuer. In particular, the Bonds will not be obligations or responsibilities of, or guaranteed by the Originator, the Supervision Company, the Flemish Region, or the Management Company. None of such persons accepts any liability whatsoever in respect of any failure of the Issuer to make payment of any amount due on the Bonds.*

### CREDIT AND LIQUIDITY SUPPORT

#### **Asset quality**

The principal credit and liquidity support for the Bonds will be the quality of the Purchased Loans and the Guarantee.

Each Loan is an obligation of the Borrower as to principal and interest and is guaranteed by the Guarantor under the Guarantee.

All payments with respect to the Loans made under the Long Term Facility will be collected by the Servicer debiting the Borrower's bank account with the Originator. The proceeds will be applied by the Servicer pro rata to all loans under the Long Term Facility, whether owned by the Originator or by the Issuer, in respect of which payments are due on the same date.

All payments with respect to the Purchased Loans collected by the Servicer on behalf of the Issuer and all other moneys related to this transaction shall be held in an account in the name of the Issuer with the Custodian (the "**Issuer Collection Account**"). This account will be pledged to the Bondholders.

Between Payment Dates all moneys not required to meet current costs will be reinvested in Belgian federal government treasury bills (the "**Treasury Bills**"), which mature prior to the next Payment Date. If at any time no suitable Belgian treasury bills are available or if the investment in Treasury Bills would prejudice the rating of the Bonds, the Issuer shall be entitled to invest the available moneys in other financial instruments which under the Belgian regulations have a 0% risk weighting, provided such investments do not otherwise prejudice the rating of the Bonds.

The Treasury Bills will be held in a dematerialised government securities account which is pledged to the Bondholders.

It should be noted that Bondholders will not have recourse to any assets of the Issuer other than the Pledged Assets.

In addition, credit and liquidity support is provided as follows.

#### **Standby Facility**

Under the Standby Facility the Originator has entered into a commitment to provide loans to the Borrower up to a maximum aggregate amount of BEF 555 million. The Standby Facility is available until 30 June 2017 and cannot be cancelled as long as the Long Term Facility and the Loans are in place.

The Borrower may draw under the Standby Facility to discharge its obligations under the Loans on a scheduled payment date for the Loans. Such draws are only allowed to the extent the Borrower has no liquidity of its own to cover the payments.

The Originator is entitled to operate a draw down under the Standby Facility and to make payment directly to the Issuer using the proceeds of such draw down to the extent that on any scheduled payment date for the Loans, the moneys available in the Borrower's bank account for payment in respect of the Loans are insufficient to make full payment.

The Standby Facility may only be used to cover a maximum of four consecutive scheduled payments under the Loans.

The Guarantor, the Management Company, the Issuer and the Supervision Company will be informed immediately of each draw down or repayment under the Standby Facility. Therefore, each of these parties, including in particular the Guarantor, will be informed of any liquidity shortfall as from its occurrence and will have four months to assess the situation and take appropriate action.

On and up to the date of this Prospectus no draw down under the Standby Facility has occurred or been requested.

The Standby Facility will not be transferred to the Issuer. However, the Issuer and the Originator have entered into mutual undertakings and have put in place arrangements so that the Originator will continue to make the Standby Facility available and any action against the Guarantor in respect of the Standby Facility will be taken in co-operation between the Issuer and the Originator.

### **Liquidity Facility**

The Issuer will enter into a liquidity facility agreement (the "***Liquidity Facility Agreement***") with the Originator, dated on or about 8 May 1996, whereby the Originator will make available to the Issuer a revolving credit facility in the maximum aggregate principal amount of BEF 165 million (the "***Liquidity Facility***") for the purpose of enabling the Issuer to make payments falling due in respect of the Bonds in the event of late payment by the Borrower of any amount falling due in respect of the Purchased Loans, or non-payment by the Borrower of any such amount pending payment in respect thereof under the Guarantee. The amount of the Liquidity Facility equals the highest aggregate amount payable on any monthly payment date in respect of the Purchased Loans.

## **LONG TERM FACILITY**

The Originator will retain certain of the Loans advanced and to be advanced under the Long Term Facility. The Issuer and the Originator have entered into mutual undertakings and have put in place arrangements to co-ordinate the way they exercise their respective rights in respect of the Loans and the Long Term Facility including in particular any rights against the Guarantor. The Issuer and the Originator are each bound not to accelerate any of the Loans but, instead, to make a call under the Guarantee upon any Event of Default.

The Purchased Loans and the Loans retained by the Originator will continue to rank *pari passu*. The Servicer will collect payments from the Borrower by debiting the Borrower's account with the Servicer. All amounts thus collected on the same day will be applied pro rata to the Purchased Loans and other Loans in respect of which payments is due that day.

## **TRUE SALE**

The Originator shall assign (i) full and exclusive title to the Purchased Loans under the Long Term Facility and, (ii) its interest in the Guarantee to the extent it relates to the Purchased Loans to the Issuer by way of a sale.

## **SECURITY**

The Issuer will pledge to the Bondholders all of its assets that derive from or relate to this transaction, including the Purchased Loans, the related entitlement to the Guarantee, all moneys and investments and any rights under the transaction documents (see pages 14-15 above). The Supervision Company will hold the Pledged Assets as agent of the Bondholders.

## **F. RISK FACTORS**

### **FLEMISH REGION GUARANTEE**

The main risk to which the Bonds are subject is the Flemish Government defaulting (i) in assuming the payment liabilities of the Borrower or (ii) after having assumed the liabilities of the Borrower in making timely payment in accordance with the terms of the Purchased Loans.

The Guarantor will be notified of each drawing under the Standby Facility so that the Guarantor is aware of any financial difficulties of the Borrower at least four months prior to the exhaustion of the Standby Facility.

If at any time the Standby Facility is exhausted and a serious default occurs and is continuing under the Purchased Loans, the Guarantee will be called by the Servicer or the Supervision Company on behalf of the Issuer. If the Guarantor does not provide immediate payment of the amounts due under the Purchased Loans, the Issuer will

nevertheless be able to meet its obligations on the next Payment Date by making drawings under the Liquidity Facility. To the extent the Guarantor continues to default under the Guarantee thereafter the only moneys available to the Issuer for making payments to the Bondholders will be the amounts collected on the defaulted Purchased Loans.

It should be noted that the controlling shareholders of the Borrower are directly or indirectly controlled by the Flemish Region.

The Guarantor's long term debt is currently rated Aa2 by Moody's.

#### **BACOB BANK C.V.**

The Issuer's accounts (cash account and securities account) are currently held with BACOB Bank c.v. ("**Bacob**") as Custodian. In addition, Bacob is also the provider of the Liquidity Facility and provider of the Standby Facility.

Bacob's short term, unsecured, unsubordinated and unguaranteed debt is currently rated P-1 by Moody's and its long-term, unsecured, unsubordinated and unguaranteed debt is currently rated A2 by Moody's. If on any day either of such ratings is downgraded, Bacob will be required:

- (a) to transfer the Issuer's accounts to another bank with a P-1 and A2 or higher rating for its unsecured, unguaranteed and unsubordinated debt; and
- (b) to
  - (i) transfer the Liquidity Facility and the Standby Facility to another bank with a P-1 and A2 or higher rating for its unsecured, unguaranteed and unsubordinated debt or procure that such bank or banks shall provide new facilities on substantially identical terms and conditions; or
  - (ii) provide collateral so that its full commitment under the Liquidity Facility and the Standby Facility is secured; or
  - (iii) take any other action necessary to maintain the then current rating of the Bonds.

#### **TAX**

If the Issuer or any Paying Agent is required to make any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature in respect of any payment in respect of the Bonds, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor any Paying Agent will be obliged to gross

up the payment in respect of the Bonds or make any additional payments to holders of Bonds in respect of such withholding or deduction.

#### **ACCELERATION**

The amounts payable to the Issuer following an early termination of the Long Term Facility may not be sufficient, when reinvested, to pay all amounts of principal and interest due in respect of the Bonds.

All Loans secured by the Guarantee are non-prepayable, annuity-style obligations requiring level annual payments over approximately twenty years.

The Issuer and the Originator have agreed not to terminate the Long Term Facility Agreement nor to accelerate any Loans upon the occurrence of a Loan Default but instead to make a call under the Guarantee.

The Guarantee protects the Issuer against the risk of acceleration upon bankruptcy of the Borrower.

Termination of the Long Term Facility Agreement and acceleration of the amounts due to the Issuer may occur upon it becoming unlawful to allow all or part of the Loans to remain outstanding or to continue the Long Term Facility Agreement.

## **CHAPTER IV - THE ISSUER**

### **A. NAME AND STATUS**

The Issuer is incorporated under the name "*Atrium-1 V.B.S. naar Belgisch recht*" as a "*naamloze vennootschap*" (limited liability company) and has been registered as a "*vennootschap voor belegging in schuldvorderingen*" pursuant to the Law and the Royal Decree.

Its registered office is at 25 Rue de Trèves, 1040 Brussels, Belgium.

According to the Law, the Royal Decree and its incorporation documents and bye-laws ("*statuten*") the Issuer:

- (a) may not engage in any activity other than the securitisation transaction(s) to which it is dedicated, and may not hold assets nor incur liabilities for any other purpose;
- (b) may not amend its by-laws without the prior approval of the CBF;
- (c) must be managed by a management company exclusively in the interests of the investors; and
- (d) may only invest in receivables and, save for limited exceptions, shall invest its cash in short term government securities which mature prior to the next Payment Date or other 0% risk weighted securities that are traded on a regulated market.

The Issuer is independent of, and bankruptcy remote from, the Originator.

The directors of the Issuer will not be officers, directors or employees of the Originator or any company affiliated with the Originator.

### **B. INCORPORATION**

The Issuer was incorporated on 17 April 1996 for an unlimited period of time.

A copy of the deed of incorporation and the by-laws of the Issuer will be available for inspection by the public at the registered office of the Fiscal Agent, which for the time being is at 25 Rue de Trèves, 1040 Brussels, Belgium.

### **C. TRANSACTION DOCUMENTS**

The Custody Agreement, the Servicing Agreement, the Fiscal Agency Agreement and the Pledge Agreement and the other Transaction Documents are available for inspection by the public at the registered office of the Fiscal Agent, which for the time being is at 25 Rue de Trèves, 1040 Brussels, Belgium.

## **D. TAX POSITION OF THE ISSUER**

### **REGISTRATION DUTIES**

Contributions to the capital of the Issuer are exempt from the usual 0.5% registration duty.

### **WITHHOLDING TAX ON MONEYS COLLECTED BY THE ISSUER**

Receipts of moveable income (in particular interest) by the Issuer are exempt from withholding tax. Therefore no such tax is due on interest payments received by the Issuer from the Borrower.

Similarly a withholding tax exemption will be available for interest paid to the Issuer on investments or cash balances.

### **CORPORATION TAX**

The Issuer is subject to corporation tax at the ordinary rate of 40.17%. However its tax base is notional: it can only be taxed on any disallowed expenses and any abnormal or gratuitous benefits received by it. The Issuer does not anticipate incurring any such expenses or receiving any such benefits.

### **VAT**

The Issuer does not qualify as a VAT taxpayer. Any VAT payable by the Issuer (at the current rate of 21%) is therefore not recoverable.

Services supplied to the Issuer by the Servicer, the Custodian, the Management Company, the Supervision Company, the Fiscal Agent, the Paying Agent, the Corporate Services Provider (as defined in the Corporate Services Agreement) and by Moody's will, in general, be subject to VAT. However, fees paid for the receipt and collection of payments on behalf of the Issuer and transactions with receivables, securities and liquid assets are exempt from VAT, save for fees paid in connection with the forced collection of receivables in arrears or in default.

### **STAMP AND TRANSFER DUTIES**

The sale and purchase of securities through a Belgian professional intermediary are, in general, subject to a transfer tax ("*beurstaks*") at the ordinary rate of 0.70 per thousand. The Issuer is fully exempt in respect of transactions carried out for its own account.

### **ANNUAL TAX ON ASSETS**

The Issuer is exempt from the 0.06% annual tax on the value of its net assets, to which other Belgian collective investment institutions are subject.



## **E. BALANCE SHEET**

The Issuer's accounting year ends on the 31 December of each year. The Issuer's first accounting year will end on 31 December 1996. The Issuer has not prepared any accounts since its incorporation.

A pro forma balance sheet is attached as Annex 5.

## **F. AUDITORS**

Pursuant to clause 25 of its by-laws, the Issuer's accounts will be audited by its statutory auditor which is currently Deloitte & Touche B.C.V. of Britselei 23-25, 2000 Antwerpen represented by Mr. J. Vlaminckx.

## **G. BOARD OF DIRECTORS**

Pursuant to article 17 of its by-laws, the Board of Directors of the Issuer consists of at least three directors. The Board of Directors of the Issuer currently consists of the following persons:

- Mr. G. Mampaey, employee of the Investeringsmaatschappij voor Vlaanderen N.V. ("**GIMV**", Investment Company for Flanders), of Boom, s'Herenbaan 207;
- Mr. M. Vercruysse, employee of GIMV, of Lier, Absterbergstraat 26;
- Mr. G. Fierens, employee of GIMV, of Boechout, Appelkantstraat 101a.

Mr. Vercruysse and Mr. Mampaey are also members of the board of directors of the Borrower.

The Issuer has no other management bodies, save that in accordance with the Law and the Royal Decree, the Management Company has been appointed to manage the company (see Chapter V below).

## **H. CAPITAL**

The Issuer has a total share capital of BEF 2.5 million which is represented by 100 ordinary registered shares, each fully paid up. The shares of the Issuer are owned as follows:

- GIMV N.V., a limited liability company which is controlled by the Guarantor as its majority shareholder, owns 99 shares representing 99 % of all voting rights;
- Habifin N.V., a limited liability company which is a subsidiary of GIMV N.V., owns 1 share representing 1 % of all voting rights.

The Originator holds 10 profit shares which allow it to prevent fundamental changes to the corporate structure of the Issuer and its shareholding and which entitle it to 80% of any profit which the Issuer should distribute in accordance with the Law, the Royal Decree and its by-laws.

## **I. TERMS AND CONDITIONS OF THE BONDS**

If Bonds in a definitive form were to be issued, the terms and conditions (subject to amendment and alteration) set out on each Bond would be as set out in Annex 2.

While the Bonds remain in global form the same terms and conditions govern them, except to the extent that they are appropriate only to Bonds in definitive form, together with certain terms and conditions set out in the Permanent Global Notes.

Chapter II above contains a summary of the main provisions of the Conditions.

## **J. APPLICATION OF REVENUE**

Prior to actual enforcement of the Pledged Assets, payments on any Payment Date will first be made to discharge the expenses of the transaction and thereafter in payment of amounts due to Bondholders.

All Bonds rank pari passu and without preference or priority amongst themselves.

On actual enforcement (i.e. the liquidation or sale of the Pledged Assets), the proceeds of the Pledged Assets will be applied as set out in Chapter II, subsection "The Pledge Agreement" above.

## **K. EXPENSES**

### **MANAGEMENT COMPANY**

The Issuer shall pay to the Management Company a fee of 0.06 % per annum which shall be payable quarterly in arrears and calculated on the principal amount outstanding under the Purchased Loans at the start of the relevant quarter.

### **CUSTODIAN**

The Issuer shall pay to the Custodian a fee of 0.02 % per annum which shall be payable quarterly in arrears and calculated on the principal amount outstanding under the Purchased Loans at the start of the relevant quarter.

### **SUPERVISION COMPANY**

Under the Supervision Company Agreement, the Issuer shall pay to the Supervision Company a quarterly fee not exceeding BEF 62,500 which shall be payable quarterly in arrears.

The Issuer shall pay to the Supervision Company for its services as agent for the Bondholders under the Pledge Agreement a quarterly fee not exceeding BEF 62,500 which shall be payable quarterly in arrears.

#### **SERVICER**

The Issuer shall pay to the Servicer a fee of 0.14 % per annum for general servicing and a fee of 0.01% per annum for forced collection. Both fees shall be payable quarterly in arrears and calculated on the principal amount outstanding under the Purchased Loans at the start of the relevant quarter.

#### **L. OTHER EXPENSES PAYABLE BY THE ISSUER**

The Issuer shall in addition pay the following ongoing expenses:

- (a) to the Fiscal Agent (including a remuneration for the Paying Agent) a total fee of 0.02 % per annum which shall be payable quarterly in arrears and calculated on the principal amount outstanding under the Purchased Loans at the start of the relevant quarter;
- (b) to the Auditors a quarterly fee not exceeding BEF 87,500;
- (c) to the Liquidity Facility Provider a commitment fee of 0.25 % per annum which shall be calculated on the daily portion of the unused commitment under the Liquidity Facility and shall be payable quarterly in arrears;
- (d) to the National Bank of Belgium an annual fee per Class equal to 0.06% of the face amount at issuance of the Bonds of the said Class plus value added tax at the rate of 21% on the said fee, subject to a maximum fee per Class of BEF 200,000 increased by 21%. This fee will be payable on every Class of bonds whilst they remain outstanding.
- (e) to the CBF an annual fee of 0.002 % per annum on the aggregate principal amount outstanding under the Bonds on 31 December of the previous year;
- (f) to the GIMV as provider of services under the Corporate Services Agreement an annual fee not exceeding BEF 425,000.

## CHAPTER V - TRANSACTION PARTIES

### A. THE ORIGINATOR - BACOB BANK C.V.

#### NAME AND STATUS

BACOB Bank c.v. is a "*coöperatieve vennootschap*" under Belgian law, duly licensed as a credit institution and a bank in Belgium.

Its registered office is at Rue de Trèves 25, 1040 Brussels, Belgium.

#### SHARE CAPITAL

The share capital of the Custodian is partly fixed and partly variable and is represented by a variable number of shares, with a nominal value of BEF 1,000 per share. The fixed amount of capital may never be less than BEF 1 billion and must at all times be fully paid up.

On 31 December 1995 the share capital of the Custodian was BEF 9,850,000,000 represented by 9,850,000 shares of BEF 1,000 each, fully paid up.

On 31 December 1995, 65.04% of the share capital of the Custodian was held by Arcofin c.v., a Belgian "*coöperatieve vennootschap*". 29 % of the share capital is held by individuals most of whom do not own more than 50 shares each.

#### HISTORY

The Originator was established in 1924 for initially a period of 30 years (which, in 1964, was converted into a period of unlimited duration) and merged with a number of Belgian local savings banks and co-operatives affiliated with the Christian Workers' Movement. In accordance with the Royal Decree of 9 July 1935, the Originator was established as a private savings bank ("*caisse d'épargne*" in French and "*spaarkas*" in Dutch). Pursuant to that Decree a distinction was made between commercial banks under the control of the CBF and the savings banks, with a far more restricted range of activities, under the control of a special-purpose agency.

Before 1967, the Originator's business had been primarily the promotion of long-term savings in Belgium and the provision of home mortgage loans.

The reorganisations of the financial sector and the changes in law relating to the private savings banks in 1967 and 1975 extended the scope of savings bank activities to include a wider range of banking operations and subjected the savings banks together with commercial banks to the common control of the CBF. The law of 30 June 1975 stated for the first time the objective of merging the savings bank sector with the commercial bank sector.

In 1976 the Originator obtained authorisation from the Belgo-Luxembourg Foreign Exchange Institute to engage in international operations for its customers, and since 1981 the Originator has been permitted to carry out international banking activities for its own account, thus improving its access to the international financial markets.

In 1990 the Originator was appointed by the Belgian monetary authorities as one of the primary dealers in the official market for Belgian government securities.

Any remaining differences between commercial banks and savings banks were removed pursuant to the law of 22 March 1993. Consequently, with effect from 15 December 1993, the Originator changed its name from BACOB Savings Bank c.v. to BACOB Bank c.v. and with effect from 1 January 1994 it changed its status from savings bank to bank.

## **BUSINESS**

The Originator's business has gradually evolved with the broadening of the scope in operations permitted by law.

As described in its Statutes, the Originator's objectives consist of carrying out a broad range of banking activities both for its own account and that of third parties and both in Belgium and abroad, including the receipt of deposits and other repayable funds, the granting of credit, the execution of all financial, stock exchange, foreign exchange, brokerage and commission transactions, participation in the issue of securities and letting of safe deposit boxes. The Originator may also provide consulting services and carry out research for third parties as part of the above-mentioned activities. In addition, it may carry out all other activities which are permitted by the legislation and regulations relating to credit institutions.

The Belgian banking sector has experienced a high level of competition in the corporate sector since the 1960's with the advent of foreign banks, and in the retail sector as a consequence of the integration of European financial markets. The Originator competes with other credit institutions in Belgium and according to the *Association Belge des Banques* and the July 1995 edition of *The Banker* ranks as follows :

- sixth among Belgian credit institutions by size of its balance sheet as of 31 December 1994;
- seventh among Belgian credit institutions by size of tier 1 equity as of 31 December 1994;
- 311th among the world's banks by size of equity as of 31 December 1994.

As a primary dealer, the Originator has the opportunity to make the most of its links with the personal savings market by offering additional products such as derivative products. In 1991 the Originator was the first Belgian bank to guarantee an issue with a

redemption price linked to the Belgian stock exchange and to launch an issue of call option certificates on a Belgian government bond.

The Originator is also involved in capital markets activities. The Originator acts as an underwriter of floating and fixed rate eurobond issues.

As an active issuer in the international financial markets, the Originator guarantees a commercial paper programme and a programme for the issuance of debt instruments. In addition to these programmes, the Originator also issues bonds and notes in the euromarket from time to time. Since 18 June 1992 the Originator's long term debt has been assigned a rating of A2 by Moody's.

The Originator runs an investment portfolio for its own account in Belgian Francs and foreign currencies.

At 31 December 1995, its most recent balance sheet date, the Originator had a balance sheet total of BEF 1,162 billion, net assets totalling BEF 29,597 million and employed a staff of 3,626 employees.

After adding in the profit brought forward from the previous year, the profit to be allocated for 1995 amounted to BEF 2.24 billion.

The Originator holds 9.98% of the share capital of the Borrower.

## **MISSION AND STRATEGY**

In its 1991 mission statement, the Originator defined the following client groups: households and individuals, self employed individuals, small and medium sized companies and social sector organisations (schools, clinics). The Originator provides these clients with a full range of banking services (payments, deposits, lending) and aims at obtaining significant and profitable market share. The Originator offers specialised services for other specifically identified client groups, including (but not limited to) not in the least public sector entities. Apart from commitments to Belgian regional governments and the Belgian federal government through direct loans, the Originator offers its expertise in a variety of areas through projects such as that carried on by the Borrower.

## **B. THE MANAGEMENT COMPANY**

### **NAME AND STATUS**

Pursuant to an agreement to be entered on 25 April 1996 (the *Management Agreement*), the Issuer will appoint *Titrisation belge - Belgische effectisering S.A.*, in short T.B.E. S.A., as management company.

The Management Company is a "*naamloze vennootschap*" (limited liability company) under Belgian law, duly licensed as a management company for this transaction in accordance with the Law and the Royal Decree.

The Management Company was incorporated on 13 March 1996 and its registered office is at 3 Montagne du Parc, 1000 Brussels, Belgium.

#### **ACTIVITIES**

The Management Company will be charged under the Management Agreement with the management of the Issuer in the best interests of the investors.

Its responsibilities will include:

- (a) the administrative management of the Issuer;
- (b) the accounting and financial reporting of the Issuer;
- (d) the management of the assets of the Issuer;
- (e) the listing and the servicing of the Bonds;
- (f) negotiating and entering into contracts with the Custodian, the Servicer and the Supervision Company in the name and on behalf of the Issuer; and
- (g) representing the Issuer as its agent in dealings with third parties generally in relation to the transaction.

The Management Company has prepared the Financial Plan for the issue of the Bonds, which sets out the predicted cash flows and their application during the life time of the Bonds, a complete copy of which is attached as Annex 1.

#### **SHARE CAPITAL**

On 12 March 1996 the share capital of the Management Company was BEF 15,000,000 represented by 15,000 shares of BEF 1,000 each, with 40% paid up (BEF 6,000,000).

#### **MAIN SHAREHOLDERS**

The current shareholders of the Management Company are :-

- Générale de Banque S.A.;
- Banque Bruxelles Lambert S.A.; and
- Bear Stearns Global Securitisation Ltd. (a UK limited liability company);

each holding one third of the shares.

## REPLACEMENT

In certain events, including the event that the Management Company defaults in the performance or observance of any of its material covenants and obligations under the Management Agreement, the Issuer shall be entitled to terminate the appointment of the Management Company.

The Management Company may only be replaced by the Issuer:

- (a) with the prior consent of the Supervision Company, such consent not to be unreasonably withheld or delayed; and
- (b) with the prior approval of the CBF.

To the extent required, the Management Company shall continue its duties until:

- (a) it has been replaced by a successor management company in accordance with Article 8 §2 of the Royal Decree; and
- (b) such successor company is in a position fully to perform and exercise the rights, powers, duties, authorities and discretions vested in it pursuant to the Management Agreement, the Law and the Royal Decree.

## OTHER INVESTMENT INSTITUTIONS

On the date of this Prospectus the Management Company is also charged with the management of other institutions for investment in receivables (*instellingen voor belegging in schuldvorderingen*) incorporated under Belgian law.

## C. THE CUSTODIAN

### NAME AND STATUS

BACOB Bank c.v. will be duly appointed as Custodian of the Issuer in accordance with the Law and the Royal Decree pursuant to an agreement to be entered into on or about 8 May 1996 (the *Custody Agreement*).

BACOB Bank c.v. is a "*coöperatieve vennootschap*" under Belgian law, duly licensed as a credit institution and a bank in Belgium and duly approved by the CBF in accordance with the Law and the Royal Decree to act as custodian for this transaction.

Its registered office is at Rue de Trèves 25, 1040 Brussels, Belgium.

### ACTIVITIES

The Custodian is a commercial bank which provides its clients with a full range of banking services, including custodial services.



The Custodian's duties will mainly consist of the safekeeping of physical instruments evidencing the Purchased Loans and cash balances and investments of the Issuer.

#### **SHARE CAPITAL**

See section A above.

#### **MAIN SHAREHOLDERS**

See section A above.

#### **REPLACEMENT OR TRANSFER**

In certain events, including in the event that the Custodian defaults in the performance or observance of any of its material covenants and obligations under the Custody Agreement, the Issuer shall be entitled to terminate the Custody Agreement and to replace the Custodian.

The appointment of a successor custodian by the Issuer is subject to:

- (a) the prior written consent of the Supervision Company, such consent not to be unreasonably withheld or delayed; and
- (b) the prior approval of the CBF.

At any time after an Enforcement Event (as this term is defined in the Pledge Agreement) has occurred, the Supervision Company shall be entitled to terminate the appointment of the Custodian and to replace the Custodian with the prior approval of the CBF.

To the extent required, the Custodian shall continue its duties until:

- (a) it has been replaced by a successor custodian; and
- (b) such successor custodian is in a position to fully perform and exercise the rights, powers, duties, authorities and discretions vested in it pursuant to the Custody Agreement, the Law and the Royal Decree.

### **D. THE SUPERVISION COMPANY**

#### **NAME AND STATUS**

Bankers Trustee Company Limited will be appointed as Supervision Company pursuant to an agreement to be entered into on or about 8 May, 1996 (the "*Supervision Company Agreement*").

The Supervision Company is a limited liability company under English law, duly approved by the CBF in accordance with the Law and the Royal Decree to act as supervision company for this transaction.

Established in 1938, the Supervision Company is a wholly owned subsidiary of Bankers Trust Company.

Its registered office is at 1 Appold Street, Broadgate, London EC2A EH, England.

The Supervision Company's balance sheet total for 1994 amounted to £ 6,693,358 and its profit for the same financial year amounted to £ 1,693,358.

#### **ACTIVITIES**

The Supervision Company's primary business is acting as trustee for eurobonds, securitised debt issues, loan capital and syndicated bank loans to corporate borrowers, financial institutions, governments and government agencies, supranational organisations and municipalities. The Supervision Company has considerable experience as security trustee of eurobonds and other debt issues where security is taken over underlying assets.

The Supervision Company has pursuant to the Supervision Company Agreement been appointed to act as supervision company under the Law and the Royal Decree. In addition it has been appointed in the Pledge Agreement to hold the Pledged Assets as agent on behalf of the Bondholders.

The Supervision Company will, for the benefit of the Bondholders:

- (a) oversee the issue, sale and repayment of the Bonds;
- (b) oversee the transaction in accordance with the Financial Plan and the Transaction Documents;
- (c) exercise certain rights as to the termination of the appointment or the replacement of certain of the other parties to the securitisation transaction; and
- (d) as agent of the Bondholders hold, and if necessary enforce, the Pledged Assets.

#### **REPLACEMENT AS SUPERVISION COMPANY UNDER THE LAW**

In certain events, including the event the Supervision Company defaults in the performance and observance of any material covenants or obligations under the Supervision Company Agreement, the Issuer and the Bondholders will be entitled to terminate the Supervision Company Agreement and to replace the Supervision Company. Any replacement requires the prior approval of the CBF.

To the extent required the Supervision Company shall continue its duties until:

- (a) it has been replaced by an independent successor supervision company in accordance with article 19ter §2 of the Royal Decree; and
- (b) such successor supervision company is in a position fully to perform and exercise the rights, powers, duties, authorities and discretion vested in it pursuant to the Supervision Company Agreement, the Law and the Royal Decree.

#### **REPLACEMENT AS AGENT OF THE BONDHOLDERS**

The appointment of the Supervision Company as agent of the Bondholders shall be terminated on the date of termination of the appointment of the Supervision Company as supervision company under the Supervision Company Agreement. The successor supervision company appointed pursuant to the terms of the Supervision Company Agreement shall also replace and succeed the Supervision Company as agent of the Bondholders under the Pledge Agreement, unless it is decided by an Extraordinary Resolution of Bondholders that the Supervision Company may continue its duties under the Pledge Agreement irrespective of its replacement under the Supervision Company Agreement.

The Bondholders shall be entitled to terminate the Supervision Company's appointment and to appoint another agent for the purposes of the Pledge Agreement:

- (a) in the event the Supervision Company defaults in the performance or observance of any of its material covenants and obligations under the Pledge Agreement, and an Extraordinary Resolution of a Meeting of Bondholders resolves that such default is materially prejudicial to the interests of the Bondholders; and
- (b) provided the Management Company approves the choice of the new agent and attorney.

To the extent required the Supervision Company shall continue its duties under the Pledge Agreement until a successor supervision company is in a position fully to perform and exercise the rights, powers, duties, authorities and discretions vested in it pursuant to the Pledge Agreement.

#### **E. THE SERVICER**

##### **NAME AND STATUS**

The Management Company will appoint BACOB Bank c.v. as servicer of its assets (in such capacity the "***Servicer***") pursuant to an agreement to be entitled into on or about 8 May 1996 (the ***Servicing Agreement***).

BACOB Bank c.v. is a "*coöperatieve vennootschap*" under Belgian law, duly licensed as a credit institution and a bank in Belgium.

Its registered office is at Rue de Trèves 25, 1040 Brussels, Belgium

## **ACTIVITIES**

The Servicer is a commercial bank which provides its clients with a full range of banking services. It has considerable experience in advancing loans within Belgium, in particular mortgage loans and loans to public sector entities, and of managing and administering loan portfolios.

The Servicer has invested substantially in the development of its servicing capacity for securitised assets.

The Servicer will have the following principal duties under the Servicing Agreement:

- (a) collect interest and principal payments in respect of the Purchased Loans;
- (b) monitor and, where appropriate, pursue arrears and enforce the Guarantee;
- (c) subject to instructions of the Management Company operate the Issuer's banking arrangements, including instructions to make payments of expenses and amounts due to the Bondholders;
- (d) subject to instructions of the Management Company take responsibility for the investment of moneys between Payment Dates in respect of the Bonds;
- (e) subject to instructions of the Management Company take responsibility for making payments of principal and interest to Bondholders; and
- (f) provide various reports to the transaction parties, in particular reports in relation to each Payment Date to the Management Company and the Supervision Company describing the performance of the Purchased Loans, the cash flow within the reporting period, the account balances and the payments to Bondholders.

## **SHARE CAPITAL**

See section A above.

## **MAIN SHAREHOLDERS**

See section A above.

## **REPLACEMENT OR TRANSFER**

The Servicer may be replaced with another servicer upon the initiative of the Management Company with the prior written consent of the Supervision Company. Such termination of appointment and replacement may be effected only in the circumstances specified in clause 13 of the Servicing Agreement. These events mainly relate to the Servicer defaulting under its obligations under the Transaction Documents

or other events which may threaten the Servicer's ability to duly perform its duties. The successor servicer will need to be approved by the CBF.

The Servicer may assign and transfer its rights and obligations under the Servicing Agreement to a bank the unsecured, unguaranteed and unsubordinated debt of which is rated by Moody's P-1 or higher (for its short term debt) and A2 or higher (for its long term debt) and whose activities include the business of advancing loans within Belgium and of servicing and managing loan portfolios, provided:

- (a) such transfer and assignment comprises all rights and obligations of the Servicer under the Servicing Agreement;
- (b) the Servicer notifies the Management Company, the Supervision Company, Moody's and the CBF in writing prior to such transfer and assignment; and
- (c) Moody's shall have confirmed prior to such transfer and assignment that the transfer shall not have an adverse effect on the rating of the Bonds.

#### **F. THE RATING AGENT**

Moody's Investors Service, Inc., having its registered office at 99 Church Street, New York, NY 10007, United States of America, has been requested to rate the Bonds.

## **CHAPTER VI - PAYMENTS AND INFORMATION**

### **A. PAYMENTS**

#### **PERMANENT GLOBAL NOTES**

In order to provide for the payment of principal, interest and other amounts (if any) in respect of the Permanent Global Notes as the same shall become due the Issuer shall against presentation of a Permanent Global Note to the Fiscal Agent unconditionally pay or cause to be paid to the National Bank of Belgium in Belgian Francs in same day funds no later than 11.15 a.m. (Brussels time) on each date on which any payment in respect of such Permanent Global Note becomes due an amount sufficient to pay all amounts becoming due in respect of the Bonds represented by such Permanent Global Note on such date.

Upon receipt of such payment, the National Bank of Belgium shall cause the amounts due to the relevant Bondholders to be credited to the accounts of the participating members of the Clearing System who shall cause the same amounts to be credited to the Bondholders' accounts.

If the due date for payment of any amount of principal or interest in respect of the Bonds is not a business day in Brussels, payment will be made on the next business day, but the holders thereof shall not be entitled to any further interest or other payment in respect of such delay.

#### **DEFINITIVE BONDS**

Payments in respect to Definitive Bonds will be made to investors against presentation of Coupons at the offices of BACOB Bank c.v. as Paying Agent or at the offices of any other Paying Agent appointed from time to time.

### **B. INFORMATION TO BONDHOLDERS**

The Management Company will prepare a yearly, six-monthly and a three-monthly report in accordance with articles 44 to 46 (inclusive) of the Royal Decree.

The Bondholders will be notified of the availability of the reports by way of an appropriate notice published in one leading daily newspaper printed in the Dutch language and one in the French language, and with general circulation in Belgium (which are expected to be the *Financieel Economische Tijd* and the *Echo de la Bourse*) and in another leading English language newspaper having general circulation in Europe (which is expected to be *The Financial Times*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made in the manner required in the newspaper referred to above.

In addition to the above, so long as the Bonds are represented by a Permanent Global Note and the Permanent Global Note is held by or on behalf of the National Bank of Belgium and/or another clearing system operator, notices to Bondholders of the availability of the reports will be given by delivery of the relevant notice to that clearing system operator for communication by it to entitled accountholders.

All reports referred to above will be made available upon request at the offices of the Fiscal Agent, currently being BACOB Bank c.v., Rue de Trèves 25, 1040 Brussels, Belgium, and at the offices of T.B.E. S.A., 3 Montagne du Parc, 1000 Brussels, Belgium.

**ANNEX 1 - FINANCIAL PLAN**  
**FINANCIAL PLAN ATRIUM-1 V.B.S.**

**- SUBJECT TO AMENDMENT -**

1. Atrium-1 V.B.S. *naar Belgisch recht* N.V. (the "**Issuer**") was incorporated on 17 April 1996. Its share capital of BEF 2,500,000 has been fully subscribed and paid in. The Issuer was incorporated for the purpose of purchasing a portfolio of loans (the "**Purchased Loans**") comprising an aggregate principal amount of approximately BEF 6,585,855,616 advanced by BACOB Bank c.v. (the "**Originator**") pursuant to a long term credit facility in the amount of BEF 13.5 billion (the "**Long Term Facility**") dated 20 January 1994.

The Purchased Loans will be sold by the Originator to the Issuer pursuant to a loan sale agreement to be entered into between the Issuer and the Originator (the "**Loan Sale Agreement**").

Each Purchased Loan represents a fixed rate, non-prepayable, annuity-style obligation requiring level annual repayments over approximately twenty years.

The Purchased Loans are guaranteed by the Flemish Region (such guarantee, the "**Guarantee**") and the Purchased Loans and the benefit of the Guarantee will be pledged to the bondholders.

2. This Financial Plan comprises the cash flows and their allocation during the lifetime of the securitisation transaction, set out for each class of Bonds. The Issuer will issue the following Bonds:

<b>CLASS</b>	<b>ORIGINAL PRINCIPAL AMOUNT</b>	<b>INTEREST RATE PER ANNUM</b>	<b>AVERAGE LIFE</b>	<b>FINAL MATURITY</b>
A-1	BEF 2,670,000,000	5.73 %	5.5 years	April 2006
A-2	BEF 4,915,000,000	7.31 %	15.5 years	April 2016

All Bonds have equal rights (rank *pari passu*) with respect to the Purchased Loans and the associated Guarantee.

3. The Purchased Loans have been advanced at different dates since 20 January 1994, which results in payments being due with respect to different Purchased Loans each month. The Issuer will therefore pay quarterly interest and principal as scheduled on the Bonds by regrouping the incoming monthly cash flows. The payment schedule with respect to principal and interest will be fixed for each class of Bonds.



4. Due to the fixed rate, non-prepayable nature of the Purchased Loans and the high relative interest rates on the Purchased Loans, the original principal amount of the Bonds will be higher than the aggregate principal amount of the Purchased Loans

5. The Bonds are structured sequentially so that the payments in respect of the Purchased Loans shall first be used to pay expenses, then interest on both classes of Bonds, third to repay principal on the Class A-1 Bonds and fourth, once the Class A-1 Bonds shall have been repaid, to repay principal on the Class A-2 Bonds.

On each date a payment is due with respect to the Bonds (each a "***Payment Date***"), all payments to the Bondholders shall in point of priority be made after the ongoing expenses of the transaction have been paid.

It should be noted that the first quarterly interest payment will be based on a short interest period of approximately two months.

6. Out of the excess cash flow initially created by the proceeds of the Purchased Loans an internal reserve fund will be created for an amount of BEF 15 million. This amount will be used to pay interest on the Bonds on certain Payment Dates during the subsequent thirteen quarters. As soon as this reserve fund is no longer required, (i.e. after fifteen quarters), these amounts will be used to repay principal to the bondholders.

7. The first Schedule hereto shows the total cash flows for all the Bonds over 20 years.

8. The second Schedule shows the cash flows for each class of Bonds as well as a repayment schedule for one individual Bond of each class.

9. All up front expenses will be paid by the Originator. Reinvestment proceeds received in between the quarterly Payment Dates will not be distributed to the bondholders.

## ANNEX 2 - TERMS AND CONDITIONS OF THE BONDS

The issue of the following two classes of bonds by ATRIUM - 1 V.B.S. naar Belgisch recht N.V. (the "*Issuer*") has been authorised by a resolution of the Board of Directors of the Issuer passed on 25 April 1996:

CLASS	ORIGINAL PRINCIPAL AMOUNT	INTEREST RATE PER ANNUM	FINAL MATURITY	AVERAGE LIFE	RATING
A-1	BEF 2,670,000,000	5.73%	April 2006	5.5 years	Aa2
A-2	BEF 4,915,000,000	7.31%	April 2016	15.5 years	Aa2

(collectively hereafter referred to as the "*Bonds*", which expression includes, unless the context otherwise requires, the individual, physical bearer bonds (the "*Definitive Bonds*") and the Permanent Global Note in relation to each class.

### TERMS AND CONDITIONS

If Bonds in definitive form were to be issued, the terms and conditions (subject to amendment and alteration) (the "*Conditions*") set out on each Bond would be as set out below, provided, however, that for each class of Bonds only those Conditions that apply to that class would be printed on the Definitive Bonds (as defined below) of that class.

*While the Bonds remain in global form the same terms and conditions will govern them, except to the extent that they are appropriate only to Bonds in definitive form, together with certain terms and conditions set out in the Permanent Global Notes.*

Except where the context requires otherwise, each of the Conditions will apply to each class of the Bonds and reference therein to "Bonds", except where the context requires otherwise, means the Bonds of that class.

By subscribing for or otherwise acquiring the Bonds, the holders thereof (the "*Bondholders*") shall be deemed to have knowledge of, accept and to be bound by the Conditions.

#### 1. FORM, DENOMINATION AND TITLE

1.1 534 Class A-1 Bonds (the "*Class A-1 Bonds*") are issued in bearer form in the denomination of BEF 5,000,000 each with, at the date of issue, coupons for principal and interest ("*Coupons*") attached. The Class A-1 Bonds are serially numbered (No. 1 to No.534).

1.2 983 Class A-2 Bonds (the "*Class A-2 Bonds*" and, together with the Class A-1 Bonds, the "*Bonds*") are issued in bearer form in the denomination of BEF 5,000,000 each with, at the date of issue, coupons for principal and interest ("*Coupons*") attached. The Bonds are serially numbered (No. 1 to No. 983).

1.3 Title to the Bonds and the Coupons shall pass by delivery.

1.4 The holder of each Coupon (whether or not the Coupon is attached to a Bond) in his capacity as such shall be subject to and bound by all the provisions contained in the relevant Bond.

1.5 The Issuer and BACOB Bank c.v. (the "**Fiscal Agent**" which expression shall include its successors as fiscal agent under the Fiscal Agency Agreement) and the Paying Agent (as defined in the Fiscal Agency Agreement to be dated on or about • •, 1996 and made between the Issuer, the Fiscal Agent and the Paying Agent (the "**Fiscal Agency Agreement**")) may treat the holder of any Bond or Coupon as the absolute owner thereof (whether or not such Bond or Coupon shall be overdue and notwithstanding any notice to the contrary or writing thereon or any notice of previous loss or theft or of trust or other interest therein) for the purpose of making payment and for all other purposes.

## 2. STATUS AND SECURITY

2.1 The Bonds and the Coupons constitute direct obligations of the Issuer which are secured by, and pursuant to, the pledge agreement to be dated on or about 8 May 1996 and made between the Issuer, BACOB Bank c.v., Bankers Trustee Company Limited (the "**Pledge Agreement**" and the latter party the "**Supervision Company**") and T.B.E. S.A. (the "**Management Company**").

2.2 All Bonds rank *pari passu* and without any preference or priority amongst themselves.

2.3 The provisions of the Pledge Agreement shall constitute an integral part of these Conditions and by subscribing for or otherwise acquiring the Bonds, each of the Bondholders shall be deemed to have knowledge of, accept and be bound by the terms and conditions set out therein, including the appointment of the Supervision Company as agent of the Bondholders to hold the Pledged Assets (as defined below) and to exercise the Bondholders' rights under the Pledge Agreement.

2.4 Notwithstanding any other provision of the Conditions or the Fiscal Agency Agreement, the recourse of the Bondholders against the Issuer in respect of its obligations under the Bonds and the Fiscal Agency Agreement shall be limited to the amounts actually received or recovered from time to time by or for the account of the Issuer or the Supervision Company in respect of the assets pledged to the Bondholders pursuant to the Pledge Agreement (the "**Pledged Assets**"). Accordingly the Bondholders shall look solely to the Pledged Assets for payments to be made by the Issuer in respect of the Bonds and the Fiscal Agency Agreement and shall have no further recourse to the Issuer in respect of the Bonds or the Fiscal Agency Agreement and in particular but without limitation shall not take any steps to procure the *liquidation / vereffening, faillite/faillissement, concordat judiciaire / gerechtelijk akkoord* or any similar measures or process under any applicable law. The Pledged

Assets, inter alia, comprise: (i) all loans together with the related benefit under the guarantee of the Flemish Region (the "**Guarantee**") acquired by the Issuer pursuant to the loan sale agreement, to be entered into between BACOB Bank c.v. and the Issuer on or about 8 May 1996 (the "**Loan Sale Agreement**"), (ii) all proceeds of such loans, (iii) all moneys credited from time to time to the Issuer's bank accounts related to such loans and all interest accrued or accruing thereon, (iv) all financial instruments and investments at any time acquired by the Issuer with or as reinvestment of any other pledged assets and (v) the rights of the Issuer under the Transaction Documents (as defined below).

### **3. COVENANTS OF THE ISSUER**

3.1 So long as any of the Bonds remain outstanding (as defined in the Fiscal Agency Agreement), the Issuer shall not, save to the extent permitted by the Transaction Documents:

- (a) carry on any business other than as described in the Transaction Documents and the Prospectus dated 25 April 1996 relating to the issue of the Bonds and the related activities described therein and in respect of that business shall not engage in any activity or do anything whatsoever except:
  - (i) own its interest in the Pledged Assets;
  - (ii) perform its obligations under the Bonds and the Coupons, the agreement to subscribe for the Bonds (the "**Subscription Agreement**") dated 25 April 1996 and made between the Issuer, BACOB Bank c.v. and Morgan Stanley & Co. International Limited, the Fiscal Agency Agreement, the Loan Sale Agreement, the Servicing Agreement to be made on or about 8 May 1996 between BACOB Bank c.v., the Issuer, the Supervision Company and the Management Company, the Custody Agreement to be made on or about 8 May 1996 between BACOB Bank c.v., the Issuer, the Management Company and the Supervision Company, the Management Agreement dated 25 April 1996 between the Issuer, the Management Company and the Supervision Company, the Pledge Agreement, the Liquidity Facility Agreement to be made on or about 8 May 1996 between BACOB Bank c.v., the Issuer and the Supervision Company, the Clearing Agreement to be made on or about 29 April 1996 between the Issuer, the National Bank of Belgium and BACOB Bank c.v., the Supervision Company Agreement to be made on or about 8 May 1996 between the Issuer, the Management Company and the Supervision Company, the agreement to provide the Issuer with certain corporate services (the "**Corporate Services Agreement**"), to be made on or about 8 May 1996 between the Issuer, the Management Company and GIMV and any agreements contemplated thereby (together the "**Transaction Documents**");

- (iii) issue or have outstanding further securities in any currency ("**Future Securities**") and without limit as to the amount so raised provided that (a) such issue of Future Securities may not have an adverse effect on the rating of the Bonds and (b) any such further issue or agreement is secured only on such assets as may be referred to in the conditions or agreement relating to such Future Securities with recourse limited only to such assets other than any assets which secure the Bonds and Coupons, save as provided in (c) below;
  - (iv) preserve and/or exercise and/or enforce any of its rights whether under the Transaction Documents or otherwise;
  - (v) acquire additional loans advanced by BACOB Bank c.v. under the long term facility agreement dated 20 January 1994 between BACOB Bank c.v. and Domus Flandria N.V. (the "**Long Term Facility Agreement**") or other receivables;
  - (vi) pay dividends or make other distributions to its shareholders and holders of profit shares out of profits available for distribution in the manner permitted by applicable law and its by-laws;
  - (vii) use, invest or dispose of any of its Pledged Assets or any estate, right or title therein or grant any option or right to acquire the same presently or in the future in accordance with its obligations under the Bonds and the Pledge Agreement or in connection with any agreement therefor which is conditional on the repayment in full of the Secured Amounts (as defined in the Pledge Agreement and comprising, inter alia, all moneys and liabilities due, owing or payable under the Bonds and the Coupons);
  - (viii) perform any act incidental to or necessary in connection with (i), (ii), (iii), (iv), (v), (vi) or (vii) above;
- (b) save as provided in paragraph (a) above, incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness;
  - (c) create or permit to exist upon or affect any of the Pledged Assets any mortgage, charge or other security interest or right of recourse in respect thereof in favour of any person, provided, however, that Future Securities may be secured over the rights of the Issuer in the Long Term Facility Agreement and the Guarantee, but only to the extent that these rights relate to additional loans acquired by the Issuer in connection with such Future Securities;
  - (d) subject to paragraph (a) above, dispose of any of the Pledged Assets or any part thereof or interest therein;

- (e) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any person, other than as contemplated by the Pledge Agreement or the Fiscal Agency Agreement;
- (f) permit the Pledge Agreement or the priority of the security created thereby to be amended, terminated, postponed or discharged, or permit any person upon whose obligations any part of the security interest under the Pledge Agreement has been created to be released from any such obligations.

#### **4. INTEREST**

##### **4.1 Interest**

- (a) The Class A-1 Bonds bear interest from 8 May, 1996 at the rate of 5.73 % per annum on their outstanding principal amount.
- (b) The Class A-2 Bonds bear interest from 8 May, 1996 at the rate of 7.31 % per annum on their outstanding principal amount.
- (c) Interest will be payable quarterly on each Payment Date as provided in Condition 6.
- (d) The period beginning on (and including) 8 May, 1996 (the "**Closing Date**") and ending on (but excluding) the first Payment Date and each successive period beginning on (and including) a Payment Date and ending on (but excluding) the next Payment Date is called an interest period ("**Interest Period**"). Interest in respect of any Interest Period or any other period will be calculated on the basis of the number of days of the Interest Period and divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the last day of the relevant period).
- (e) Interest shall cease to accrue on any part of the outstanding principal amount of a Bond as from (and including) the due date for redemption of such part unless, upon due presentation of the relevant Coupon or, as the case may be, Bond, payment of principal due is improperly withheld or refused, whereupon interest shall continue to accrue on such principal at the rate from time to time applicable to the Bonds until the moneys in respect thereof have been received by the Fiscal Agent or a Paying Agent (as defined in the Fiscal Agency Agreement) and notice to that effect is given in accordance with Condition 12.

##### **4.2 Coupons**

On issue, Coupons applicable to Definitive Bonds are attached to the Bonds. Interest payments on the Bonds will be made against presentation and surrender of the appropriate Coupons in accordance with Condition 6, except as provided therein.

## **5. REDEMPTION**

### **5.1 Mandatory Redemption**

Unless previously redeemed, or purchased and cancelled, the Issuer will redeem the Bonds by the payment of principal on Payment Dates as provided in Condition 6.

### **5.2 Redemption for Tax Reasons**

If on the next Payment Date as a result of any change of the laws or regulations of the Kingdom of Belgium or any subdivision thereof or any authority thereof or therein having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 8 May, 1996:

- (i) the Issuer is required to deduct or withhold from any payment of principal or interest on the Bonds any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Belgium or any political sub-division thereof or any authority thereof or therein; or
- (ii) the Issuer will be subject to any circumstance (whether by reason of any law, regulations, regulatory requirement or double-taxation convention or the interpretation or application thereof or otherwise) or to a tax charge (whether by direct assessment or by withholding at source) or other imposition by Belgium or any political sub-division thereof or any authority thereof or therein which would materially increase the cost to it of complying with its obligations under the Fiscal Agency Agreement or under the Bonds or the Coupons or materially increase the operating or administrative expenses of the Issuer or reduce the amount of any sums received or receivable under the Transaction Documents or otherwise oblige the Issuer to make any payment on, or calculated by reference to, the amount of any sum received or receivable by the Issuer,

then the Issuer may (but shall not be obliged to), on any Payment Date, having given not more than 60 nor less than 30 days' notice to the Bondholders in accordance with Condition 12, redeem all (but not some only) of the Bonds at their outstanding principal amount together with accrued interest. Any such notice shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Bonds at their outstanding principal amount.

### **5.3 Cancellation**

All Bonds redeemed by the Issuer as aforesaid will be cancelled forthwith (together with all unmatured Coupons presented or purchased therewith) and such Bonds may not be re-issued or resold.

## **6. PAYMENTS**

### **6.1 Scheduled Payments**

The Issuer will make the payment of interest and (if applicable) the payment of principal set opposite each payment date (each such date a "*Payment Date*") on such Payment Date as set out in Condition 16.

### **6.2 Payments against presentation**

- (a) Payments of interest and principal in respect of the Bonds will be made against presentation and surrender of Coupons (except on redemption in full in which case such payment of principal will be made against presentation and surrender of such Bond and all unmatured Coupons). Presentation must be made at the specified office of any Paying Agent provided that no payment of interest will be made by, or upon presentation of any Bond or Coupon to, any Paying Agent in the United States of America.
- (b) Payments will be made in same day funds by BEF cheques drawn on a branch of, or by transfer to a BEF account maintained by the payee with, a bank in Belgium, (subject in all cases to any fiscal or other laws or regulations applicable in the place of payment).

### **6.3 Paying Agents**

- (a) The Issuer will maintain a Paying Agent with a specified office in Brussels. The initial Paying Agent is BACOB Bank c.v. at its office at Rue de Trèves, 25, 1040 Brussels, Belgium.
- (b) The Issuer may at any time (with the prior written approval of the Fiscal Agent) vary or terminate the appointment of the Paying Agent and appoint additional or other Paying Agents, provided that it will at all times maintain a Paying Agent having a specified office in Brussels. Notice of any such termination or appointment and of any change in the office through which any Paying Agent will act will be given in accordance with Condition 11.

### **6.4 Unmatured Coupons**

Upon the date on which the outstanding principal amount of a Bond is due to be redeemed in full, unmatured and unused Coupons relating thereto (whether or not attached) shall become void and no payment or exchange shall be made in respect thereof. If the due date for redemption in full of a Bond is not a Payment Date, the interest accrued in respect of the period from the preceding Payment Date (or from the Closing Date as the case may be) shall be payable only against presentation or surrender of the relevant Bond.



## **6.5 Payments on Business Days**

If the due date for payment of any amount of principal or interest in respect of any Bond or Coupon is not a Business Day and payment is not made until the next succeeding Business Day, the holder thereof shall not be entitled to any further interest or other payment in respect of such delay. In this Condition 6 the expression "**Business Day**" means any day (other than a Saturday or a Sunday) on which banks are open for business in the place where the specified office of the Paying Agent at which the Bond or Coupon is presented for payment is situated and, prior to the exchange of the entire Permanent Global Note for definitive Bonds, on which the Clearing System Operator (as defined in the Permanent Global Note) is open for business.

## **6.6 Default interest**

If any amount of principal is not paid in respect of a Bond on the date when due and payable (other than because the due date is not a Business Day), such unpaid principal shall bear interest at the rate of interest provided for in Condition 4 plus default interest until such amount of principal thereon is available for payment and notice thereof has been duly given in accordance with Condition 12. Such default interest shall be payable only to the extent the Issuer receives default interest from the Borrower or Guarantor in respect of the Long Term Facility Agreement or the Guarantee and only until the amount of principal in respect of the Bond is available for payment.

## **7. TAXATION**

7.1 If the Issuer or any Paying Agent is required by applicable law to make any payment in respect of the Bonds subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor any Paying Agent will be obliged to gross up the payment in respect of the Bonds or make any additional payments to holders of Bonds or Coupons in respect of such withholding or deduction.

7.2 Under Belgian withholding tax legislation as at 25 April 1996, all interest payments in respect of Bonds will be subject to Belgian withholding tax on the gross amount of the interest, at the rate of 15%. Under current Belgian legislation as at 25 April 1996 interest payments in respect of the Bonds are not subject to any other withholding or deduction for or on account of any taxes, duties or charges.

7.3 All interest payments in respect of Bonds held in an exempted account ("**X-Account**") with a qualifying participant in the clearing system operated by the National Bank of Belgium (or any successor operator or operator in addition to the National Bank of Belgium) in accordance with the Law of 6 August 1993, will be made without withholding or deduction for, or on account of, any current Belgian withholding tax.

The conditions for holding securities in an X-Account are set out in more detail in the Prospectus dated 25 April 1996 relating to the issue of the Bonds.

## 8. PRESCRIPTION

8.1 All amounts of interest and principal or otherwise due with respect to any Bond or Coupon that is not surrendered for payment within six months of the Relevant Date (as defined below) shall be transferred by the Issuer to the Belgian *Caisse de Dépôt et de Consignation* in accordance with article 45 of the Law of 24 July 1921 on the involuntary loss of securities, as amended, where they will remain in custody for the holder of the relevant Bond or Coupon for 30 years, during which period no interest will accrue for the benefit of the holder of the Bond or Coupon.

8.2 As used in these Conditions, the "**Relevant Date**" means the date on which a payment first becomes due but, if the full amount of the money payable has not been received by the Paying Agent on or prior to such date, it means the date on which, the full amount of such money having been so received, notice to that effect shall have been duly given in accordance with Condition 12.

## 9. OPPOSITION

9.1 If with respect to any lost Bond or Coupon which is the subject of an opposition procedure under the Law of 24 July 1921 on the involuntary loss of securities any amounts become due and payable or if such Bond or Coupon is redeemed or cancelled as a consequence of the liquidation of the Issuer, then the due amount will be reinvested by the Issuer in Belgian government bonds in accordance with article 19 of the Law of 24 July 1921 on the involuntary loss of securities, as amended from time to time.

## 10. EVENTS OF DEFAULT

10.1 If any of the following events (each an **Event of Default**) shall have occurred and be continuing, the Supervision Company may at its discretion and if directed or requested to do so (i) by an Extraordinary Resolution of the holders of the Class A-1 Bonds (the "Class A-1 Bondholders") or the holders of the Class A-2 Bonds (the "Class A-2 Bondholders") as appropriate, or (ii) in writing by the holders of at least one quarter of the aggregate principal amount outstanding of the Bondholders or the Class A-1 Bondholders, or the Class A-2 Bondholders, as appropriate, (in either case then only if the Supervision Company shall be indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing) it shall give notice to the Issuer (a **Default Notice**), a copy of which shall be sent to the Management Company and the Servicer, declaring the Bonds to be due and repayable at their outstanding principal amount together with accrued interest to the date of repayment:

- (a) default is made for a period of 5 Business Days or more in the payment on the due date of any principal due on the Bonds or any of them or for a period of 7

Business Days or more in the payment on the due date of any interest upon the Bonds or any of them. In this Condition 10, the expression "Business Days" means any day (other than a Saturday or a Sunday) on which banks are open for business in Belgium; or

- (b) default is made by the Issuer in the performance or observance of any material obligation, condition or provision binding on it under the Bonds or the Fiscal Agency Agreement or the Pledge Agreement (other than any obligation for the payment of any principal or interest on the Bonds) and such default (if capable of remedy) continues for 30 days after written notice given to the Issuer at the registered office of the Fiscal Agent requiring the same to be remedied; or
- (c) an order is made or an effective resolution is passed for the winding up of the Issuer except a winding up for the purpose of a merger, reconstruction or amalgamation, the terms of which have previously been approved by an Extraordinary Resolution of the Bondholders; or
- (d) proceedings shall be initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws including, for the avoidance of doubt, any *liquidation volontaire ou forcée/vrijwillige of gedwongen vereffening, faillite/faillissement, concordat judiciaire/gerechtigd akkoord* or an execution, *saisie* or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and in any of the foregoing cases it shall not be discharged within 60 days or if the Issuer shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or shall make a conveyance or assignment for the benefit of its creditors generally; or
- (e) any Future Securities are declared immediately due and payable as a consequence of an event of default under the terms and conditions of such securities.

10.2 Only the Supervision Company may declare the Bonds to be due and repayable unless the Supervision Company having become bound as provided in clause 10.1 to issue a Default Notice fails to do so within a reasonable period (60 days being deemed for this purpose to be a reasonable period) and such failure shall be continuing.

## **11. REPLACEMENT OF BONDS AND COUPONS**

11.1 If any Bond or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Paying Agent upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer reasonably requires. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

## **12. NOTICES**

12.1 All notices, other than notices given in accordance with the next following paragraph, to Bondholders shall be deemed to have been duly given if published in one leading daily newspaper printed in the Dutch language and one in the French language, and with general circulation in Belgium (which are expected to be the *Financieel Economische Tijd* and the *Echo de la Bourse*) and in a leading English language newspaper having general circulation in Europe (which is expected to be *The Financial Times*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made in the manner required in the newspaper referred to above.

12.2 So long as the Bonds are represented by a Permanent Global Note and the Permanent Global Note is held by or on behalf of a Clearing System Operator, notices to Bondholders may be given by delivery of the relevant notice to that Clearing System Operator for communication by it to entitled accountholders in substitution for publication as required by this Condition except that so long as the Bonds are listed on the Brussels Stock Exchange and the rules of that Exchange so require, notices shall also be published in leading newspapers having general circulation in Belgium (which are expected to be the *Financieel Economische Tijd* and the *Echo de la Bourse*).

12.3 Notices of meetings of Bondholders shall in addition be published in the *Moniteur Belge / Belgisch Staatsblad*.

12.4 The Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition.

### **13. MEETINGS OF BONDHOLDERS - MODIFICATIONS - CONSENTS - WAIVER**

13.1 The Fiscal Agency Agreement contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of the Bondholders of a modification of the Bonds (including these Conditions) or the provisions of any of the Transaction Documents. Such provisions are an integral part of these Conditions and by subscribing for or otherwise acquiring the Bonds, the Bondholders shall be deemed to have knowledge, accept and to be bound by such provisions.

13.2 The quorum at any meeting of Bondholders for passing an Extraordinary Resolution shall be two or more persons holding or representing over 50 per cent. of the aggregate outstanding principal amount of the Bonds then outstanding or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the aggregate outstanding principal amount of the Bonds so held or represented except that, at any meeting the business of which includes the sanctioning of a modification which would have the effect of postponing any day for payment of interest thereon, reducing or cancelling the amount of principal payable in respect of the Bonds or the rate of interest applicable to the Bonds or altering the currency of payment of the Bonds (any such modification being referred to below as a "**Basic Terms Modification**"), the necessary quorum for passing an Extraordinary Resolution shall be two or more persons

holding or representing 75 per cent., or at any such adjourned meeting 33 1/3 per cent., or more of the aggregate outstanding principal amount of the Bonds then outstanding.

13.3 An Extraordinary Resolution passed at any meeting of Bondholders shall be binding on all Bondholders, whether or not they are present at the meeting, and on all holders of Coupons. The majority required for an Extraordinary Resolution shall be 75 per cent. of the votes cast on that resolution.

13.4 A resolution which affects the interests of the holders of one class only of the Bonds shall be duly passed if passed at a separate meeting of the holders of Bonds of that class.

13.5 A resolution which affects the interests of the holders of both classes of the Bonds but does not give rise to a conflict of interest between the holders of the Bonds of the classes so affected shall be duly passed if passed at a single meeting of the holders of the Bonds of the classes so affected.

13.6 A resolution which affects the interests of the holders of both classes of the Bonds and gives or may give rise to a conflict of interest between the holders of Bonds of the classes so affected shall have been duly passed only if in lieu of being passed at a single meeting of the holders of the Bonds of all such classes it shall be duly passed at separate meetings of the holders of the Bonds of each class so affected.

13.7 In the event it is disputed whether or not the interests of any class of Bonds are affected or whether or not a conflict of interest arises or may arise, the Supervision Company's opinion shall be requested and such opinion shall be decisive on the issue.

#### **14. THE FISCAL AGENT AND THE SUPERVISION COMPANY**

14.1 In acting under the Fiscal Agency Agreement, the Fiscal Agent and the Paying Agent are, save as specifically provided therein, acting solely as agents of the Issuer and do not assume any obligations towards or relationships of agency or trust with or for the Bondholders. The Fiscal Agency Agreement contains provisions for the indemnification of the Fiscal Agent. The Fiscal Agent is entitled to enter into business transactions with the Issuer without accounting for any profit resulting therefrom.

14.2 The Pledge Agreement contains provisions for the release from responsibility of the Supervision Company, including provisions relieving it from taking proceedings to enforce the security interests created by or pursuant to the Pledge Agreement unless indemnified to its satisfaction.

14.3 The Supervision Company may without the consent of the Bondholders, at any time and from time to time, concur with the Issuer and the other parties thereto in making (i) any modification to the Transaction Documents which in the opinion of the Supervision Company may be proper, provided that the Supervision Company is of the opinion that such modification is not materially prejudicial to the interests of

Bondholders or (ii) any modification to the Transaction Documents which in the opinion of the Supervision Company is of a formal, minor, or technical nature or is to correct a manifest error or comply with the mandatory provisions of Belgian law. In no event shall such modification be a Basic Terms Modification as such term is defined in Condition 13.2. The Supervision Company shall not be bound to give notice to Bondholders of any modifications to the Transaction Documents pursuant to this paragraph.

In determining whether any proposed change will be materially prejudicial to the interests of Bondholders the Supervision Company shall be entitled to rely on any, and act on any advice or opinion of or any certificate obtained from any lawyer, valuer, accountant, banker, broker, securities company or other company whether obtained by itself or the Issuer and shall not be responsible for any loss occasioned by so acting.

## 15. GOVERNING LAW - JURISDICTION

15.1 The Bonds and Coupons, the Fiscal Agency Agreement and the Pledge Agreement are governed by, and shall be construed in accordance with, Belgian law. The courts of Brussels, Belgium are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Bonds.

## 16. REPAYMENT SCHEDULES

### Class A-1 Bonds

Payment Date	Interest (BEF)*	Principal (BEF)*
8 July 1996	47,750	32,782
8 October 1996	71,155	91,315
8 January 1997	69,847	311,819
8 april 1997	65,381	-
8 July 1997	65,381	-
8 October 1997	65,381	72,504
8 January 1998	64,342	317,496
8 april 1998	59,794	-

---

\* Amounts in the Schedule relate to a Bond of BEF 5,000,000 in original principal amount.

8 July 1998	59,794	-
8 October 1998	59,794	89,999
8 January 1999	58,505	323,520
8 april 1999	53,870	2,787
8 July 1999	53,830	-
8 October 1999	53,830	133,718
8 January 2000	51,915	330,314
8 april 2000	47,183	9,676
8 July 2000	47,044	3,451
8 October 2000	46,995	116,210
8 January 2001	45,330	337,121
8 april 2001	40,501	16,578
8 July 2001	40,263	10,456
8 October 2001	40,114	123,317
8 January 2002	38,347	344,345
8 april 2002	33,414	23,905
8 July 2002	33,072	17,890
8 October 2002	32,816	130,862
8 January 2003	30,941	352,013
8 april 2003	25,898	31,682
8 July 2003	25,445	25,782
8 October 2003	25,075	138,872
8 January 2004	23,086	360,154
8 april 2004	17,927	39,937
8 July 2004	17,355	34,160

8 October 2004	16,865	147,374
8 January 2005	14,754	368,796
8 april 2005	9,471	48,703
8 July 2005	8,774	43,056
8 October 2005	8,157	156,401
8 January 2006	5,916	377,972
8 april 2006	502	35,033



### Class A-2 Bonds

<b>Payment Date</b>	<b>Interest (BEF)*</b>	<b>Principal (BEF)*</b>
8 July 1996	60.917	-
8 October 1996	91.375	-
8 January 1997	91.375	-
8 April 1997	91.375	-
8 July 1997	91.375	-
8 October 1997	91.375	-
8 January 1998	91.375	-
8 April 1998	91.375	-
8 July 1998	91.375	-
8 October 1998	91.375	-
8 January 1999	91.375	-
8 April 1999	91.375	-
8 July 1999	91.375	-
8 October 1999	91.375	-
8 January 2000	91.375	-
8 April 2000	91.375	-
8 July 2000	91.375	-
8 October 2000	91.375	-
8 January 2001	91.375	-

---

\* Amounts in the Schedule relate to a Bond of BEF 5,000,000 in original principal amount.

8 April 2001	91.375	-
8 July 2001	91.375	-
8 October 2001	91.375	-
8 January 2002	91.375	-
8 April 2002	91.375	-
8 July 2002	91.375	-
8 October 2002	91.375	-
8 January 2003	91.375	-
8 April 2003	91.375	-
8 July 2003	91.375	-
8 October 2003	91.375	-
8 January 2004	91.375	-
8 April 2004	91.375	-
8 July 2004	91.375	-
8 October 2004	91.375	-
8 January 2005	91.375	-
8 April 2005	91.375	-
8 July 2005	91.375	-
8 October 2005	91.375	-
8 January 2006	91.375	-
8 April 2006	91.375	-
8 July 2006	91.147	28.569
8 October 2006	90.625	90.332
8 January 2007	88.974	211.142
8 April 2007	85.115	38.442

8 July 2007	84.413	35.506
8 October 2007	83.764	97.399
8 January 2008	81.984	218.350
8 April 2008	77.994	45.781
8 July 2008	77.157	42.983
8 October 2008	76.371	105.016
8 January 2009	74.452	226.119
8 April 2009	70.320	53.692
8 July 2009	69.339	51.041
8 October 2009	68.406	113.225
8 January 2010	66.337	234.492
8 April 2010	62.051	62.219
8 July 2010	60.914	59.728
8 October 2010	59.823	122.073
8 January 2011	57.592	243.518
8 April 2011	53.142	71.409
8 July 2011	51.837	69.091
8 October 2011	50.574	131.612
8 January 2012	48.169	253.247
8 April 2012	43.541	81.317
8 July 2012	42.055	79.184
8 October 2012	40.608	141.893
8 January 2013	38.015	263.734
8 April 2013	33.195	91.997
8 July 2013	31.514	90.063

8 October 2013	29.868	152.977
8 January 2014	27.072	275.040
8 April 2014	22.046	103.509
8 July 2014	20.154	101.792
8 October 2014	18.294	164.925
8 January 2015	15.280	287.228
8 April 2015	10.031	108.621
8 July 2015	8.046	114.298
8 October 2015	5.957	153.791
8 January 2016	3.146	111.794
8 April 2016	1.103	60.370

## **ANNEX 3 - THE LOANS**

**ANNEX 4 - ACCEPTANCE FORM**

**THIS COPY IS FOR THE UNDERWRITER**

---

**ATRIUM - 1 V.B.S. naar Belgisch recht**

Société Anonyme  
rue de Trèves 25  
1040 Brussels, Belgium

**ACCEPTANCE FORM**  
**(two copies to be drawn up)**

of Class A-1 and Class A-2 Bonds in bearer form, each with a nominal value of BEF 5.000.000, represented by a global note, presented for public sale in the context of the securitisation transaction of ATRIUM-1 V.B.S. naar Belgisch recht.

---

To: .....  
(underwriter)

Having read the attached prospectus and being aware of the conditions of the Bonds

I ..... (Name)

Address:.....Country.....

hereby apply to purchase from:.....  
(underwriter)

<sup>1</sup> ..... Class A-1 Bonds for the subscription price of BEF ..... for each Class A-1 Bond (.....% of the nominal value);

..... Class A-2 Bonds for the subscription price of BEF ..... for each Class A-2 Bond (.....% of the nominal value);

To confirm the acceptance and as payment of the subscription price:

<sup>1</sup> I pay the sale price of BEF.....

---

<sup>1</sup>tick where appropriate

by transferring this amount to.....  
(underwriter)

with value date before 8 May 1996 to bank account number ---`-----`-- with  
..... (to be provided by the relevant Underwriter at the request of the Buyer)

<sup>1</sup> I empower ..... bank to debit my account number  
---`-----`-- with .....

with the sale price of BEF ..... in favour of .....  
(underwriter)

This amount represents

..... Class A-1 Bonds of BEF ..... for each Class A-1 Bond;

..... Class A-2 Bonds of BEF ..... for each Class A-1 Bond;

I declare that I am aware of the fact that the delivery and the clearing of the Bonds which are the subject of this offer will only be effected by registering in a securities account held by a financial institution participating in the clearing system of the National Bank of Belgium.

Please deliver the accepted Bonds by transferring them to my securities account  
number ---`-----`-- with .....

The amounts with regard to the these Bonds will be paid to me by transferring them to  
my bank account number ---`-----`-- with .....

I declare to accept a possible reduction of the acceptances, as may be carried out by the Underwriters. The amount I have paid for the purchase of the Bonds which are not allocated will be reimbursed to me. I will not be entitled to claim any interest.

Drawn in two copies in ....., on the .....1996.

(signature of underwriter)

(signature of the buyer)

**THIS COPY IS FOR THE BUYER**

**THIS COPY IS FOR THE UNDERWRITERS**

---

**ATRIUM - 1 V.B.S. naar Belgisch recht**

Société Anonyme  
rue de Trèves 25  
1040 Brussels, Belgium

**ACCEPTANCE FORM**  
**(two copies to be drawn up)**

of Class A-1 and Class A-2 Bonds in bearer form, each with a nominal value of BEF 5.000.000, represented by a global note, presented for public sale in the context of the securitisation transaction of ATRIUM-1 V.B.S. naar Belgisch recht.

---

To: .....  
(underwriter)

Having read the attached prospectus and being aware of the conditions of the Bonds

I ..... (Name)

Address:.....Country.....

hereby apply to purchase from:.....  
(underwriter)

<sup>2</sup> ..... Class A-1 Bonds for the subscription price of BEF ..... for each Class A-1 Bond (.....% of the nominal value);

..... Class A-2 Bonds for the subscription price of BEF ..... for each Class A-2 Bond (.....% of the nominal value);

To confirm the acceptance and as payment of the subscription price:

<sup>1</sup> I pay the sale price of BEF.....

by transferring this amount to.....  
(underwriter)

---

<sup>2</sup>tick where appropriate



with value date before 8 May 1996 to bank account number ---`-----`-- with  
.....(to be provided by the relevant Underwriter at the request of the Buyer);

I empower ..... bank to debit my account number  
---`-----`-- with .....

with the sale price of BEF ..... in favour of .....  
(underwriter)

This amount represents

..... Class A-1 Bonds of BEF ..... for each Class A-1 Bond;

..... Class A-2 Bonds of BEF ..... for each Class A-1 Bond;

I declare that I am aware of the fact that the delivery and the clearing of the Bonds which are the subject of this offer will only be effected by registering in a securities account held by a financial institution participating in the clearing system of the National Bank of Belgium.

Please deliver the accepted Bonds by transferring them to my securities account

number ---`-----`-- with .....

The amounts with regard to the these Bonds will be paid to me by transferring them to my bank account number ---`-----`-- with .....

I declare to accept a possible reduction of the acceptances, as may be carried out by the Underwriters. The amount I have paid for the purchase of the Bonds which are not allocated will be reimbursed to me. I will not be entitled to claim any interest.

Drawn in two copies in ....., on the .....1996.

(signature of underwriter)

(signature of the buyer)

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