



**MACQUARIE BANK LIMITED** ACN 008 583 542  
**MACQUARIE FINANCE LIMITED** ACN 001 214 964  
**MACQUARIE INCOME SECURITIES**



MACQUARIE



# prospectus



**JOINT LEAD MANAGERS**  
Macquarie Equity Capital Markets Limited  
Deutsche Bank AG

**UNDERWRITER**  
Deutsche Securities Australia Limited

# Contents

1. Investment Summary	4
2. Details of the Offer	10
3. Macquarie Income Securities	13
4. Macquarie Group Information	19
5. Risk Factors	27
6. Taxation	34
7. Trust Deed Summary and Conditions	41
8. Preference Share Terms	60
9. Additional Information	71
10. Directors' Authorisations	76
Glossary	77
Application Forms	85
Corporate Directory	91

**Certain words and expressions used in this Prospectus have defined meanings. A glossary of these terms is set out at the back of this Prospectus. Additional definitions used in sections 7 and 8 are set out in those sections. References to \$ are to Australian dollars.**

This Prospectus is dated 14 October 1999 and was lodged with ASIC on 14 October 1999. ASIC takes no responsibility for the contents of this Prospectus. No securities will be allotted or issued or sold on the basis of this Prospectus later than 12 months after the date of issue of this Prospectus.

Application for quotation of Macquarie Income Securities on ASX will be made within three Business Days after the date of issue of this Prospectus. ASX takes no responsibility for the contents of this Prospectus. The fact that permission for quotation of Macquarie Income Securities is granted by ASX is not to be taken in any way as an endorsement of Macquarie Income Securities.

Investments in Macquarie Income Securities are not deposits with or other liabilities, or ordinary shares, of Macquarie Bank Limited or any other company in the Macquarie Group and are subject to investment risk including possible loss of income and capital invested.

They are not subject to the depositor protection provisions of Australian banking legislation. The investment performance of Macquarie Income Securities is not guaranteed by Macquarie Bank Limited or any other company in the Macquarie Group.

The terms of Macquarie Income Securities and some of the risks associated with an investment in Macquarie Income Securities are described in this Prospectus. Potential investors should read the whole of this Prospectus carefully. If an investor is unclear in relation to any matter or uncertain as to whether a Macquarie Income Security is a suitable investment, the investor should consult a stockbroker, accountant or financial or other adviser.

No action has been taken to register or qualify Macquarie Income Securities or the Offer, or otherwise permit a public offering of Macquarie Income Securities, in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore any person who receives this Prospectus should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of securities laws.

# Key Offer information

## Important Dates

Offer opens 9.00am (Sydney time)	25 October 1999
Offer closes 5.00pm (Sydney time)*	12 November 1999
Macquarie Income Securities allocated*	19 November 1999
Macquarie Income Securities holding statements dispatched and interest on Application Monies paid*	19 November 1999
ASX trading of Macquarie Income Securities to commence*	25 November 1999
First Interest Period commences*	19 November 1999
First interest payable	17 January 2000

\* These dates are indicative only and are subject to change. Macquarie has the right, with the consent of the Joint Lead Managers, to close the Offer early, or to extend it without notice. Accordingly, investors are encouraged to submit their Application Forms as soon as possible after the Offer opens. If, however, the Closing Date of the Offer is extended, the subsequent dates may also be extended.

## Details of the Offer

Application Price per Macquarie Income Security	\$100
Minimum investment - 50 Macquarie Income Securities	\$5,000
Additional investment - multiples of 10 Macquarie Income Securities	\$1,000

## Application Information

### *How To Apply*

Applications for Macquarie Income Securities can only be made by completing and lodging an Application Form. Application Forms are included at the end of this Prospectus. Macquarie Shareholders should apply on their personalised Application Form accompanying the copy of this Prospectus sent to them. A reply paid envelope is enclosed.

### *Who May Apply*

Only Australian residents may apply for Macquarie Income Securities.

Further instructions on how to apply for Macquarie Income Securities are set out in section 2 and the Application Form.

### *Priority to Macquarie Shareholders*

In the event of excess demand, priority in the allocation of Macquarie Income Securities will be given to ordinary shareholders of Macquarie over public applicants (on the basis set out in section 2.2) provided such shareholders have applied using their personalised Application Form accompanying this Prospectus.

## Enquiries

If you require assistance to complete the Application Form, or require additional copies of this Prospectus, you should call 1800 621 656 or contact your stockbroker, one of the Joint Lead Managers or one of the Brokers to the Offer.

If you are unclear in relation to any matter or uncertain as to whether a Macquarie Income Security is a suitable investment, you should contact your stockbroker, accountant or financial or other adviser.

A list of the offices and telephone numbers of the Joint Lead Managers and Brokers to the Offer is set out in the Corporate Directory which appears on the inside back cover of this Prospectus.

# Chairman's letter

**Macquarie Bank Limited**  
ACN 008 583 542

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Internet <http://www.macquarie.com.au>  
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Money Market 8232 3600 Facsimile 8232 4227  
Foreign Exchange 8232 3668 Facsimile 8232 3019  
Metals and Mining 8232 3444 Facsimile 8232 3590  
Futures 9231 1028 Telex 72263  
Debt Markets 8232 3815 Facsimile 8232 4414



2

14 October 1999

Dear Investor

I am pleased to offer you this opportunity to invest in Macquarie Income Securities.

Macquarie Income Securities are a new form of security that will be listed on ASX.

Macquarie Income Securities will generally pay interest at a floating rate, quarterly in arrears.

The Interest Rate will be reset each quarter and is calculated by adding 1.7% per annum to the Base Interest Rate. The Base Interest Rate is based on the 90 day bank bill rate.

The interest rate until 15 January 2003 will be a minimum of 7.25% per annum.

The proceeds of the offer of Macquarie Income Securities will be used to assist with the long term funding of Macquarie's operations and to enhance Macquarie's financial strength and trading ability.

This Prospectus contains details of the Offer, the terms of Macquarie Income Securities and a description of some of the risks associated with an investment in Macquarie Income Securities. Potential investors should read this Prospectus in its entirety before making an investment decision. If there is any matter on which you require further information or if you are uncertain as to whether Macquarie Income Securities are a suitable investment for your purposes, you should consult your stockbroker, accountant or financial or other adviser.

On behalf of the boards of directors of Macquarie Bank Limited and Macquarie Finance Limited, I submit this investment opportunity to you.



David Clarke  
Chairman

# Investment features

## Macquarie

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Macquarie is a major independent investment bank owned by Australians and headquartered in Australia.

## Interest Rate

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Until 15 January 2003 the interest rate on the Macquarie Income Securities will be the greater of 7.25% per annum.

and

the Base Interest Rate\* plus 1.7% per annum.

\*set on the first Business Day of each Interest Period.

The Interest Rate will be set on the first Business Day of each Interest Period by adding 1.7% per annum to the Base Interest Rate and will therefore vary with market interest rates.

## Offer size

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Under this Offer, a minimum of \$200 million of Macquarie Income Securities, with Macquarie having the right to accept up to a further \$200 million in over subscriptions, will be offered.

## Liquidity

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It is intended that Macquarie Income Securities will be listed on ASX and investors will be able to realise their investment by selling their Macquarie Income Securities through ASX.

## JOINT LEAD MANAGERS AND JOINT STRUCTURERS

Macquarie Equity Capital Markets Limited

Deutsche Bank AG

## BROKERS TO THE OFFER

Macquarie Equities Limited

Deutsche Securities Australia Limited

# 1. Investment Summary

The information set out in this section is a summary only. It should be read in conjunction with the other information contained in this Prospectus.

4

## **Macquarie Income Securities**

A Macquarie Income Security is a stapled security comprising a Preference Share and a Holder's Interest. A Holder's Interest is the beneficial interest in a Note issued to the Trustee by Macquarie Finance Limited, a wholly owned subsidiary of Macquarie. Only the Trustee may bring proceedings against Macquarie Finance Limited in order to enforce the rights of an investor in respect of a Note. Macquarie has provided a Performance Guarantee to investors in respect of Macquarie Finance Limited's obligations to pay interest which is due and payable in accordance with the conditions of the Note. The Holder's Interests and Preference Shares are initially issued to the Underwriter.

The Preference Share and the Holder's Interest will be stapled together to form a Macquarie Income Security and transferred unencumbered by the Underwriter to successful applicants under this Offer. Investors will pay \$100 for each Macquarie Income Security.

Investors will be entitled to receive interest payments quarterly in arrears. Interest payments are subject to a number of conditions, the primary condition being the profitability of Macquarie.

Macquarie has the right to direct that any future payments of interest and principal under the Note are paid to Macquarie and not to investors. Macquarie may exercise this right at any time, following which the Preference Shares will become dividend paying. The direction may also be triggered in other limited circumstances. Dividends will be subject to conditions of payment similar to those applying to interest but will be paid semi-annually in arrears rather than quarterly and will be calculated by reference to the 180 day bank bill swap rate.

Macquarie Income Securities have no maturity date. However, Macquarie has the ability to Repurchase a Macquarie Income Security for \$100 plus any outstanding accrued interest or dividend for the relevant period, with the prior approval of APRA at any time after five years after the Issue Date, or earlier in a number of limited circumstances.

Investments in Macquarie Income Securities are not deposits with or other liabilities or ordinary shares of Macquarie Bank Limited or any other company in the Macquarie Group and are subject to investment risks including possible loss of income and capital invested. The investment performance of Macquarie Income Securities is not guaranteed by Macquarie Bank Limited, Macquarie Finance Limited or any other company in the Macquarie Group.

*A summary of some of the key terms of the Macquarie Income Securities including when interest is not payable is set out in section 3. Further details, including the Preference Share Terms and a summary of the terms and conditions of the Holder's Interest and Notes are set out in sections 7 and 8.*

## **Interest rate**

The Macquarie Income Securities offer a floating rate of interest which will be set on the first Business Day of each Interest Period and calculated by adding 1.7% per annum to the Base Interest Rate.

The Base Interest Rate is based on the 90 day bank bill rate which is a benchmark rate often used by major Australian banks for borrowing and lending between each other over 90 days. The full definition of the Base Interest Rate is set out in the Glossary.

For example, if the Base Interest Rate is 5.25% per annum on the first Business Day of an Interest Period, the interest rate will be 6.95% per annum for that Interest Period.

For each Interest Period until (and including) the Interest Period ending on 15 January 2003 the Macquarie Income Securities will pay a minimum interest rate of 7.25% per annum.

## **Payment Dates**

Subject to the conditions of the Notes, interest will be payable quarterly in arrears on 15 January, 15 April, 15 July and 15 October each year.

To receive interest, investors must be recorded in the register on the Record Date.

### **Dividends**

Dividends on the Preference Share are only payable when a Payment Direction Event has occurred, in which case interest is paid to Macquarie and not to investors. In such circumstances, dividends are payable semi-annually in arrears on 15 July and 15 January and are calculated by adding 1.7% per annum to the Base Dividend Rate. The Base Dividend Rate is based on the 180 day bank bill swap rate.

To receive dividends, investors must be recorded in the register on the Dividend Record Date.

Dividends, where payable, will not necessarily be franked.

### **Size of Offer**

Under this Offer, a minimum of \$200 million of Macquarie Income Securities, with the right to accept up to a further \$200 million in over subscriptions, will be offered.

### **Realising your investment**

It is intended that Macquarie Income Securities will be quoted on ASX. To realise your investment in Macquarie Income Securities, you will need to sell your Macquarie Income Securities on ASX at the prevailing market price or sell them privately.

Investors will have no rights to require Macquarie to repay the money originally paid for Macquarie Income Securities, except by way of a return of capital on the Preference Shares in a winding up of Macquarie (see "Status of Macquarie Income Securities in a winding up" below).

### **Interest on Application Monies**

Interest on Application Monies will accrue from the day after the date of receipt of the Application by the Registry until the day before the Allocation Date at a rate of 3.75% per annum. Interest will be paid on all Application Monies, including those relating to Applications which are rejected or scaled back, on the same date that holding statements are dispatched, which is expected to be 19 November 1999. No interest will be paid on Application Monies which are not cleared or Application Monies which relate to an Application which is withdrawn prior to the Closing Date.

Potential investors who wish to receive interest directly into a bank account must provide their bank account details where requested on the Application Form. These investors will have the total amount of interest paid on their Application Monies directly credited to the nominated account. Potential investors who do not provide any bank account details will receive a cheque in respect of interest.

### **Stamp duty and brokerage**

Investors will pay no brokerage or stamp duty on Macquarie Income Securities allotted to them if they purchase Macquarie Income Securities using the Application Form contained in this Prospectus.

Investors who buy or sell Macquarie Income Securities after allocation may attract brokerage and other transaction costs.

Prior to a Payment Direction Event, there should be no stamp duty payable on transfer of Macquarie Income Securities except if acquired through a broker in the Northern Territory. However, there is a risk that a stamp duty authority of a particular jurisdiction or jurisdictions may take the view that some value is attributable to the Preference Share prior to a Payment Direction Event taking effect. In such circumstances, stamp duty will be payable in respect of the transfer of the Preference Share when the Macquarie Income Security is transferred. Duty will be calculated on the portion of the consideration for the transfer that is taken to be referable to the Preference Share.

After a Payment Direction Event, stamp duty at marketable securities rates, being approximately 0.3%, will be payable.

### **Concessional brokerage**

Macquarie Equities Limited, a Broker to the Offer, will offer investors a fixed concessional brokerage charge of \$25 on buy orders up to a value of \$10,000 of Macquarie Income Securities, for a period of 12 months from the date of listing.

# 1. Investment Summary (cont)

6

## **Use of funds**

The funds raised through the issue of Macquarie Income Securities will assist with the long term funding of Macquarie's operations and will enhance Macquarie's financial strength and trading ability.

## **Risks**

An investment in Macquarie Income Securities is subject to a number of risks. A discussion of some of these risks is included in section 5. Potential investors should read the entire Prospectus prior to investing in Macquarie Income Securities.

## **Taxation considerations**

Interest paid to investors will be included in the assessable income of investors. In the event that dividends are paid on the Preference Shares, investors will be required to include the amount of any dividends paid in their assessable income.

A detailed summary of the taxation implications for investors is included in section 6. However, potential investors should seek their own tax advice prior to making an investment in Macquarie Income Securities.

## **Winding up of Macquarie**

In the event that Macquarie is the subject of a winding up, investors will rank ahead of Macquarie Shareholders for a return of capital and the payment of dividends and equally with holders of Converting Preference Shares and other shareholders expressed to rank equally with investors, but will rank behind all deposit liabilities and creditors of Macquarie.

It is possible that investors will not receive all or a part of their capital in the event of a winding up.

## **Questions and answers**

The purpose of this section is to answer some of the questions which potential investors may have about Macquarie Income Securities. The answers are intended as a summary only. Other information relevant to an investment in Macquarie Income Securities can be found elsewhere in this Prospectus which you should read in its entirety.

*Q. What is a Macquarie Income Security?*

A. A Macquarie Income Security is a stapled security comprising a Preference Share and a Holder's Interest. A Holder's Interest is the beneficial interest in a Note issued to the Trustee by Macquarie Finance Limited, a wholly owned subsidiary of Macquarie. Only the Trustee may bring proceedings against Macquarie Finance Limited in order to enforce the rights of an investor in respect of a Note. Macquarie has provided a Performance Guarantee to investors in respect of Macquarie Finance Limited's obligations to pay interest which is due and payable in accordance with the conditions of the Note.

Macquarie Income Securities will pay interest to investors subject to certain conditions of which the primary condition is the profitability of Macquarie. Details of when interest is not payable are set out in section 3.

Macquarie Income Securities will rank in priority to ordinary shares of Macquarie and equally with the Converting Preference Shares for the payment of interest (or dividends) and on a return of capital on winding up. Macquarie may not issue preference shares, or convert ordinary shares into preference shares ranking in priority to the Preference Shares without the approval of Preference Shareholders (as a variation of rights), but any issues that rank equally with or behind the Preference Shares will not require such approval.

*Q. What income will I receive?*

- A. Interest will generally be paid quarterly in arrears.

The interest rate will be a floating rate set on the first Business Day of each Interest Period at 1.7% per annum above the Base Interest Rate. For each Interest Period until (and including) the Interest Period ending on 15 January 2003, investors will be entitled to a minimum interest rate of 7.25% per annum.

In certain circumstances (when a Payment Direction Event occurs), investors will cease receiving interest. Should this occur, investors will become entitled to receive dividends on the Preference Shares (subject to conditions of the payment of dividends being satisfied. Details of those conditions are contained in section 8). Dividends will be payable semi-annually on 15 January or 15 July. The rate at which dividends will be paid will be a floating rate set on the first Business Day of each semi-annual period at 1.7% per annum above the Base Dividend Rate. The Payment Direction Events are set out in section 3.

*Q. What is the Base Interest Rate?*

- A. The Base Interest Rate is based on the 90 day bank bill rate. The 90 day bank bill rate is an interest rate commonly used by major Australian banks for borrowing and lending between each other over 90 days.

*Q. Will the Base Interest Rate change?*

- A. The Base Interest Rate is a floating rate which varies over time. Interest is calculated by reference to the Base Interest Rate on the first Business Day of each Interest Period.

*Q. Will interest always be paid?*

- A. The payment of interest is subject to a number of conditions, the primary condition being the profitability of Macquarie. If interest is not paid, Macquarie may, with the prior written approval of APRA, choose at a later date to make up any missed interest payments. This is explained in section 7.

In circumstances where interest has not been paid in full, Macquarie will not be permitted to pay dividends on ordinary shares ranking junior to the Preference Shares until four consecutive interest payments are made or a payment equivalent to that amount (or the missed interest if less) has been made, or the investors otherwise agree.

*Q. When will dividends be payable on the Preference Share?*

- A. Dividends will only be payable on the Preference Share once a Payment Direction Event has occurred. A Payment Direction Event occurs when certain insolvency events, or a capital event, occurs or when Macquarie gives notice in writing to the Trustee, which it may do at any time.

If dividends are payable, investors will no longer receive interest.

*Q. What is the Base Dividend Rate?*

- A. The Base Dividend Rate is based on the 180 day bank bill swap rate. The 180 day bank bill swap rate is an interest rate commonly used by major Australian banks for borrowing and lending between each other for a period of 180 days. The Base Dividend Rate is only relevant if a Payment Direction Event has occurred and dividends are payable on the Preference Shares.

# 1. Investment Summary (cont)

8

*Q. Will the Base Dividend Rate change?*

A. The Base Dividend Rate is a floating rate which varies over time. Dividends are calculated by reference to the Base Dividend Rate at the beginning of each semi-annual period.

*Q. Can Macquarie Income Securities be traded?*

A. Macquarie will apply to ASX for quotation of Macquarie Income Securities on ASX within three Business Days of the date of issue of this Prospectus. Once quoted, Macquarie Income Securities may be purchased or sold through any share broker.

*Q. Will I be able to request repayment of my investment?*

A. Investors will have no rights to require Macquarie to repay the money originally paid for Macquarie Income Securities except by way of a return of capital on the Preference Shares in a winding up of Macquarie (see "Status of Macquarie Income Securities in a winding up" below). Investors have no right to require Macquarie to Repurchase the Macquarie Income Securities.

To realise your investment in Macquarie Income Securities, you will need to sell your Macquarie Income Securities on ASX at the prevailing market price or sell them privately. The sale price may not be the same as the Application Price - see Section 5.

In certain circumstances, Macquarie may elect to Repurchase Macquarie Income Securities. These circumstances are set out in "Repurchase of Macquarie Income Securities" in section 3 and described in sections 7 and 8.

In the event of a Repurchase, investors will be entitled to receive \$100 for each Macquarie Income Security plus any unpaid interest (or dividend if the Preference Shares are dividend paying) for the current period.

*Q. Do investors have voting rights?*

A. Investors, as holders of Preference Shares, are entitled to vote in the limited circumstances set out in section 8.

*Q. Do I have to pay brokerage or stamp duty?*

A. You will not have to pay brokerage or stamp duty on Macquarie Income Securities allotted to you pursuant to this Prospectus if you apply for Macquarie Income Securities on the Application Form.

Investors who buy or sell Macquarie Income Securities after the Allocation Date may be subject to brokerage and other transaction costs.

Prior to a Payment Direction Event, there should be no stamp duty payable on transfer of Macquarie Income Securities except if acquired through a broker in the Northern Territory. However, there is a risk that a stamp duty authority of a particular jurisdiction or jurisdictions may take the view that some value is attributable to the Preference Share prior to a Payment Direction Event taking effect. In such circumstances, stamp duty will be payable in respect of the transfer of the Preference Share when the Macquarie Income Security is transferred. Duty will be calculated on the portion of the consideration for the transfer that is taken to be referable to the Preference Share.

After a Payment Direction Event, stamp duty at marketable securities rates, being approximately 0.3%, will be payable.

More detailed tax advice is set out in section 6.

*Q. What are the risks of an investment in Macquarie Income Securities?*

A. Some of the risks associated with an investment in Macquarie Income Securities are set out in section 5.

*Q. What are the taxation implications of an investment in Macquarie Income Securities?*

- A. The taxation implications will depend on the investors' individual circumstances. An explanation of some of the relevant considerations is contained in the report prepared by Mallesons Stephen Jaques in section 6. However, investors should seek their own tax advice.

*Q. What will happen in the event of a winding up of Macquarie?*

- A. In the event of a winding up of Macquarie, investors will be entitled to a return of capital on Preference Shares after all deposit liabilities, creditors and other liabilities of Macquarie have been paid. Preference Shareholders will rank ahead of Macquarie Shareholders in a winding up.

In the event of a winding up, there is a risk that holders of Preference Shares will not receive a return of capital on the Preference Shares.

In the event of a winding up of Macquarie or Macquarie Finance Limited, a Payment Direction Event would occur and investors would not be entitled to any amount in respect of the Holder's Interests in respect of any Moneys Owing which become due after the Payment Direction takes effect. In addition, if when the Payment Direction Event occurs there is any interest on a Note which is due and payable but unpaid, the Trustee on behalf of investors may claim that interest, but that claim would be subordinated to the claims of all other creditors.

*Q. Why are the funds being raised?*

- A. The funds raised through the issue of Macquarie Income Securities will assist with the long term funding of Macquarie's operations and will enhance Macquarie's financial strength and trading ability.

## 2. Details of the Offer

10

### How to invest

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#### **When and where to apply**

The Offer will open at 9.00am (Sydney time) on 25 October 1999 and is expected to close at 5.00pm (Sydney time) on 12 November 1999. Macquarie has the right, in its discretion with the consent of the Joint Lead Managers, to close the Offer early or to extend it beyond the stated Closing Date without notice.

Application Forms should be lodged at:

- any office of either of the Joint Lead Managers;
- your stockbroker; or
- the Registry.

A list of the addresses where you may lodge your Application Form is set out in the Corporate Directory which appears on the inside back cover of this Prospectus.

#### **How to apply**

To apply for Macquarie Income Securities, you must complete one of the Application Forms attached to or accompanying this Prospectus in accordance with the accompanying instructions. The Application Price is \$100 per Macquarie Income Security and is payable in full upon application.

Applications must be for a minimum of 50 Macquarie Income Securities (\$5,000) and thereafter must be in multiples of 10 Macquarie Income Securities (\$1,000). No brokerage or stamp duty is payable on the transfer of Macquarie Income Securities to investors under this Offer.

Application Forms, (other than applications completed online, which are explained below) duly completed, must be accompanied by a cheque(s) in Australian dollars drawn on an Australian branch of a financial institution. Cheques should be crossed "not negotiable" and made payable to "Macquarie Income Securities Offer".

By returning the Application Form, (including return by e-mail through an online Application) the applicant acknowledges that they have received and read this Prospectus and accept the terms and conditions of Macquarie Income Securities.

#### **Internet Prospectus and online applications**

A copy of the Prospectus will be made available on Macquarie's Internet website at <http://www.macquarie.com.au>. Applicants may apply online for Macquarie Income Securities by accessing the website, and completing electronically an Application Form attached to the Prospectus on the website in accordance with the instructions accompanying the Application Form.

The website allows applicants to:

- return the completed Application Form by e-mail; and
- pay the Application Monies either by cheque or electronic transfer of funds (through Bpay).

Macquarie Shareholders who wish to participate in the priority allocation must use the personalised Application Form sent to them and should not apply online by accessing Macquarie's website.

## Structure of the Offer

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11

The Macquarie Income Securities being offered under this Prospectus will initially have been issued to the Underwriter. Following the close of the Offer, the Underwriter will transfer the Macquarie Income Securities unencumbered to investors who apply for and are allocated Macquarie Income Securities under this Prospectus.

### **Allocation policy**

Macquarie, in consultation with the Joint Lead Managers, will determine the manner in which allocations are made.

Applications may be subject to scaling back and some applications may be rejected in the event of excess demand for Macquarie Income Securities. This may include scaling back to below the stated minimum application of 50 Macquarie Income Securities.

Where the number of Macquarie Income Securities allotted is less than the number applied for, or where no allocation is made, surplus Application Monies will be refunded.

### **Priority to Macquarie Shareholders**

Macquarie Shareholders with a registered address in Australia and who were registered shareholders at the close of business on 21 October 1999 will receive a personalised Application Form accompanying the copy of this Prospectus sent to them. To participate in the priority allocation, the personalised Application Form accompanying this Prospectus must be used. Applications must be made in accordance with the instructions on the personalised Application Form.

The priority allocation policy to Macquarie Shareholders will take effect if scaling back occurs. If scaling back occurs, Macquarie Shareholders who submit their personalised Application Form accompanying this Prospectus will receive more Macquarie Income Securities than public applicants who applied for the same number of Macquarie Income Securities, (other than applicants with firm allocations - see below). Macquarie, in conjunction with the Joint Lead Managers, has absolute discretion to determine the method and extent of that preference. There is no priority allocation to holders of Converting Preference Shares.

### **Firm allocations to brokers**

Offers of firm allocations to brokers for their private clients will not be subject to scaling back. The distribution of each firm allocation to clients by a broker will be at the discretion of that broker and subject to the terms and conditions of the relevant offers made by the Joint Lead Managers.

## 2. Details of the Offer (cont)

12

### Other information

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#### **Underwriting**

Deutsche Securities Australia Limited has underwritten the issue of \$200 million of Macquarie Income Securities. A summary of the material terms of the underwriting arrangements are set out in section 9.

#### **Base Interest Rate**

Macquarie Finance Limited will advise ASX of the Base Interest Rate applicable for each quarter as soon as possible after its determination.

#### **ASX listing**

Application will be made to ASX no later than three Business Days after the date of issue of this Prospectus for the official quotation on ASX of Macquarie Income Securities.

If Macquarie Income Securities are not admitted to the official list of ASX before the end of six weeks after the date of issue of the Prospectus (or such longer period, not exceeding 12 weeks after the date of issue, as is notified by ASX), all Application Monies will be refunded with interest accruing at 3.75% per annum from the day after the date of receipt of the Application by the registry until, but excluding, the date the refunded Application Monies are dispatched.

#### **Macquarie Income Securities statements**

Macquarie will apply for Macquarie Income Securities to participate in CHESS in accordance with the Listing Rules.

Macquarie will not issue certificates to successful applicants. Following the transfer of Macquarie Income Securities, successful applicants will be sent an initial statement that sets out the number of Macquarie Income Securities they have been allotted in the Offer. It is the responsibility of applicants to determine their allocation prior to trading in Macquarie Income Securities. Investors will receive subsequent statements showing changes to their Macquarie Income Securities holdings.

## 3. Macquarie Income Securities

### Introduction

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13

Investors who purchase a Macquarie Income Security will receive a stapled security comprising:

- 1 Holder's Interest; and
- 1 Preference Share (fully paid).

The Holder's Interest and the Preference Share will be stapled together and will not be able to be traded separately. Investors will pay \$100 for each Macquarie Income Security.

Interest will be payable quarterly in arrears, subject to certain conditions including the profitability of Macquarie.

The conditions upon which interest is payable are set out in full in section 7.

Macquarie has provided a Performance Guarantee to investors in respect of Macquarie Finance Limited's obligation to pay interest which becomes due and payable in accordance with the conditions of the Notes.

The following information is a summary only of terms of issue of the Macquarie Income Securities. Potential investors should read this Prospectus in its entirety.

### Holder's Interests

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Holder's Interests comprise a beneficial interest arising under Notes issued by Macquarie Finance Limited to the Trustee. The Notes are unsecured perpetual debt obligations of Macquarie Finance Limited. The Notes are issued to the Trustee who holds them on trust for investors. Under the terms of the Trust Deed, Macquarie Finance Limited will pay all amounts due under the Notes directly to investors unless a Payment Direction Event occurs.

#### **Interest**

Interest will be payable quarterly in arrears. Payment of interest is subject to a number of conditions, of which the primary condition is the profitability of Macquarie. Interest is calculated each Interest Period by adding 1.7% per annum to the Base Interest Rate on the first Business Day of the relevant Interest Period. For each Interest Period until (and including) the Interest Period ending on 15 January 2003, the Macquarie Income Securities will pay a minimum interest rate of 7.25% per annum. Interest accrues on the Holder's Interests on a daily basis.

Interest will generally be paid on 15 January, 15 April, 15 July and 15 October each year or, where that day is not a Business Day, the next Business Day.

If interest is not payable in accordance with these conditions it is deemed never to have accrued. If interest is not paid in full within 20 Business Days of a due date, Macquarie is prohibited from declaring or paying a dividend on shares ranking junior to the Preference Shares (including ordinary shares of Macquarie) until four consecutive interest payments or a catch-up interest payment equal to the missed interest payments has been made or the investors otherwise agree.

Where Macquarie is unable to pay in full both the interest due in respect of Holder's Interests and any dividends on shares that rank equally with the Preference Shares stapled to the Holder's Interests, it must pay such interest and dividends pro rata in proportion to the amounts payable.

A summary of the terms and conditions of the Holder's Interests, including the circumstances in which interest is not payable, is contained in section 7.

### 3. Macquarie Income Securities (cont)

14

#### **Performance Guarantee**

Macquarie has entered into a Performance Guarantee in respect of Macquarie Finance Limited's obligations to pay interest on the Notes. The Performance Guarantee requires Macquarie to make payments of interest to investors on behalf of Macquarie Finance Limited in circumstances where the conditions for the payment of interest are satisfied but Macquarie Finance Limited has failed to make the payment. The terms of the Performance Guarantee are contained in the Trust Deed. A summary of the terms of the Performance Guarantee are set out in section 7.

#### **Payment Direction Event**

Holder's Interests purchased by investors as part of Macquarie Income Securities will be subject to the Payment Direction. The effect of the Payment Direction is that Moneys Owing in relation to the Notes which become due after a Payment Direction Event are payable to or as directed by Macquarie and that moneys payable under the Performance Guarantee which become due after a Payment Direction Event occurs are to be paid to or as directed by Macquarie.

A Payment Direction Event occurs if:

- a Liquidation Event occurs in relation to Macquarie Finance Limited or Macquarie Bank Limited;
- Macquarie or Macquarie Finance Limited acknowledges in writing that it is unable to pay its debts within the meaning of the Corporations Law;
- at any time Macquarie gives notice in writing to the Trustee that it requires all Moneys Owing in respect of the Notes to be paid to it as they become due; or
- APRA determines in writing that Macquarie has a Tier 1 Capital Ratio of less than 5 per cent or a Total Capital Adequacy Ratio of less than 8 per cent.

If a Payment Direction Event occurs, no action will be required by investors and the Preference Shares become dividend paying. No additional contribution or cash amount will be required from investors. The investor will still hold the Holder's Interest as part of the Macquarie Income Securities. However, Moneys Owing on the Notes which become due after the Payment Direction Event occurs will be paid to Macquarie.

The Payment Direction is explained in more detail in section 7.

The Preference Shares will initially not give rise to an entitlement to dividends. Investors will be entitled to dividends in respect of the Preference Shares only if a Payment Direction Event occurs (see Payment Direction Event above).

### **Dividends**

If a Payment Direction Event occurs, the Preference Shares will become dividend paying. Payment of dividends is subject to conditions similar to those applying to the payment of interest, the primary condition being the profitability of Macquarie. The dividend rate will be calculated by adding 1.7% per annum to the Base Dividend Rate, subject to a minimum rate of 7.25% per annum to 15 January 2003. The first such dividend will be calculated using the Base Dividend Rate as at the Payment Date preceding the Payment Date of that dividend.

Payment of dividends will be made semi-annually on 15 July and 15 January. As the dividends are paid semi-annually, there will be only two Dividend Record Dates. Dividends will be paid to investors who are on the register on the Dividend Record Dates.

Dividends, where payable, will not necessarily be franked.

Payment of dividends is subject to conditions similar to those applying to the payment of interest, the main condition being the profitability of Macquarie. The conditions on which dividends are payable are set out in full in section 8.

Dividends are not cumulative. However, if a dividend is not paid in full, Macquarie will be unable to declare a dividend on any of its Ordinary Shares or any shares that rank junior to the Preference Shares until two consecutive dividends are paid on the Preference Shares or, at its option (and with the prior written approval of APRA), Macquarie elects to make payment of the amount unpaid of the last two such dividends to investors, or investors otherwise agree.

Where Macquarie is unable to pay in full dividends on the Preference Shares and any dividends on shares that rank equally with the Preference Shares, it must pay such dividends pro rata in proportion to the amounts payable.

### **Voting**

The Preference Shares have only limited voting rights. These are set out in section 8.

### 3. Macquarie Income Securities (cont)

16

#### Repurchase of Macquarie Income Securities

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Investors will not be able to request that their Macquarie Income Securities be redeemed or repaid. Macquarie Income Securities will be listed on ASX and investors wishing to realise their Macquarie Income Securities may sell them on ASX.

However, there is no guarantee as to the sale price of Macquarie Income Securities and investors should note the risks described in section 5.

Macquarie Income Securities may be Repurchased at Macquarie's option for \$100 plus any unpaid interest for the current period (or \$100 plus any unpaid dividend for the current period where the Preference Share is dividend paying). The circumstances under which a Repurchase may occur are:

- (a) if a Capital Event, Securities Event or Tax Event occurs (see section 7); or
- (b) at Macquarie's option, any time on or after five years from the Issue Date.

A Repurchase may be undertaken only with the prior approval of APRA (if required under the law or guidelines then applicable).

Macquarie may Repurchase some only of the outstanding Macquarie Income Securities so long as at least 2 million Macquarie Income Securities remain on issue, or may Repurchase all of the Macquarie Income Securities.

## Status of Macquarie Income Securities in a winding up

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17

As explained above, if a Liquidation Event occurs in relation to Macquarie Finance Limited or Macquarie Bank Limited, a Payment Direction Event occurs and the Preference Shares will become dividend paying. As a result of the Payment Direction Event occurring, all rights to Moneys Owing under the Notes, which become due after a Payment Direction Event occurs, will be directed by the Trustee to be paid to Macquarie. Neither the Trustee nor the investors will be entitled to any amounts in respect of their Holder's Interests on the winding up of Macquarie Finance Limited.

In the event Macquarie is wound up, holders of Preference Shares will rank equally with holders of Converting Preference Shares (and any other preference shares ranking equally which Macquarie may have on issue at that time) for a return of capital and the payment of dividends. Investors will rank for a return of capital and the payment of dividends on the Preference Shares ahead of holders of Ordinary Shares. At the date of this Prospectus, the only other securities of Macquarie which would rank equally with the Macquarie Income Securities are the Converting Preference Shares.

Investors will not receive a return of capital on Macquarie Income Securities until all deposit liabilities, creditors and other liabilities of Macquarie have been paid. Subject to there being sufficient monies available in the winding up, the holders of Preference Shares are entitled to receive \$100 (as a return of capital).

In respect of any Moneys Owing which become due after the Payment Direction Event occurs, if when the Payment Direction Event occurs there is any interest on a Note which is due and payable but unpaid, the Trustee on behalf of holders may claim that interest:

- (a) in the winding-up of Macquarie Finance Limited in accordance with the Note; and
- (b) in the winding-up of Macquarie, in accordance with the Performance Guarantee.

The right of the Trustee to make a claim against Macquarie Finance Limited and against Macquarie is subordinated to the claims of all other creditors and, in the case of a claim against Macquarie under the Performance Guarantee, ranks equally with the claims of holders with respect to any unpaid dividend on the Preference Shares.

## 3. Macquarie Income Securities (cont)

18

### Further issues

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Macquarie may issue other preference shares which rank equally with or lower than, the Macquarie Income Securities in respect of dividends and distributions on winding up. Macquarie may also issue preference shares with the same or different distribution rates and on the same or different terms and conditions. The issue of preference shares ranking ahead of the Preference Shares would constitute a variation of Preference Shareholders' rights and Macquarie would need to refer to holders for approval before such issue could take place.

Macquarie and its related entities are free to issue debt securities.

### Risks

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Some of the risks of investing in Macquarie Income Securities are described in section 5. Investors should read this Prospectus in its entirety to determine whether Macquarie Income Securities are an appropriate investment for them.

## 4. Macquarie Group Information

### Introduction

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Macquarie is a major independent investment bank, majority owned by Australians and headquartered in Australia. Macquarie began operating in 1969 as Hill Samuel Australia Limited, a wholly-owned subsidiary of a British merchant bank.

In February 1985 it was transformed into an Australian licensed bank.

Macquarie listed its fully paid ordinary shares on ASX in July 1996 and presently has a permanent staff of over 3,600.

### Description of businesses

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Macquarie has six principal operating groups - Asset and Infrastructure, Treasury and Commodities, Corporate Finance, Equities, Banking and Property, and Investment Services. Within these groups, business activities are carried out by divisions which focus on particular products and markets. In addition, the Direct Investment division operates as a separate profit centre.

These groups are supported by a number of support areas, namely the Corporate Affairs Group (Administration, Corporate Relations, Company Secretarial, Financial Operations and Taxation), the Information Services Division (systems and communications), the Risk Management Division, the Economics and Fixed Interest Research Division and the Quantitative Applications Division.

The management of Macquarie is substantially delegated to the Executive Committee. Within overall guidelines and specific discretions set by the Board and Executive Committee, substantial discretion is exercised by Executive Directors and other senior management in the conduct of the various businesses.

#### **Asset and Infrastructure Group**

The Asset and Infrastructure Group comprises three divisions: Project and Structured Finance, Infrastructure and Specialised Funds and Macquarie Capital.

Project and Structured Finance conducts domestic and international infrastructure and structured finance activities such as cross-border leasing and arranging finance for aircraft, trains, ships, office buildings, and power and telecommunication assets. In 1998, Project and Structured Finance business was ranked number one in the Asia Pacific region by the industry publication Project Finance International, and number three globally for advisory mandates won.

Infrastructure and Specialised Funds develops and manages a range of investments in infrastructure and technology assets, which at 31 March 1999 totalled approximately \$5 billion.

Macquarie Capital undertakes the Asset and Infrastructure Group's balance sheet activities in the provision and arrangement of finance for government and corporate sector clients with a particular emphasis on motor vehicle, information technology equipment leasing and technology financing.

## 4. Macquarie Group Information (cont)

20

### **Treasury and Commodities Group**

The Treasury and Commodities Group is a niche participant in a number of financial markets. The Group consists of nine distinct businesses.

The Metals and Mining Division offers 24 hour price-making facilities for base and precious metals together with financing and structured hedging facilities for precious metals.

The Foreign Exchange and Capital Markets Division provides 24 hour interbank price-making services in Australian dollar spot, forwards and options as well as quoting on other major currency pairs.

The Money Market Division is responsible for the balance sheet, liquidity and interest rate management of the Bank.

The Futures Division is a significant floor and clearing member of the Sydney Futures Exchange.

Risk Advisory Services Division offers a range of strategic financial advisory and risk management services.

The Debt Markets Division offers a full range of debt market trading, sales, structuring and origination services from the Government bond markets to the emerging non-Government markets such as mortgage backed securities and corporate bonds.

The Energy and Wool Division provides risk management products to the electricity and wool industries.

The Agricultural Commodities Division offers "over the counter" risk management solutions to the agricultural sector.

The Capital Management Division makes investments in a very diversified range of financial instruments and markets on behalf of Macquarie. The Division uses a variety of trading styles and techniques and operates with very stringent risk management disciplines.

### **Corporate Finance Group**

The Corporate Finance Group comprises the Corporate Advisory Division and the Equity Capital Markets Division.

The Corporate Advisory Division provides advice to corporate and public sector clients on public mergers and acquisitions, private treaty acquisitions and divestments, valuations, fund raising, privatisations, corporate restructuring and other strategic financial issues. During the year to 31 March 1999, the Division advised over 140 clients on more than 175 mandates in Australasia and internationally. The value of completed transactions exceeded \$9 billion.

The Equity Capital Markets Division advises on, manages and underwrites the full range of equity capital market products, including initial public offers, rights issues, sell-downs, placements and buy-backs. The Division also provides advice on capital management and communication with institutional investors. It has particular expertise in hybrid securities and in raising equity for infrastructure projects.

### **Equities Group**

The Equities Group consists of three divisions, Macquarie Equities, Macquarie Financial Services and Equity Markets. Macquarie Equities provides a full range of stockbroking services to domestic and international institutions, corporate clients and domestic private investors. Equity Markets undertakes principal trading and market-making in equities and equity derivatives, originates equity-based financial products for retail and wholesale clients and runs Macquarie's securities borrowing and lending operations. Macquarie Financial Services is one of the largest financial services distributors in Australia, providing a range of services from execution only stockbroking via the internet based DirecTrade, through to full financial planning. Recently, a proposal to form a joint equities clearing operation with JB Were & Son was announced by the Equities Group.

### **Banking and Property Group**

The Banking and Property Group comprises nine divisions, covering the Bank's property, banking and securitisation activities.

The Property Investment Management Division manages four listed, sector specific property trusts and three unlisted property syndicates.

The Property Finance Division makes loans secured by mortgages over investment property and is a specialist financier to the property development industry, offering risk participation loans and co-sponsoring and managing property development syndicates.

Property Investment Banking has established itself as a leading property adviser in Australia.

Medallist, a joint venture with Greg Norman's Great White Shark Enterprises, was formed to develop prestige, branded golf course-related property products in Australia, the US and Asia.

The Banking Solutions Division comprises two businesses, Professional and Business Banking and Equities Lending.

The Private Investment Banking Division is a leading provider of private banking services to high net worth clients.

Macquarie Distribution is a new business established to promote and sell financial services via key industry outlets.

Macquarie Securitisation conducts Macquarie's securitisation business.

Macquarie Mortgages comprises Macquarie's own mortgage origination activities.

### **Investment Services Group**

The Investment Services Group manages investments through a range of funds and trusts across a wide variety of asset classes, for both retail and institutional clients. The Group also offers fund and client administration services for other fund managers looking to outsource these activities.

At 31 March 1999, the Group's portfolio under management or administration was \$19.6 billion. The Group manages \$9.8 billion on behalf of individual investors through the Retail Investments Division and \$9.8 billion for superannuation funds, corporations and institutions through the Institutional Funds.

#### **Direct Investment Division**

The Direct Investment Division manages Macquarie's direct investment vehicles: Macquarie Investment Trust, Macquarie Holdings Trust, Macquarie Investment Trust II and Macquarie Holdings Trust II.

## 4. Macquarie Group Information (cont)

### Acquisition of Bankers Trust Investment Banking Business

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On 25 June 1999, Macquarie announced that it would acquire the investment banking business of Bankers Trust Australia. The acquisition became effective on 31 July 1999.

Macquarie regards the BTIB businesses as successful, highly professional operations which have synergies with Macquarie.

Macquarie has a very high regard for the BTIB staff and the acquisition presented Macquarie with an outstanding opportunity to acquire a large number of skilled professionals from a like organisation.

BTIB provided a range of investment banking services and Macquarie believes the acquisition has allowed it to fill what it regarded as its few investment banking business gaps.

Of the approximately 900 staff at BTIB, some 460 employees (86% of those to whom offers were made) from across the range of businesses have chosen to remain with the businesses and come across to Macquarie.

While Macquarie is confident that it will be able to integrate the BTIB operations in the current financial year with, at worst, a neutral impact on earnings per share, the extent of any increase in earnings per share will, among other things, depend on:

- the retention of the staff who have joined;
- the success of the integration; and
- the development of the new businesses.

### Macquarie Finance Limited

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Macquarie Finance Limited was incorporated on 14 March 1974 with the name Hill Samuel Property Services Limited, and became Macquarie Finance Limited on 8 February 1985.

The company has operated as a short term deposit taker, taking deposits from external parties and depositing them with members of the Macquarie Group.

In recent years Macquarie Finance Limited has largely raised its financing from within the Macquarie Group.

Operating revenue is derived solely from interest income received.

### Selected historical consolidated financial data

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The Macquarie Group's consolidated financial statements for each of the five years ended 31 March 1999, contained in the Macquarie Financial Reports, were accompanied by unqualified audit reports. This section contains extracts from the above mentioned financial statements and does not purport to encompass all of the information in the annual financial reports.

The Macquarie Group's consolidated financial statements are general purpose financial reports prepared in accordance with the requirements of the Banking Act, the Corporations Law and

all applicable Australian Accounting Standards and Urgent Issues Group Consensus Views.

The financial statements are based on historical cost and therefore do not reflect changes in purchasing power of money or current valuations of non-monetary assets. All amounts are expressed in Australian currency.

	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>
<b>Profit and Loss (\$million)</b>					
Operating profit before income tax	217.8	166.9	138.2	99.1	70.2
Income tax (expense)/benefit	(52.8)	(25.7)	(21.3)	(5.9)	5.9
<b>Operating profit after income tax</b>	<b>165.0</b>	<b>141.2</b>	<b>116.9</b>	<b>93.2</b>	<b>76.1</b>
<b>Balance sheet (\$million)</b>					
Total assets	9,251	7,929	6,849	5,174	4,624
Total liabilities	8,599	7,348	6,349	4,746	4,244
Shareholders' equity	651	581	500	428	380
Capital and subordinated debt	962	884	679	662	590
Total loan assets <sup>(a)</sup>	3,947	3,029	2,470	2,455	2,233
Impaired assets (net of provision)	44	12	46	57	49
<b>Share Information</b>					
Issued capital (million shares) <sup>(b)</sup>	161.1	157.6	151.4	138.7	128.2
Market capitalisation at 31 March (fully paid ordinary shares) (\$million)	3,077	2,262	1,287	832	616
<b>Ratios</b>					
Return on average shareholders' funds	26.8%	26.1%	25.2%	23.1%	21.1%
Dividend payout ratio	67.2%	57.9%	60.5%	61.0%	57.0%
Tier 1 ratio	13.0%	11.7%	12.9%	11.8%	12.1%
Capital adequacy ratio	17.3%	16.4%	13.2%	15.4%	15.4%
Impaired assets as % of loan assets	1.1%	0.4%	1.8%	2.3%	2.2%
Net loan losses as % of loan assets	0.1%	0.0%	0.0%	0.0%	0.0%

(a) Includes loans and advances, leases and balances receivable from governments.

(b) Number of fully paid shares at 31 March, excluding options and partly paid shares.

## 4. Macquarie Group Information (cont)

24

### Ability to pay interest or dividends

Interest or dividends on the Macquarie Income Securities are not payable where, together with dividends payable on equally ranking securities (and any higher ranking securities), interest would exceed Macquarie's profits for the current financial year (after tax and deducting interest and dividend payments made) or Macquarie is not able to meet the claims of all creditors and depositors and other solvency tests. The conditions for payment of interest and dividends are set out in full in sections 7 and 8.

The Macquarie Group posted an after tax profit for the year ended 31 March 1999 of \$165 million. Subject to the risks outlined in section 5, the Macquarie Group expects that the results for the following half Year and full Year to 31 March 2000 will reflect an increase on the previous corresponding periods.

In assessing the risk that interest will not be paid, potential investors may have regard to the table below. The table illustrates that, in the financial year ended 31 March 1999 and assuming that the Macquarie Income Securities had been issued on 1 April 1999, Macquarie's after tax profit (for both Macquarie and the Macquarie Group) would have been more than able to satisfy the cost of servicing both the Macquarie Income Securities and other securities ranking equally with the Macquarie Income Securities.

	Year ended 31 March 1999	
	Macquarie Group	Macquarie Bank Limited
Operating profit after tax (\$million) <sup>(a)</sup>	165.0	123.2
Annual cost of servicing Macquarie Income Securities <sup>(b)</sup>	14.5	14.5
Annual cost of servicing other equally ranking securities <sup>(c)</sup>	11.1	11.1
Total cost of servicing	25.6	25.6
Coverage ratio <sup>(d)</sup>	6.4	4.8

(a) Audited for the year ended 31 March 1999.

(b) Based on the minimum Offer size of \$200 million and the minimum interest rate until 15 January 2003 of 7.25% per annum.

(c) Macquarie has on issue \$150 million of Converting Preference Shares which rank equally with the Macquarie Income Securities and which have a dividend rate of 7.38% per annum.

(d) Number of times interest on Macquarie Income Securities (minimum Offer size of \$200 million) and dividends on Converting Preference Shares could be paid out of operating profit after tax assuming both securities had been issued on 1 April 1999.

If over subscriptions up to the limit of \$200 million of Macquarie Income Securities were accepted the Coverage Ratios would be 4.1 and 3.1 for the Macquarie Group and Macquarie Bank Limited respectively.

The calculation of the illustrative coverage ratios does not include any financial benefits that may be derived by Macquarie from the additional funds available to it following completion of the Offer.

### **Pro-forma indicative consolidated balance sheet**

Macquarie has acquired the assets and specified liabilities of BTIB. Macquarie has not acquired the main operating companies of BTIB but has acquired a number of subsidiaries.

The final purchase price will be determined based on the adjusted net assets at completion according to agreed standard accounting principles, after making allowance for various costs and risks of acquisition.

At the time of settlement, BTIB had gross assets of \$12.0 billion, primarily comprising trading and loan assets. Risk weighted assets acquired were in the order of \$4.0 billion.

Macquarie will arrange funding facilities to replace BTIB's existing funding facilities as they progressively mature.

On 29 June 1999, Macquarie made a placement of 5.16 million ordinary shares at an issue price of \$19.40 per share to raise approximately \$100 million. At the time, this was equal to approximately 3.2 per cent of Macquarie's existing fully paid ordinary shares.

Macquarie subsequently placed 1.5 million Converting Preference Shares at an issue price of \$100 per share to raise approximately \$150 million, subject to shareholder approval sought (and obtained) at an Extraordinary General Meeting held on 18 August 1999.

The Converting Preference Shares carry a fixed (frankable) non-cumulative dividend of 7.38% per annum and convert into ordinary shares (based on a five percent discount to the then market price of the ordinary shares) after five years. The Converting Preference Shares are quoted on ASX. The Converting Preference Shares rank equally with the Macquarie Income Securities for payment of interest and dividends and for return of capital in the event of a winding up.

In addition, Deutsche Bank AG agreed to provide Macquarie with \$3 billion in funding lines.

Macquarie has been in discussions with the major ratings agencies and its credit ratings have been maintained.

Together these transactions will strengthen Macquarie's Tier 1 Capital base, taking it to over \$1 billion. This increased capital base will enhance Macquarie's financial strength and trading capacity.

A pro-forma indicative consolidated balance sheet has been prepared after:

- the acquisition of BTIB;
- the placement of 5.16 million ordinary shares at an issue \$19.40 per share on 29 June 1999;
- the placement of 1.5 million Converting Preference Shares at an issue price of \$100 on 5 July 1999; and
- the issue of 2.0 million Macquarie Income Securities under this Prospectus, which equates to \$200 million.

## 4. Macquarie Group Information (cont)

26

	<b>Consolidated 31 March 1999 (\$million)</b>	<b>Effect of BTIB acquisition, issue and placements (\$million) (unaudited)</b>	<b>Proforma 31 March 1999 including the BTIB acquisition issue and placements (\$million) (unaudited)</b>
<b>Assets</b>			
Cash and other liquid investments	321	0	321
Securities & other trading assets	1,867	3,900	5,767
Securities purchased under repurchase agreements	0	3,800	3,800
Loans & advances	4,003	2,500	6,503
Other assets	3,059	1,500	4,559
<b>Total Assets</b>	<b>9,250</b>	<b>11,700</b>	<b>20,950</b>
<b>Liabilities</b>			
Funding & deposits	5,551	4,550	10,101
Securities borrowed	27	3,500	3,527
Securities sold under repurchase agreements	0	1,200	1,200
Other liabilities	2,711	2,000	4,711
	8,289	11,250	19,539
Subordinated debt	310	0	310
Converting Preference Shares	0	150	150
<b>Total Liabilities</b>	<b>8,599</b>	<b>11,400</b>	<b>19,999</b>
<b>Capital &amp; Reserves</b>			
Issued capital	246	100	346
Macquarie Income Securities <sup>(a)</sup>	0	200	200
Retained earnings	405	0	405
<b>Total Capital Reserves</b>	<b>651</b>	<b>300</b>	<b>951</b>
<b>Total Liabilities and Shareholders Equity</b>	<b>9,250</b>	<b>11,700</b>	<b>20,950</b>

(a) If oversubscriptions up to the limit of \$200 million were accepted, the Macquarie Income Securities balance would increase by \$200 million on the balance sheet and funding and deposit liabilities would reduce by a corresponding amount.

The BTIB balance sheet is based on the latest draft of the completion statement prepared by BTIB, but is subject to adjustments arising from the completion process.

### **Expenses of the Issue**

The total expenses of the Offer incurred by Macquarie (excluding fees to be paid to the Underwriter and Joint Lead Managers as described in section 9, but including legal and accounting fees, printing expenses, listing fees and other expenses) are estimated to be approximately \$0.9 million.

## 5. Risk Factors

Macquarie Income Securities are perpetual in nature and neither Macquarie nor Macquarie Finance Limited has an obligation to redeem or otherwise repay investors. It is not possible to predict or identify all events that may adversely impact on Macquarie's or Macquarie Finance Limited's ability to meet its obligations under Macquarie Income Securities in the future.

Therefore, before applying for Macquarie Income Securities, potential investors should consider whether Macquarie Income Securities are a suitable investment for them, which should include a consideration of the risks associated with such an investment.

As part of that assessment, investors should be aware that to realise their investment, investors will need to sell their Macquarie Income Securities, either on ASX at the prevailing market price, or to a private buyer. There can be no assurance as to the price investors will receive from the sale of their Macquarie Income Securities.

The market price at which Macquarie Income Securities trade on ASX will rise and fall depending upon a number of factors, some of which may be beyond the control of Macquarie. Some of these factors may include the credit environment, movements in interest rates, domestic and international economic conditions, international equity markets and Macquarie's perceived credit standing. These risks, which may be quite independent of Macquarie's ability to pay interest (or dividends) on the Macquarie Income Securities, are described further in section 5.

Further, payment of interest and dividends to investors is dependent upon a number of factors, of which the primary factor is the profitability of Macquarie.

### Risks that may affect the market price and interest (or dividends) payable on Macquarie Income Securities

Set out below are examples of the risks that may affect the market price of and return on Macquarie Income Securities.

#### **Interest rate margin**

Interest is calculated each quarter by reference to the Base Interest Rate, which will fluctuate over time, plus a fixed margin of 1.7% per annum. Similarly, dividends would be calculated by reference to the Base Dividend Rate, which fluctuates over time.

Interest and dividends are non-cumulative. In the event that no interest is paid in respect of a quarter, investors will not receive interest for that quarter unless Macquarie, at its discretion and subject to having profits available to do so, elects to subsequently make up the missed interest. Where Macquarie has not paid interest on the Macquarie Income Securities, it will be restricted in its ability to pay dividends on its Ordinary Shares. A similar position applies in relation to dividends payable on the Preference Shares.

Should investors not be paid interest or dividends it is likely also to have an effect on the market price of Macquarie Income Securities. These risks are described further in section 5.

There are also a number of other risks which potential investors should consider that arise as a result of characteristics specific to the businesses of Macquarie. These risks have the potential to affect both the market price of Macquarie Income Securities and investors' ability to receive interest and dividends. These risks, which include risks arising from the purchase of BTIB, are described further in section 5.

The market price of Macquarie Income Securities will reflect whether investors consider that this interest rate margin is appropriate given prevailing economic conditions, the rates of return available on similar securities and the risks associated with an investment in Macquarie Income Securities. Increases in required fixed margins (commonly also referred to as credit spreads) occur at times. Should investors consider that a credit spread of 1.7% per annum is insufficient, it is possible that the market price of Macquarie Income Securities will fall below \$100.

## 5. Risk Factors (cont)

28

### **Macquarie's credit rating**

One benchmark used by investors to assess the interest rate margin which an investment in Macquarie Income Securities may require is the credit rating of Macquarie.

As a result of the capital raised as part of the funding for the acquisition of the BTIB, including this issue, Macquarie's Tier 1 Capital Ratio will be at current levels of approximately 13%. In addition, Macquarie's Tier 1 Capital base will be considerably strengthened, exceeding \$1 billion for the first time. As a consequence, the major ratings agencies have confirmed that Macquarie's current credit ratings will be maintained. However, there can be no assurances that future events, some of which may be outside of the control of Macquarie, will not cause the rating agencies to downgrade the credit rating of Macquarie. Were this to occur, it would be likely that the margin which investors require for an investment in Macquarie Income Securities will rise, and may exceed 1.70% per annum. Should this occur, the market price of Macquarie Income Securities would be likely to fall below \$100.

### **Liquidity**

There may be relatively few potential buyers and sellers on ASX of Macquarie Income Securities at any one time, which may increase the volatility in the market price of the Macquarie Income Securities. It may also affect the prevailing market price that investors seeking to sell their Macquarie Income Securities are able to realise, resulting in investors receiving a market price for their Macquarie Income Securities that is less than the price which investors may consider to be fair.

### **Base Interest Rate**

Investors should note that interest will be set at the beginning of each quarter by reference to the then prevailing Base Interest Rate (or where relevant, dividends on the Preference Shares will be set by reference to the Base Dividend Rate prevailing at the start of each semi-annual period). It is not possible to predict with any certainty what the future Base Interest Rate/Base Dividend Rate may be, and Macquarie has not undertaken to pay investors a minimum amount of interest or dividend after the period ending on 15 January 2003. Whilst interest rates in Australia are presently low in comparison to the last 15 years, were they (and the Base Interest Rate/Base Dividend Rate) to be lower in the future, interest (or where relevant dividends) payable on the Macquarie Income Securities would fall accordingly.

### **Early redemption risk**

Macquarie may at any time after five years from the Issue Date, at its option, Repurchase each Macquarie Income Security. Similarly, Macquarie may Repurchase Macquarie Income Securities earlier than five years after the Issue Date in certain limited circumstances set out in section 7.

For example, as a financial institution, Macquarie is subject to prudential supervision by APRA and is required to maintain a Total Capital Adequacy Ratio of 8%, and a Tier 1 Capital Ratio of 4%. There is a risk that APRA may change the classification of Macquarie Income Securities such that they no longer qualify as Tier 1 Capital of Macquarie for regulatory purposes. If this risk arises, Macquarie may elect to have payments under the Holder's Interests directed to it, or it may elect to Repurchase the Macquarie Income Securities.

Any such Repurchase will be at the face value of Macquarie Income Securities (being \$100) plus any outstanding accrued interest for the current quarter (or outstanding dividend for the current half-year). The amount investors receive on Repurchase of their Macquarie Income Securities may therefore be less than the then current market price of the Macquarie Income Securities. Macquarie's right to Repurchase the Macquarie Income Securities may restrict the market price at which the securities trade.

### **Future issues of securities**

Macquarie may issue further preference shares with the same or different distribution rates and on the same or different terms and conditions as Macquarie Income Securities. Macquarie is also entitled to issue other preference shares which rank for dividends or payment in a winding up of Macquarie equally with Macquarie Income Securities offered under this Prospectus without the approval of the investors as a class. Macquarie and its related entities may issue debt securities which rank ahead of the Macquarie Income Securities.

In addition, other organisations may issue securities similar to Macquarie Income Securities with the same or different distribution rates and on the same or different terms and conditions to the Macquarie Income Securities.

The terms and conditions of such issues of securities may have an influence on the market price of Macquarie Income Securities.

### **Ranking in the event of a winding up**

Macquarie Income Securities are not bank deposits with, or other liabilities or ordinary shares of, Macquarie. They are not subject to the depositor protection provisions in Division 2 of Part II of the Banking Act (Cth).

If Macquarie were to be wound up, investors will only have a right to receive a return of capital after all deposit liabilities (eg a deposit in a bank account with Macquarie), creditors and other liabilities have been paid, but ahead of the ordinary shareholders of Macquarie and any other lower ranking equity investors.

Any claim on the Performance Guarantee is also subordinated to rank after the claims of other creditors and *pari passu* with claims of holders of Preference Shares.

Investors should understand that there is a risk that holders may receive less than \$100 in a winding up.

Macquarie may issue preference shares or Converting Preference Shares which rank equally but not higher than Macquarie Income Securities without the approval of the investors. These preference shares would be entitled to any return of capital in a winding up equally with investors of the Macquarie Income Securities.

## 5. Risk Factors (cont)

### Risks associated with interest (or dividends)

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There are many risks in the markets in which Macquarie operates. Performance can be influenced by a range of factors, many of which are not within Macquarie's control. In many parts of its business, Macquarie constantly and deliberately assumes financial risk in a calculated and controlled way.

The performance of all of Macquarie's businesses can be influenced by external market or regulatory conditions. If all or most of Macquarie's businesses were affected by adverse circumstances in the same period, overall earnings would suffer significantly. This may affect Macquarie's ability to pay interest or dividends on Macquarie Income Securities. APRA may also change the criteria which must be satisfied before a company may pay dividends, which may affect Macquarie's ability to pay interest or dividends on Macquarie Income Securities.

#### **Prevailing interest rates**

If prevailing interest rates and the Base Interest Rate were to rise in the future, interest (or where relevant dividends on the Preference Shares) would also increase. Large rises in prevailing interest rates may, however, affect the profitability of some of Macquarie's businesses and its ability to pay interest or dividends on Macquarie Income Securities.

#### **Market risk**

Market risk is the exposure to adverse changes in the value of Macquarie's trading portfolios as a result of changes in market prices or volatility. Macquarie trades in the foreign exchange, interest rates, commodities and equities markets including being an active price maker in derivatives in these markets. Changes in market prices of financial instruments, particularly rapid and unexpected changes, could cause losses.

Macquarie also depends on external parties for credit and trading limits to carry out its funding and trading operations.

These parties rely, to some extent, on the credit ratings assigned to Macquarie by ratings agencies. Any downgrading of Macquarie's credit rating could adversely affect profitability. Macquarie's policy is to manage this risk by imposing limits on the extent of its exposures in each market.

#### **Credit risk**

Like any bank, Macquarie assumes credit risk in its banking and securities business. Credit risk arises from both lending and trading activities. In the case of trading activity, credit risk reflects the possibility that the trading counterparty will not be in a position to complete the contract once the settlement becomes due. The resultant credit exposure will be a function of the movement of prices over the period of the underlying contract. Credit issues can result in, and have resulted in, significant losses and sometimes financial failure in other financial institutions. Macquarie puts great emphasis on credit management. While some credit losses have been incurred from time to time, these have not been material in relation to Macquarie's overall profitability or its capital base.

Most of Macquarie's credit exposures arise from lending and trading contracts with Australian counterparties and counterparties based in OECD countries. In addition, however, there are small exposures to counterparties in some non-OECD countries in Asia Pacific, Africa and Latin America. Where appropriate the country risk is covered by political risk insurance.

#### **Underwriting risk**

Equity and debt underwriting risk is assumed by Macquarie in the normal course of business. Macquarie's general approach is to substantially sub-underwrite these risks but underwritten positions are assumed and can expose Macquarie to losses.

**Liquidity risk**

Liquidity risk arises from Macquarie's requirement to fund its banking and trading operations on a daily basis. Any failure to meet this requirement may impact on its ability to meet financial obligations including payments on Macquarie Income Securities.

**Operational risk**

A number of risks including financial and non-financial risks arising from the manner in which Macquarie conducts its business and the various types of business it enters into may impact on its ability to meet its obligations under Macquarie Income Securities.

**Macquarie's tax risk**

In the ordinary course of its activities the Macquarie Group is exposed to risks arising from the manner in which the Australian and international tax regimes may be regarded by the relevant revenue authorities as applying to transactions entered into by the Macquarie Group. The Macquarie Group has in place controls and procedures to mitigate these risks but any changes in interpretation, application and administration of the law by the courts and the revenue authorities may impact on its ability to meet its obligations under Macquarie Income Securities.

**Legal risk**

The Macquarie Group in the ordinary course of its business enters into transactions and provides advisory services which involve legal risk and documentation risk. These risks include the risk of fraud and litigation risk including litigation over matters such as professional negligence and misleading conduct. The size and frequency of transactions entered into or in respect of which advice is provided are such that, should these risks result in losses to the Macquarie Group, the losses could have a material effect on the profits of Macquarie out of which interest or dividends are payable, in the year in which such losses are recognised. Macquarie has controls and procedures which seek to manage these risks.

**Developments in banking and investment banking industry**

Macquarie operates in the highly competitive financial services industry in Australia and overseas. Developments and competition in the industry place pressure on margins which may impact on its ability to meet its obligations under the Macquarie Income Securities.

**Economic outlook**

The performance and earnings of Macquarie are impacted by changes in global economic conditions including interest rates, foreign exchange rates and equity markets.

**Regulation and legislation**

Macquarie may be subject to changes in government regulatory policies or changes in legislation in Australia and other countries where Macquarie operates. Areas of regulation which impact on Macquarie include taxation and regulation relating to prudential supervision.

**Year 2000**

There is a risk of disruption of computer networks and systems on the change of date from 1999 to 2000. As a result Macquarie has a Year 2000 project.

The Board and senior management of Macquarie are actively involved in and remain committed to its Year 2000 project. Based on progress to date, Macquarie is highly confident that it will be well prepared for the Year 2000. All core applications presently in use have been remediated and tested. Controls are in place to ensure that ongoing changes to systems and infrastructure do not introduce Year 2000 problems. Macquarie is also actively addressing potential business risks presented by the Year 2000 date change. Potential risks to each business have been identified and responses in the form of contingency plans to these risks have been developed.

Macquarie cannot, however, guarantee that there will be no material effect on it due to Year 2000 related issues. In addition, Macquarie may also be affected by third parties such as suppliers, service providers and counterparties, who may be impacted by Year 2000 issues.

## 5. Risk Factors (cont)

32

### Other risks to consider

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#### **Purchase of Bankers Trust Australia's Investment Banking Business**

The acquisition of BTIB involves the integration into Macquarie of some large scale businesses and a significant number of professionals. Information on the acquisition is set out in section 4. In order to mitigate the additional risk factors affecting Macquarie during the transition phase, Macquarie's Risk Management Division was involved with the acquisition of BTIB from the early stages and has drawn up plans to manage risks.

The plans formulated by Macquarie's Risk Management Division emphasise the accumulation of knowledge relating to the BTIB business and application of appropriately revised limits to the combined BTIB/Macquarie business. As a result of these, Macquarie's existing risk management systems will be introduced across the combined BTIB/Macquarie business structure.

Notwithstanding the benefits that are expected to be realised as a result of the acquisition of BTIB, the integration of the two businesses is not without risk. These risks include:

*Integration of BTIB staff:* The key risk in relation to the acquisition of BTIB is Macquarie's ability to successfully integrate BTIB staff. To a large degree, this risk is mitigated by the fact that BTIB and Macquarie are active in similar markets and have a somewhat similar approach to prudential control.

*Increased reliance on trading income:* BTIB had proportionately greater reliance on trading income than Macquarie and thus the post acquisition reliance is likely to be greater. However, it should be noted that the combined BTIB/Macquarie proportion of trading income should not be excessive when compared to previous years and to Macquarie's domestic and international peers.

#### *Maintaining the momentum of BTIB's*

*businesses:* In addition to the key staff risks outlined above, there is also the risk that BTIB's businesses may be affected by failure to transfer existing client relationships or by Macquarie's different business environment, capital structure and international affiliations.

*Product Risk:* There may be financial products previously marketed by BTIB that Macquarie has not previously offered.

*Credit:* BTIB has some credit exposures which may not meet Macquarie's existing counterparty or country risk limits.

*Year 2000 risk:* Macquarie has assessed the state of BTIB's Year 2000 program as part of the overall post-acquisition due diligence process. The post-acquisition due diligence will provide a level of assurance to Macquarie regarding the Year 2000 status of BTIB, however it cannot be guaranteed that the due diligence process will uncover all problems that may exist. Therefore, Macquarie cannot state that integration of BTIB will definitely not cause any Year 2000 related impact on Macquarie, although Macquarie has not identified any matters which would lead it to believe that BTIB is not adequately prepared for the Year 2000.

#### **Investor taxation risk**

The commentary regarding the taxation treatment for investors which is contained in section 6 is based on Australian income tax law, including regulations, public rulings and determinations, as applicable at the date of this Prospectus and may be subject to change. Investors should note the paragraph below on reform of the Australian income taxation system.

Investors should be aware that any future changes in Australian income tax law, including changes in the interpretation and application of the law by the courts and revenue authorities may affect the taxation treatment of the acquisition, holding and disposal of Macquarie Income Securities. This subject is further dealt with in section 6.

The tax consequences of Macquarie Income Securities may vary according to the circumstances of an individual investor. Potential investors should seek their own taxation advice having regard to their own circumstances.

#### **Reform of the Australian income taxation system**

In August 1998 the Federal Government established the Review of Business Taxation Committee for the purpose of considering reforms to several areas of Australian revenue law. On 21 September 1999 the report of the Committee (the "Ralph Report") was released publicly, together with an announcement of the first stage of reforms to be implemented by the Federal Government. In the announcement the Treasurer indicated that a second stage of reforms arising from the Ralph Report was under consideration. The precise form of these further reforms and the timing of their implementation is yet to be made public.

One reform to be implemented with effect from 1 July 2001 is a system of "entity taxation". Under such a system, a member of an entity may extend beyond a shareholder to a person with a right to receive an income stream contingent upon the performance of the entity or the discretion of the entity. Distributions paid on such membership interests would be assessable to the member but might have imputation credits attached. However, it was recommended that there be an exclusion for instruments which are considered to be "debt".

It is probable that the Holder's Interest would be treated as "debt"; if not, and the Holder's Interest is treated as a membership interest, distributions of "interest" on the Holder's Interest would remain assessable to the investor. However, an investor may also receive imputation credits.

A further potential reform is that a "slice approach" rule be applied to distributions from entities to their members as consideration for the member giving up all or part of their membership interest such that the distribution is treated as coming first from the contributed capital relating to the interest that the member gives up. If this reform were to be applied upon a redemption, off market buy-back or "capital reduction" of the Preference Share, to the extent that the amount returned to the investor relates to capital contributed by the investor, it would be treated as a non-assessable amount. To the extent that the amount returned exceeds the capital contributed by the investor, it would be treated as an assessable distribution to the investor.

No mention was made in the Ralph Report or the Federal Government's announcements of whether any grandfathering of instruments or interests existing at the time of implementation of the reforms would be allowed.

#### **Other risks**

In addition, the nature of the risks faced by Macquarie may also change over time.

## 6. Taxation

### Mallesons Stephen Jaques S O L I C I T O R S

14 October 1999

The Directors  
Macquarie Bank Limited  
and Macquarie Finance Limited  
No.1 Martin Place  
Sydney NSW 2000

The Directors  
Trust Company of  
Australia Limited  
80-84 New South Head Road  
Edgecliff NSW 2027

34

#### **Macquarie Income Securities**

You have sought our views on the potential Australian taxation consequences of an investor acquiring, holding and disposing of Macquarie Income Securities.

#### **1. BACKGROUND AND DESCRIPTION OF MACQUARIE INCOME SECURITIES**

The terms and conditions of the Macquarie Income Securities are contained in the Preference Share Terms (section 8) and the Macquarie Income Securities Trust Deed (section 7). A summary of the Macquarie Income Securities is also contained in Section 3 of the Prospectus.

Unless indicated to the contrary, terms used in this letter are as defined in the glossary to the Prospectus.

By way of background, we understand that:

- (a) an investor in Macquarie Income Securities will acquire a stapled security (the Macquarie Income Security) comprising one Preference Share issued fully paid by Macquarie and one Holder's Interest. A Holder's Interest will represent the entire beneficial interest in a Note issued by Macquarie Finance Limited to the Trustee. Investors will not be permitted to deal in the Preference Shares and the Holder's Interest separately;
- (b) the investor will acquire the Macquarie Income Securities in the first instance from Deutsche Securities Australia Limited ("**DSAL**");
- (c) prior to a Payment Direction Event, subject to certain conditions the investor will be entitled to receive quarterly Interest Payments on the Holder's Interest at a floating rate, calculated by reference to the Principal Amount on the Note to which the Holder's Interest relates until such time as a Payment Direction Event occurs;
- (d) after a Payment Direction Event, again subject to certain conditions the investor will be entitled to receive a semi-annual dividend from Macquarie on the Preference Share at a floating rate (and will cease to receive interest in respect of the Holder's Interest);
- (e) in certain circumstances, and only with the prior approval of APRA, Macquarie may determine to redeem the Macquarie Income Securities;
- (f) each Macquarie Income Security will have an Application Price of \$100 and will be listed on the ASX; and
- (g) the investors in Macquarie Income Securities may be residents or non-residents of Australia for Australian taxation law purposes, although the Offer is only being made in Australia.

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PORT MORESBY  
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In our discussion below, we refer to provisions of the **Income Tax Assessment Act 1936 ("1936 Tax Act")** and the **Income Tax Assessment Act 1997 ("1997 Tax Act")**.

35

*This discussion relates only to investors who hold Macquarie Income Securities as a capital asset; that is, they do not hold the Macquarie Income Securities in the course of a business of trading or dealing in such securities. Investors who hold the Macquarie Income Securities in the course of the business of trading or dealing in securities should seek independent advice on the taxation implications arising from their particular circumstances.*

## **2. TAXATION OF INVESTORS IN MACQUARIE INCOME SECURITIES**

### **Interest Payments**

Prior to a Payment Direction Event occurring, the investor will be entitled to receive interest payments subject to certain conditions.

An Australian resident investor must include in their assessable income the amount of those quarterly interest payments. If that investor is required to adopt an accruals basis of accounting for taxation purposes then the investor must include the amount of those Interest Payments in the income year in which the relevant Interest Payment Date occurs. If the investor is not required to adopt an accruals basis of accounting then the amount of those Interest Payments will be included in assessable income in the year in which they are received. In both cases, if an Interest Payment is not made and is deemed never to have been due and payable no amount need be included in assessable income.

A non-resident investor will be subject to Australian interest withholding tax on the gross amount of the interest payments received by them.

### **Dividends**

After a Payment Direction Event occurs, the investor will be entitled to the payment of dividends by Macquarie subject to certain conditions. Where the investor is a resident of Australia for Australian taxation law purposes, the investor will be required to include in their assessable income the amount of any dividends they receive.

Such dividends may be franked, unfranked or only partially franked. If the investor is an Australian resident individual, they may be eligible for a rebate of tax based on the imputation credits attached to that dividend. In a Press Release dated 21 September 1999, the Federal Government announced that it intends to provide refunds of excess imputation credits to shareholders who are Australian resident individuals with effect from the 2000/2001 income year.

If the investor is an Australian resident company, under the current provisions of the 1936 Tax Act the intercorporate dividend rebate may be available, subject to certain exceptions (one such exception being to the extent that the dividend is unfranked where the investor is a private company). In the Press Release dated 21 September 1999, the Federal Government announced that it intends to remove the intercorporate dividend rebate on unfranked dividends with effect from 1 July 2000.

## 6. Taxation (cont)



36

Where the investor is a non-resident the dividend will be subject to Australian dividend withholding tax, except to the extent to which the dividend has been franked. The rate of Australian dividend withholding tax is currently 30% of the gross amount of the unfranked portion of the dividend, but this may be subject to limitation (generally to a rate of 15%) where the investor is a resident of a country with which Australia has entered into a Double Tax Agreement. To the extent that the dividend has been franked or is subject to dividend withholding tax, it will not be included in the assessable income of the non-resident investor.

### **Disposal of Macquarie Income Securities**

The Holder's Interest is likely to constitute a "traditional security" under the 1936 Tax Act. The disposal of the Holder's Interest consequent upon the disposal of the Macquarie Income Security should therefore constitute the disposal of a traditional security for the purposes of the traditional securities provisions of 1936 Tax Act.

Further, the Holder's Interest and the Preference Share comprising a Macquarie Income Security will be a "CGT asset" under the CGT provisions of the 1997 Tax Act and a disposal of the Macquarie Income Security will result in a "CGT event" happening in relation to each of these assets.

As a result of this duality, the taxation consequences of the disposal of the Macquarie Income Security will depend upon whether the disposal takes place before or after a Payment Direction Event.

### *Australian Resident Investor*

Prior to a Payment Direction Event happening and the Preference Share thus commencing to pay dividends, we understand (based on a valuation by PricewaterhouseCoopers Securities Limited addressed to the directors of Macquarie and Macquarie Finance Limited dated 12 October 1999) the market value of that share is expected to be merely nominal whereas the Holder's Interest is expected to have a value equal to the market value of the Macquarie Income Security.

Accordingly, investors acquiring a Macquarie Income Security before a Payment Direction Event would be expected to have, for taxation purposes, a cost for the Holder's Interest equal to the purchase price (plus brokerage etc) and a nominal cost for the Preference Share. Where the investor subsequently sells the Macquarie Income Security before a Payment Direction Event, the sale proceeds are expected to be attributed in a similar manner to the Holder's Interest and Preference Share. Consequently, the excess of the sale proceeds over the cost of the Holder's Interest will constitute assessable income under the traditional securities provisions of the 1936 Tax Act. Where the proceeds of sale are less than that cost, the investor should incur a deductible loss.

For capital gains purposes, the cost base attributable to the Holder's Interest should also be equal to the purchase price of the Macquarie Income Security and a nominal cost base would be attributable to the Preference Share. The amount of any capital proceeds received from the sale of the Macquarie Income Security at this time should be referable to the Holder's Interest. Accordingly, the excess of any capital proceeds over the cost base would result in a capital gain on the disposal of the Holder's Interest. However this capital gain would be eliminated by the equivalent amount of assessable income arising under the traditional securities provisions as described above. No capital gain or loss should arise on the disposal of the Preference Share as no capital proceeds should be received in respect of that asset and it should have a nominal cost base.

Where a Macquarie Income Security is acquired before a Payment Direction Event but its disposal occurs thereafter we understand that the sale proceeds should then be referable to the Preference Share and not to the Holder's Interest; that is, no consideration should be received in respect of the Holder's Interest. In such a case the following taxation consequences arise. First, a capital gain will arise equal to the difference between the capital proceeds received from disposal of the Macquarie Income Security and the cost base of the Preference Share (which is nominal). Second, a deductible loss should arise under the traditional securities provisions of the 1936 Tax Act equal to the difference between the cost of the Holder's Interest (the purchase price of the Macquarie Income Security) and the consideration received for its disposal (nil).

For acquisitions and disposals of Macquarie Income Securities which occur after a Payment Direction Event, then the purchase price and the sale proceeds will be attributable entirely to the Preference Shares and not to the Holder's Interest. Any resulting capital gain or capital loss will be taxed accordingly.

#### *Non-Australian Resident Investor*

Prima facie where the investor sells the Macquarie Income Security before a Payment Direction Event, the amount of any excess of the sale proceeds over the cost attributable to the Holder's Interest is likely to constitute an assessable gain under the traditional securities provisions of the 1936 Tax Act unless it can be established as a matter of fact that the source of such a gain was outside Australia. However, where the investor is a resident of a country with which Australia has entered into a Double Tax Agreement, this treatment under the 1936 Tax Act is subject to the operation of applicable articles of the Double Tax Agreement. Many Double Tax Agreements contain a "business profits" article to the effect that the business profits of an enterprise of a foreign country will be taxable only in that foreign country unless the enterprise carries on business in Australia through a "permanent establishment" in Australia. It is a question of fact in the circumstances of each investor as to whether the investor's activities constitute an enterprise and if so, whether the investor carries on business through a permanent establishment in Australia.

A CGT event happening to a non-resident taxpayer in relation to a CGT asset will not result in a capital gain or loss unless the CGT asset has the "necessary connection with Australia". Unless the investor (together with their associates) beneficially owns or has an option or right to acquire more than 10% (by value) of the shares of Macquarie (except for certain shares to which limited rights are attached) and/or more than 10% of the issued units of the Trust, the CGT asset comprised by the Preference Share will not have the necessary connection with Australia in the hands of the investor. The CGT asset comprised by the Holder's Interest will not fall within any of the categories of CGT assets which may have a necessary connection with Australia.

#### **Payment Direction becoming Operative**

Upon the Payment Direction becoming operative no taxable event will arise in relation to the investor.

## 6. Taxation (cont)



38

### **Redemption, Buy-Back and Reduction of Capital**

In certain circumstances, and with the approval of APRA, Macquarie may elect to redeem the Macquarie Income Securities. In such circumstances, the redemption of the Preference Shares may be effected as a redemption, buy-back, or reduction of capital on and then redemption of, the Preference Shares. Macquarie may not elect to redeem or buy-back a Preference Share, rather than reduce capital and redeem, unless they have received advice to the effect that the redemption or buy-back will not result in a hypothetical investor who bears certain characteristics (namely, the investor was an Australian resident and did not hold the Preference Share in the course of a business carried on through a permanent establishment outside Australia) being assessed to a greater amount of Australian tax on amounts received upon the redemption or buy-back than if they had reduced capital on, and then redeemed, the Preference Shares.

Macquarie may reduce the share capital on a fully paid Preference Share by returning \$99.99 capital on each Preference Share and then redeeming the Preference Share for \$0.01 plus an amount equal to certain accrued dividend entitlements. Where the \$99.99 returned to the investor exceeds the cost base that excess will be a capital gain to an Australian resident investor. It may also result in a capital gain to a non-resident investor where the Preference Share has the necessary connection with Australia in their hands.

The further amount paid to the investor on redemption of the Preference Share will constitute a dividend which will be included in the assessable income of an Australian resident investor, or which will be subject to Australian dividend withholding tax where the investor is a non-resident.

A Preference Share may be redeemed by Macquarie in certain circumstances, for the payment of a specified redemption price (that is, \$100 plus dividend entitlements) by Macquarie to the investor. This redemption price is likely to constitute a dividend to the investor.

Where Macquarie buys-back a Preference Share from an investor for the specified buy-back price the buy-back price of \$100 plus dividend entitlements will constitute a dividend to the extent to which the buy-back price exceeds the amount credited to the share capital account of Macquarie in respect of that share (that is, \$100).

### *TFN Withholding Tax*

We understand that investors in Macquarie Income Securities will be provided with the opportunity to disclose their Tax File Number (TFN). Although disclosure of their TFN is not compulsory at law, investors should be aware that, unless exempt from the TFN provisions, failure to disclose their TFN may result in an amount of tax being deducted from their dividend payments at the top marginal rate (plus Medicare levy).

### 3. STAMP DUTY

39

There is no stamp duty payable on the issue of Macquarie Income Securities to the Underwriter. If stamp duty is payable on the transfer of Macquarie Income Securities to investors who apply for and are allotted Macquarie Income Securities under the Prospectus, we are advised that Macquarie will meet the costs of that stamp duty. Accordingly, investors will not have to pay stamp duty in respect of Macquarie Income Securities allotted to them pursuant to this Prospectus if they apply for those Macquarie Income Securities on the Application Form.

#### *Transfer Prior to Payment Direction Event*

On the basis that no part of the consideration paid for a Macquarie Income Security is attributable to the Preference Share, the transfer of a Macquarie Income Security prior to a Payment Direction Event occurring should not attract a liability for stamp duty in any Australian jurisdiction other than the Northern Territory.

On the basis that no part of the consideration paid for a Macquarie Income Security is attributable to the Preference Share, the Holder's Interest component of a Macquarie Income Security will constitute a debt security, being the beneficial interest in an unsecured note. In Victoria, New South Wales and the Australian Capital Territory there is no head of duty that imposes a liability in respect of transfers of debt securities. In Queensland, Tasmania, South Australia and Western Australia there are provisions granting exemption from duty in respect of the transfer of corporate debt securities.

The on-market transfer of a Macquarie Income Security would incur ad valorem duty in the Northern Territory if an order to sell or any order to buy is lodged with a broker in the Northern Territory. The duty on a sell order and a buy order is 15 cents per \$100 or part of \$100 of the consideration respectively. An off-market transfer of a Macquarie Income Security will incur duty of 30 cents per \$100 or part of \$100 if there is a nexus with the Northern Territory.

With respect to the Preference Share component of a Macquarie Income Security, it is necessary to consider whether the transfer is off-market or on-market. If the transfer is off-market, the relevant jurisdiction to consider is the Australian Capital Territory (being the jurisdiction of incorporation of Macquarie, the entity issuing the Preference Shares). Assuming the Preference Share has a nil value prior to a Payment Direction Event, no stamp duty should be payable. If the transfer is on-market, the liability for stamp duty will be determined by reference to the jurisdiction in which the order to sell is lodged and the order to buy is lodged with a broker. Duty is charged separately in respect of an order to sell and an order to buy in the jurisdiction in which the orders are placed. Again, assuming a nil value is attributable to the Preference Share at this time, no stamp duty should be payable.

If the Preference Share has any value at the time of transfer, stamp duty will be payable.

However, there is a risk that a stamp duty authority of a particular jurisdiction or jurisdictions may take the view that some value is attributable to the Preference Share prior to a Payment Direction Event taking effect. In such circumstances, stamp duty will be payable in respect of the transfer of the Preference Share when the Macquarie Income Security is transferred. Duty will be calculated on the portion of the consideration for the transfer that is taken to be referable to the Preference Share.

## 6. Taxation (cont)

**Mallesons Stephen Jaques**  
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40

### *Transfer After Payment Direction Event*

Where a transfer of a Macquarie Income Security occurs after a payment Direction Event, no liability for stamp duty should be incurred in respect of the Holder's Interest. In Victoria, New South Wales, the Australian Capital Territory, Queensland, Tasmania, South Australia and Western Australia, the discussion above applies. After a Payment Direction Event we understand the value to be attributed to the Holder's Interest component should be nil. Accordingly, nil stamp duty should be payable in the Northern Territory in these circumstances on the Holder's Interest component.

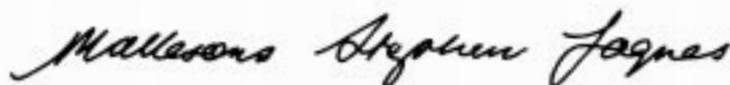
However, after a Payment Direction Event, value will be attributable to the Preference Share component. Where the transfer is off-market the relevant jurisdiction is the Australian Capital Territory. The duty on the transfer of a marketable security is 30 cents per \$100 or part of \$100 of the consideration. If the transfer is on-market, the liability for stamp duty will be determined by reference to the jurisdiction in which the order to sell is lodged and the order to buy is lodged with a broker. Duty is charged separately in respect of an order to sell and an order to buy in the jurisdiction in which the orders are placed. In Victoria, duty is payable at the rate of 7 cents per \$25 or part of \$25 and in the remaining jurisdictions, duty is charged at the rate of 15 cents per \$100 or part of \$100.

#### **4. GST**

A Goods and Services Tax ("GST") will be imposed on taxable supplies made on or after 1 July 2000. However, a supply, such as a "financial supply", will not be a taxable supply to the extent to which it is "input taxed". The effect of a supply being input taxed is that no GST is payable on that supply. However, the supplier is unable to obtain any input tax credit in respect of any GST imposed upon a person that has made a supply to it in respect of the financial supplies then made.

The transfer of an equity security (such as a share) and the transfer of an interest in a debt are both treated as a "financial supply" under the GST legislation and are therefore input taxed events. Accordingly, the transfer of Macquarie Income Security will be a financial supply which is input taxed and in respect of which no GST is payable by the transferring investor.

Yours faithfully



## 7. Trust deed summary and conditions

The Trust Deed provides for the issue of one or more Series of Notes by Macquarie Finance Limited and the appointment of a Trustee to act on behalf of Holders. The conditions attached to the issue of each Note are outlined in this section.

Macquarie Finance Limited has undertaken to pay the Trustee the Moneys Owing on each Note in accordance with the Conditions of Notes. The Trustee holds the benefit of the Notes on trust for Holders. Each Holder accordingly has a beneficial interest in the Notes the "Holder's Interest") held by the Trustee on trust for that Holder.

The following describes some of the terms and conditions of the Trust Deed relevant to Noteholders. It is a summary only and not a substitute for reviewing the Trust Deed. Copies of the Trust Deed are available from Macquarie Finance Limited, as described in paragraph 10.5 of the Trust Deed summary.

### 1 Definition and Interpretation

Terms defined in the Glossary have the same meaning when used in this summary unless the context otherwise requires. In addition, in this section the following terms shall have the following meanings:

**Communication** means a notice, approval, consent or other communication in connection with the Trust Deed or the Notes.

**Conditions** means the terms and conditions of the Notes set out in schedule 1 to the Trust Deed (summarised in this section).

**Denomination** means A\$100.00.

**Deutsche** means Deutsche Securities Australia Limited (ACN 003 204 368) of Level 18, 225 George Street, Sydney, New South Wales.

**Distributable Profits** means at any time the profits after tax of Macquarie for the current Year in which the relevant Interest Payment Date falls (or such other amount as is determined by Macquarie and with the prior written approval of APRA to be appropriate in the circumstances) (calculated excluding interest payments in respect of the Notes) less:

- (a) the aggregate amount of any interest payments previously made during the current Year out of those profits;
- (b) the aggregate amount of any dividends paid on any preference shares or Ordinary Shares in the capital of Macquarie during the current Year out of those profits; and
- (c) the aggregate amount of any dividends accrued on any preference shares ranking senior to the Preference Shares.

**Encumbrance** has the same meaning as in the Conditions and "**Encumbered**" shall be construed accordingly.

**Extraordinary Resolution** has the same meaning as in the Meeting Provisions.

**Group** means Macquarie and its Related Bodies Corporate.

**Holder** means, with respect to a Note, a person entered in the Register as the holder of the Holder's Interest in the Note.

**Initial Holder's Interests** means the Holder's Interests which are to be offered by the Initial Holder under a Prospectus.

**Issue Date** means, in relation to the first Tranche of Notes, 30 September 1999 and, in relation to any other Notes, the date specified as such in the register with respect to those Notes.

**Issue Price** means:

- (a) in relation to a Note, \$100; and
- (b) in relation to a Preference Share, \$100.

**Liquidation** means (other than for the purposes of a solvent reconstruction or amalgamation) a winding up, dissolution, deregistration, assignment for the benefit of creditors, scheme of arrangement, other arrangement or compromise with creditors or bankruptcy, liquidation, provisional liquidation or administration.

**Meeting Provisions** means the provisions for the Holder meetings contained in schedule 2 of the Trust Deed.

**Ordinary Resolution** has the same meaning as in the Meeting Provisions.

**Principal Amount** in respect of a Note means A\$100.

**Prospectus** means the prospectus under which the Stapled Securities are offered to investors to be dated on or about 13 October 1999.

**Redemption Amount** means the amount for which a Note may be redeemed as calculated in accordance with Condition 6.8.

**Register** means the register required to be established and maintained by clause 17.1 of the Trust Deed (summarised in paragraph 17.1 of this summary) and includes any sub-register established and maintained under the Clearing House Electronic Sub-Register System (as defined in the Listing Rules).

## 7. Trust deed summary and conditions (cont)

42

**Registrar** means the person who from time to time is appointed by Macquarie Finance Limited to act as registrar to maintain the Register on terms agreed, subject to the Trust Deed, between Macquarie Finance Limited and that person. As at the date of the Prospectus the Registrar is Computershare Registry Services Pty Ltd.

**Related Body Corporate** means another body corporate which is related to the first within the meaning of section 50 of the Corporations Law or is in any economic entity (as defined in any approved accounting standard) which contains the first.

**Retained Amount** in relation to a Note means an amount paid by a paying agent to Macquarie Finance Limited in accordance with clause 4.4 of the Trust Deed (summarised in paragraph 4.4 of this summary).

**SCH Business Rules** means the business rules made by ASX Settlement and Transfer Corporation Pty Limited, being approved as the securities clearing house under the Corporations Law.

**Stapled Security** means one or more Holder's Interests and one or more Preference Shares stapled together on the basis of a Stapling Ratio of one:one in accordance with clause 22 of the Trust Deed (summarised in paragraph 21 of this summary).

**Stapling Ratio** means the ratio of Holder's Interests in Notes to Preference Shares in those Stapled Securities.

**Subscription Agreement** means the agreement so called dated on or about the date of the Trust Deed between Macquarie Finance Limited and the Initial Holder.

**Taxes** means taxes, levies, imposts, deductions, charges, withholdings and duties imposed by any authority of or in Australia or any other jurisdiction from or through which payment is made, or any political sub-division of any of them (including, without limitation, stamp and transaction duties and any goods and services, tax, value added tax or similar broad based consumption tax), (together with any related interest, penalties, fines and expenses in connection with them) except if imposed on the overall net income of the person to whom such Taxes apply.

**Transfer** means the release and surrender by a Holder of a Holder's Interest and the grant of a new Holder's Interest to another person as described in Condition 3.3 and "**Transferred**" will be construed accordingly.

**Trustee Company** means a body corporate which would be entitled to act as a trustee for the holders of debentures under section 1052 of the Corporations Law.

**Year** means a financial year of Macquarie Finance Limited.

Unless otherwise stated a reference to a clause is a reference to a clause in the Trust Deed.

### 2 Trustee

Trust Company of Australia Limited is the Trustee.

### 3 Issue of Notes

- 3.1 Notes and Holder's Interests are issued on and subject to the Trust Deed and the Conditions and Holders are deemed to have notice and be bound by those Conditions and the Trust Deed.
- 3.2 Notes will be issued by Macquarie Finance Limited by registering or causing the Registrar to make an inscription in the Register for that Note and to register the Trustee as the holder of the Note and the Holder as holder of the Holder's Interest. Legal title to a Note will vest in the Trustee immediately upon the Trustee being registered as the holder of that Note and title to the Holder's Interest vests in the Holder immediately upon the holder being registered as the Holder of the Holder's Interest.
- 3.3 A Note is issued when the Trustee is inscribed in the Register as the holder of the Note and the name of the Initial Holder is inscribed in the Register as the initial holder of the Holder's Interest. When a Note or a Holder's Interest is issued or transferred, Macquarie Finance Limited will include, or cause the Registrar to include, in the Register, the particulars required by clause 17.1 of the Trust Deed (summarised in clause 17.1 of this Trust Deed summary).
- 3.4 Macquarie Finance Limited may pay to any person commission, brokerage, procuration or other fees in relation to the subscription or purchase of Holder's Interests or Notes.
- 3.5 For the purposes of section 1045 of the Corporations Law all Notes are unsecured notes and the Holder's Interest is a unit (within the meaning of the Corporations Law) in that unsecured note. Notwithstanding any other provision of the Trust Deed, the Holder of the Holder's Interest is not a creditor of Macquarie Finance Limited and has no right to sue for, or otherwise claim payment from Macquarie Finance Limited of, Moneys Owing in respect of the Note.

3.6 The maximum principal amount of debt which may be incurred under the Trust Deed or the Notes is AS\$100 billion.

#### 4 Payments

- 4.1 Macquarie Finance Limited undertakes to pay to the Trustee or at its direction the Moneys Owing in connection with a Note when due in accordance with the Conditions.
- 4.2 Unless and until a Payment Direction is given and a Payment Direction Event occurs each payment in respect of a Note will be made to the person recorded in the Register as the Holder of the relevant Holder's Interest as at the End of Day (as defined in the SCH Business Rules) on the Record Date.
- 4.3 When a Holder's Interest is held jointly, payment will be made to the Holders in their joint names unless requested otherwise.
- 4.4 Payments to a Holder in respect of each Note will be made by crediting, on the due date for payment, the amount then due to an account or address in Australia and will be made by cheque or by transfer to an account specified by the Holder in accordance with the payment instructions of the Notes inscribed on the Register.

If the Holder of the Holder's Interest has not notified Macquarie Finance Limited and the Registrar of this account by close of business on the relevant Record Date or upon application by the Holder to Macquarie Finance Limited and the Registrar no later than close of business on the relevant Record Date, payments in respect of the Note will be made by cheque, mailed on or before the due date for payment to (and at the risk of) the Holder (or to the first named of joint registered owners) at the address appearing in the Register on the relevant Record Date.

Cheques so dispatched will be deemed to have been received by the Holder on the due date for payment and no further amount will be payable by Macquarie Finance Limited in respect of the relevant Note as a result of payment not being received by the Holder on the due date.

All payments in respect of the Notes are subject to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to Holders in respect of such payments.

- 4.5 Any payment made by or on behalf of Macquarie Finance Limited in accordance with clause 4.4 constitutes an absolute and unconditional release and discharge of Macquarie Finance Limited, to the extent of such payment, of all obligations and indebtedness to the Trustee in respect of the Note in relation to which the payment was made.
- 4.6 If a payment is due under a Note on a day which is not a Business Day in the place where such payment is to be made or if payment is to be made to an account on a day on which banks are not open for general banking business in the city in which the account is located, the Holder is entitled to payment of such amount for that Note in such place or on a later day on which banks in such city are open for general banking business (as the case may be) and is not entitled to any interest or other payment in respect of any such delay.
- 4.7 All payments in respect of the Notes will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the government of Australia or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. Macquarie Finance Limited shall pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under applicable law.
- 4.8 At any time Macquarie Finance Limited may (on such terms as it thinks fit) appoint a person to act as paying agent to distribute Moneys Owing to Holders and may terminate any such appointment.

## 7. Trust deed summary and conditions (cont)

44

- 4.9 If for any reason any amount to be distributed to a Holder is unable to be distributed within 6 months of the date Macquarie Finance Limited first sought to make the distribution to the Holder, at the expiration of that 6 months that amount will be retained by Macquarie Finance Limited. Macquarie Finance Limited will make payment to the Holder entitled to such amount on demand by that Holder at any time before expiration of 5 years following the date that Retained Amount was first sought to be distributed to the Holder. Any interest which accrues on a Retained Amount will accrue to the benefit of Macquarie Finance Limited.
- 4.10 To the maximum extent permitted by applicable law, neither the Trustee nor a Holder may set-off a liability it owes to Macquarie Finance Limited or Macquarie against the obligation of Macquarie Finance Limited to the Trustee under the Notes or of Macquarie to the Trustee under the Performance Guarantee.
- 4.11 By notice in writing to the Trustee and Macquarie Finance Limited, the Initial Holder may (so long as it is the holder of all the Holder's Interests) irrevocably authorise and direct the Trustee to direct that:
- (a) Macquarie Finance Limited pays all Moneys Owing which became due after a Payment Direction Event occurs (including, without limitation, any Redemption Amount provable in the winding up of Macquarie Finance Limited and the proceeds of any dividend payable in the winding up with respect to Moneys Owing which become due after the Payment Direction Event occurs); and
  - (b) Macquarie pays any moneys payable under the Performance Guarantee which become due after the Payment Direction Event occurs, to or as directed by Macquarie. The notice is irrevocable.
- 4.12 If the Initial Holder gives a payment direction notice:
- (a) the notice is deemed to be incorporated in the Trust Deed and is binding upon each subsequent Holder of Holder's Interests, which Holder acquires its Holder's Interest subject to the terms of that direction;
  - (b) the Trustee will be taken, without the need for any further act on its part, to have irrevocably directed:
- (i) Macquarie Finance Limited to pay Moneys Owing which become due on the Notes specified in the notice after a Payment Direction Event occurs (including, without limitation, any Redemption Amount provable in the winding-up of Macquarie Finance Limited and the proceeds of any dividend payable in the winding up with respect to Moneys Owing which become due after the Payment Direction Event occurs); and
  - (ii) Macquarie to pay any moneys payable under the Performance Guarantee in relation to Notes specified in the notice which become due after the Payment Direction Event, to or as directed by Macquarie; and
- (c) Macquarie Finance Limited agrees to make all such payments in accordance with that direction.
- 4.13 After the Payment Direction Event occurs the Trustee is irrevocably authorised and directed to act solely in accordance with the directions of Macquarie:
- (a) in relation to the exercise or non-exercise of any rights, remedies or powers of the Trustee under or in connection with the Notes, any Moneys Owing which become due after that date or the Performance Guarantee; and
  - (b) in relation to any amounts received in connection with the Notes issued as a Series specified in the notice, the Moneys Owing or the Performance Guarantee in respect of those Notes (including, without limitation, any Redemption Amount provable in the winding up of Macquarie Finance Limited and the proceeds of any dividend payable in the winding up with respect to Moneys Owing which become due after the Payment Direction Event) including a direction that those amounts be paid to Macquarie or as it directs.
- Nothing in this clause constitutes Macquarie as a Holder.
- 4.14 The Trustee agrees to notify the Holders if it becomes aware that a Payment Direction Event has occurred.

4.15 The Trustee is entitled to rely on a notice in the form of schedule 4 of the Trust Deed purporting to be given by or on behalf of the Initial Holder by a duly authorised officer as conclusive evidence that the Payment Direction has been given and a notice in writing purporting to be given by or on behalf of Macquarie by a duly authorised officer or attorney as conclusive evidence that a Payment Direction Event has occurred.

## 5 Reporting Obligations

- 5.1 The Trustee, Macquarie Finance Limited and Macquarie agree to comply with the reporting requirements set out in section 1058 of the Corporations Law. In this respect:
- (a) the Trustee must, as soon as possible after an issue of Notes, the Holder's Interests in which are offered under a prospectus which is required to be registered by or lodged with the Australian Securities and Investments Commission specify a day for the purpose of section 1058(1) of the Corporations Law. The day specified by the Trustee is 15 January 2000; and
  - (b) Macquarie Finance Limited must within one month of:
    - (i) the end of a period not exceeding three months ending on 15 January 2000; and
    - (ii) the end of each following period of three months' duration (or such shorter duration as the Trustee may allow),
 lodge with the Trustee (and lodge a copy with the Australian Securities and Investments Commission) a report that relates to that period and which must be signed by not fewer than two directors of Macquarie Finance Limited on behalf of all of them and set out in detail any matter relating to that period adversely affecting the interests of Holders and otherwise include the matters referred to in section 1058(2) and 1058(3) of the Corporations Law; and
  - (c) Macquarie must, in compliance with section 1058(5) of the Corporations Law, lodge with the Trustee (and lodge a copy with the Australian Securities and Investments Commission):
    - (i) within 90 days of the end of the Year, a profit and loss statement for that Year and a balance sheet as at the end of the Year; and
    - (ii) within 75 days of the end of the first six months of a Year, a profit and loss statement for that six months and a balance sheet as at the end of that six months.

5.2 Macquarie Finance Limited agrees to provide the Trustee with such information as the Trustee reasonably requests about Macquarie Finance Limited or Macquarie to enable the Trustee to carry out its duties under the Trust Deed and the Corporations Law.

## 6 Undertakings

- 6.1 Macquarie Finance Limited undertakes that it shall comply with section 1054 of the Corporations Law (as modified as described in section 9.4 below).
- 6.2 The Trustee declares and acknowledges that the benefit of the undertakings of Macquarie Finance Limited in the Trust Deed are held on trust by the Trustee for the benefit of Holders (subject to clauses 4.15 to 4.17 (inclusive) of the Trust Deed (as summarised in clauses 4.11 to 4.14 of this Trust Deed summary)).

## 7 Default

- 7.1 Upon the occurrence of a breach or other default under the Trust Deed by Macquarie Finance Limited or Macquarie, the Trustee on behalf of Holders will take action to enforce the Trust Deed, the Notes or the Performance Guarantee subject to the Conditions and clause 8 of the Trust Deed (summarised in paragraph 8 below). Only the Trustee may enforce against Macquarie Finance Limited or Macquarie the provisions of the Trust Deed and the Notes.
- 7.2 The Trustee will hold the benefit of any judgment against Macquarie Finance Limited or Macquarie in respect of the Trust Deed, the Notes or the Performance Guarantee on trust for the Holders in proportion to each Holder's Interest but subject to any Payment Direction.
- 7.3 While the trust established by the Trust Deed remains in force, no Holder is entitled to take action or institute any proceedings against Macquarie Finance Limited or Macquarie for the enforcement against Macquarie Finance Limited or Macquarie of any provision of the Trust Deed or the Notes in respect of which that Holder holds the Holder's Interest. The rights of a Holder are limited to requiring the Trustee to enforce the provisions of the Trust Deed and the Notes.

## 8 Trustee not obliged to act

The Trustee need not take any proceedings referred to above unless it is indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable by reason of such action and all costs, charges, damages and expenses which it may incur by taking such action.

## 7. Trust deed summary and conditions (cont)

46

### 9 Remuneration of Trustee

- 9.1 Macquarie agrees to remunerate the Trustee by way of an annual fee for the provision of its services as trustee in an amount agreed from time to time.
- 9.2 Macquarie agrees to pay on demand all costs, charges, liabilities and expenses (other than costs, charges, liabilities and expenses which are of an overhead or administrative nature) which are reasonable in amount and properly incurred by the Trustee in performing or exercising its powers and duties under the Trust Deed unless they arise from the Trustee's own fraud, negligence or breach of trust or that of its attorney, employee or agent.
- 9.3 All amounts payable as outlined above will continue to be payable until the trusts established under the Trust Deed are finally wound up and whether or not the trusts under the Trust Deed are in course of administration by or under the order of any court.

### 10 Trustee's Powers and Duties

- 10.1 The Trustee has all the powers of a natural person. The Trustee's powers must be exercised subject to the provisions of the Trust Deed and the Conditions.
- 10.2 The Trustee may, as between itself and the Holders, determine all questions and matters of doubt arising in relation to any of the provisions of the Trust Deed and every such determination, whether or not made upon a question actually raised or implied in the acts or proceedings of the Trustee, is conclusive unless a court of competent jurisdiction otherwise orders.
- 10.3 The Trustee may whenever it thinks fit and so long as it is not detrimental to the interests of the Holders:
- (a) waive (conditionally or unconditionally) any breach by Macquarie Finance Limited of any of its obligations under the Trust Deed or the Conditions; and
  - (b) apply to any Court for directions under section 1057 of the Corporations Law or in relation to any question of law or fact and assent to and approve of or oppose any application to any court made by or at the instance of any Holder.
- 10.4 The Trustee's duties and obligations to Holders are owed to Holders only in their capacity as Holders.

- 10.5 The Trustee agrees to keep in safe custody an original counterpart of the Trust Deed. Macquarie Finance Limited agrees to make available for inspection at its principal office during normal business hours on a Business Day, a copy of the Trust Deed. Within 21 days of a request by a Holder, Macquarie Finance Limited must provide to that Holder a copy of the Trust Deed and any other document referred to in the Conditions applicable to its Notes.
- 10.6 The Trustee agrees to promptly notify Holders (in accordance with the Conditions) of any change in its principal office.

### 11 Discretion of Trustee

The Trustee has an absolute and uncontrolled discretion as to the exercise of all powers, authorities and discretions vested in it by the Trust Deed or the Conditions and, in the absence of fraud, negligence or breach of trust (or the fraud, negligence or breach of trust of any attorney, employee, agent or person appointed by it under the Trust Deed), the Trustee will not be in any way responsible for any loss, damage, cost or expense that may result from the exercise or non-exercise of that discretion.

### 12 Indemnity of Trustee

Subject to section 1062 of the Corporations Law, the Trustee is entitled to be indemnified by Macquarie Finance Limited in respect of all costs, charges, liabilities and expenses payable by Macquarie. Where the Trustee is entitled to be indemnified by Macquarie Finance Limited, the Trustee may require Macquarie Finance Limited to advance to it before liability for that amount is incurred a sum sufficient to cover that amount. A certificate signed by an authorised officer of the Trustee stating the amount of any advance requested in this regard and giving reasonable details of it will, in the absence of manifest error, be conclusive and binding on Macquarie Finance Limited.

### 13 Liability of the Trustee

- 13.1 The Trustee will not be under any liability whatsoever except to the extent of its fraud, negligence or breach of trust or the fraud, negligence or breach of trust of its attorney, employee or agent.
- 13.2 Except to the extent it agrees otherwise, the Trustee will not incur any responsibility in respect of moneys subscribed by applicants for Holder's Interests or be bound to see to the application of those moneys.

#### **14 Retirement and Removal of Trustee; Appointment of New Trustee**

- 14.1 The Trustee may retire by giving not less than 60 days' notice to Macquarie Finance Limited of its intention so to do or such shorter period as is agreed to by Macquarie Finance Limited. That retirement will take effect only on the appointment of a new trustee.
- 14.2 The power to appoint a new trustee is vested in Macquarie Finance Limited provided that the new trustee:
- (a) is a Trustee Company; and
  - (b) it has undertaken (in a deed in favour of Macquarie Finance Limited and the Holders from time to time) to perform the duties and obligations of the trustee.
- 14.3 If, on the expiry of the period of notice referred to above or the date proposed for removal of the Trustee referred to above, a new trustee has not been appointed, then at any time thereafter and so long as an appointment has not been made by Macquarie Finance Limited, the Trustee may appoint by deed a Trustee Company willing to act as trustee of the Trust Deed either:
- (a) at the direction of Holders given by an Extraordinary Resolution passed at a joint meeting of (or in writing by) the Holders of each Series; or
  - (b) without the approval of the Holders,
- and that appointment will be effective without the approval of Macquarie Finance Limited.
- 14.4 Macquarie Finance Limited may remove the Trustee from office by notice (specifying the date of such removal) to the Trustee. The removal will take effect only on the appointment of a new trustee.
- 14.5 Notwithstanding the above, the Trustee undertakes in favour of the Holders, to:
- (a) continue to act as trustee of the Trust Deed until a Trustee Company has been appointed as trustee in its stead; and
  - (b) give notice of the appointment of the new trustee to the Holders in accordance with the Conditions.

#### **15 Further powers of Trustee**

Subject to Section 1052 of the Corporations Law, nothing in the Trust Deed will be deemed to prohibit the Trustee or any Related Body Corporate or director of the Trustee from being a Holder or from acting in any representative capacity for a Holder.

#### **16 Amendment**

- 16.1 Macquarie Finance Limited and the Trustee are entitled without any authority or assent on the part of the Holders but with the prior written consent of APRA to amend or add to the Trust Deed or the Conditions if the amendment or addition:
- (a) in the opinion of the Trustee, is of a formal, minor or technical nature;
  - (b) in the opinion of the Trustee is made to correct a manifest error;
  - (c) in the opinion of Macquarie Finance Limited is expedient or requisite to enable the Holder's Interests to be listed or remain listed for quotation on the ASX or to be offered for subscription or sale under the laws for the time being in force in any place; or
  - (d) in the opinion of the Trustee is not likely (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously therewith) to be materially prejudicial to the interests of the Holders and two directors of Macquarie have so certified to the Trustee.
- 16.2 Macquarie Finance Limited and the Trustee may not amend or add to the Trust Deed or the Conditions without the authority or assent of the Initial Holder until the offer of Holder's Interests is closed. The Initial Holder agrees not to withhold its authority or assent to any amendment or addition to the Trust Deed or the Conditions being made if the amendment or addition will not have a material adverse effect on the marketability of the Holder's Interests.
- 16.3 Without limiting clause 16.1 of the Trust Deed (summarised in paragraph 16.1 of this summary), Macquarie Finance Limited and the Trustee may make any amendment or addition to the Trust Deed or the Conditions with the authority of the affected Holders given by the passing of an Ordinary Resolution or an Extraordinary Resolution (whichever is required by the Meeting Provisions for that amendment or addition) and the prior written consent of APRA.

## 7. Trust deed summary and conditions (cont)

48

16.4 Each Holder appoints Macquarie, Macquarie Finance Limited and each of their respective directors and officers and any liquidator of Macquarie or Macquarie Finance Limited jointly and each of them severally to be the attorney ("**Attorney**") of the Holder with power to do all such acts and things as may, in the Attorney's opinion, be necessary or desirable to be done for the Holder to observe or perform the Holder's obligations as Holder, shareholder or otherwise under the Conditions, the Terms of Issue or the Trust Deed. The power of attorney is given for valuable consideration and to secure the performance by the Holder of the Holder's obligations under the Conditions, the Terms of Issue and the Trust Deed and is irrevocable.

### 17 Register of Holders

17.1 Macquarie agrees to establish and maintain (or cause to be established and maintained) on behalf of Macquarie Finance Limited in such place in Australia as Macquarie determines (failing which, Sydney) a register of Holders in a manner which accords with section 168 of the Corporations Law (as if the Holder's Interests were debentures) and to enter (or cause to be entered) on the Register:

- (a) the Trustee as the holder of each Note;
- (b) all information specified by section 171 of the Corporations Law (as if the Holder's Interests were debentures);
- (c) the number of Holder's Interests held by each Holder and the Principal Amount of the relevant Notes;
- (d) the date of issue or transfer of those Holder's Interests to the Holder; and
- (e) any other particulars which Macquarie thinks fit.

Macquarie may establish and maintain (or cause to be established and maintained) the register of Holders as part of, or included in, the register of members established or maintained as required by section 168 of the Corporations Law in relation to the Preference Shares.

17.2 Macquarie agrees, on receipt of details of any change of name or address of a Holder notified in writing and accompanied, in the case of change of name, by any evidence which Macquarie may reasonably require, to alter (or cause to be altered) accordingly the details recorded on the Register in respect of that Holder.

17.3 Macquarie agrees to ensure that the Register will be open at all reasonable times during normal business hours for inspection by any person. A Holder may inspect the Register free of charge. Within 7 days of a request by a Holder the Registrar will provide the Holder with a copy of the Register. Such a copy is not a certificate of title or an acknowledgement of debt.

17.4 On giving a notice by advertisement or otherwise as may be required by law, the Conditions or the ASX, Macquarie may from time to time close any Register for any period or periods not exceeding 30 days in aggregate in any calendar year.

17.5 No notice of any trust (whether express, implied or constructive) will be entered in any Register except as may be ordered by a court of competent jurisdiction.

17.6 At any time Macquarie Finance Limited may (on such terms as it thinks fit) appoint another person to establish and maintain the Register and may terminate such appointment.

### 18 Notices

18.1 The form of Notice provision is outlined in the Conditions of Notes referred to later in this Section. In addition, in relation to the Trustee, a Communication must be in writing and must be left at the address of the addressee or sent by prepaid ordinary post (airmail if posted to or from a place outside Australia) to the address of the addressee or sent by facsimile with the details specified below or, if the addressee notifies another address or facsimile number, then to that address or facsimile number:

Trustee: Trust Company of Australia Limited

Address: 80-84 New South Head Road,  
Edgecliff, NSW

Fax: (02) 9327 7848

18.2 A Communication takes effect from the time it is received unless a later time is specified in it.

18.3 A letter or facsimile is taken to be received:

- (a) in the case of a posted letter, on the third (seventh, if posted to or from a place outside Australia) day after posting; and
- (b) in the case of a facsimile, on production of a transmission report by the machine from which the facsimile was sent which indicated that the facsimile was sent in its entirety to the facsimile number of the recipient notified for the purpose of this clause.

## 19 Meetings of Holders

19.1 The Meeting Provisions are set out in Schedule 2 to the Trust Deed and apply to all meetings and resolutions of Holders.

19.2 By an Ordinary Resolution of Holders or, where required in accordance with clause 20.3 of the Trust Deed (as summarised in paragraph 19.3 of this summary), by an Extraordinary Resolution of Holders, those Holders may:

- (a) give directions to the Trustee as to; or
- (b) authorise, ratify or confirm anything done or not done by the Trustee in respect of,

the performance or exercise of any of the duties, rights, powers and remedies of the Trustee under or relating to the Trust Deed or the Notes or any other instrument to which the Trustee is or becomes a party in that capacity.

19.3 An Extraordinary Resolution of Holders is required:

- (a) to sanction any proposal by Macquarie Finance Limited or Macquarie for any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Holders whether such rights arise under the Holder's Interests or otherwise;
- (b) to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, other obligations or securities of Macquarie Finance Limited, Macquarie or any other body corporate formed or to be formed (other than where such exchange, substitution or conversion is provided for in the Conditions);
- (c) to assent to any modification of the provisions of the Trust Deed or the Notes by Macquarie Finance Limited, Macquarie, the Trustee or any Holder;
- (d) to waive or authorise any breach or proposed breach by Macquarie Finance Limited or Macquarie of any of its obligations under the Trust Deed or in respect of the Notes;
- (e) to authorise any person to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution;
- (f) to give any authority, direction or sanction which is required to be given by Extraordinary Resolution;

(g) to appoint any persons (whether Holders or not) as a committee or committees to represent the interests of the Holders and to confer upon such committee or committees any powers or discretions which the Holders could themselves exercise by Extraordinary Resolution;

(h) to approve the substitution of any entity for Macquarie Finance Limited (or any previous substitute) as principal debtor under the Notes;

(i) to approve any amendment of any date on which a payment of principal or interest is due on the Notes;

(j) to approve any reduction or cancellation of an amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment in respect of the Notes (other than where such reduction, cancellation or modification is provided for in the Conditions or where such modification is bound to result in an increase in the amount payable);

(k) to approve the alteration of the currency in which payments in respect of the Notes are made;

(l) to approve the alteration of the majority required to pass an Extraordinary Resolution;

(m) to approve a proposed new Trustee and to remove a Trustee; and

(n) to discharge or exonerate the Trustee from any liability in respect of any act or omission for which it may become responsible under the Trust Deed or the Notes.

19.4 Each Holder of a Series is bound by the terms of:

- (a) each Ordinary Resolution of the Holders; and
- (b) each Extraordinary Resolution of the Holders.

## 7. Trust deed summary and conditions (cont)

50

### **20 Governing Law, jurisdiction and service of process**

- 20.1 The Trust Deed is governed by the law in force in New South Wales, Australia.
- 20.2 Each party to the Trust Deed irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia and courts of appeal from them. Each party waives any right it has to object to an action being brought in those courts, to claim that the action has been brought in an inconvenient forum, or to claim those courts do not have jurisdiction.
- 20.3 Without preventing any other mode of service, any document in an action (including, without limitation, any writ of summons or other originating process or any third or other party notice) may be served on any party by being delivered to or left for that party at its address for service of notices.

### **21 Stapling**

- 21.1 Upon issue of a Note, one Holder's Interest held by the Initial Holder will become marked in the Register as stapled to one Preference Shares issued to the Initial Holder. The Holder's Interest and the Preference Share stapled to it together constitute a Stapled Security.
- 21.2 Any Transfer of a Holder's Interest from a transferor to a transferee must only be registered by the Registrar when the Preference Share stapled to that Holder's Interest is transferred at the same time from the same transferor to the same transferee.

- 21.3 A Holder's Interest cannot be transferred, assigned, mortgaged, charged or otherwise Encumbered separately from the Preference Share which forms part of the same Stapled Security.
- 21.4 If a Note is redeemed in accordance with the Conditions on the date of the redemption the Holder's Interest will cease to be stapled to the Preference Share to which it is stapled.
- 21.5 No provision summarised above may be amended without the passing of:
  - (a) an Extraordinary Resolution at a joint meeting of (or in writing by) Holders; and
  - (b) a special resolution of shareholders of Macquarie who hold Preference Shares, (in each case) approving the amendment.

### **22 Other Series**

The Trust Deed allows for the issue of further Series of Notes and Tranches of Series of Notes. It allows Macquarie and Macquarie Finance Limited to specify particulars of each Series and Tranche, including in relation to each of the Issue Date, Issue Amount, Issue Price, Denomination, Interest Period, Interest Rate, Interest Payment Dates and Stapling.

# Conditions of the Notes

The following are the terms and conditions of the Notes.  
The Notes are not subject to Division 2 of Part II of the Banking Act 1959 (Cth) - Protection of Depositors.

## 1 Interpretation

51

Terms defined in the Glossary and the Trust Deed Summary shall have the same meaning when used in these Conditions unless the context otherwise requires. In addition, in these Conditions the following terms shall have the following meanings:

**Interest Rate** for a Note means the rate (expressed in percent per annum) determined in accordance with Condition 5.3.

**Optional Interest Payment** has the meaning given to that term in Condition 5.3.

**Other Creditors** means with respect to a person, depositors and all other creditors of that person other than the Trustee for the Holders and any other creditors of the person whose claims against the person are expressed (whether by the terms of any agreement, deed or instrument entered into with the person or by reason of statutory provision) to rank *pari passu* with or after the claims of the Trustee for the Holders against that person.

**Solvent** means in respect of a person that, at any time, the person is able to pay its Other Creditors as they fall due.

Unless otherwise stated a reference to a clause is a reference to a clause in these Conditions.

## 2 Form, denomination and title

### Constitution under Trust Deed

2.1 The Notes are debt obligations of Macquarie Finance Limited constituted by the Trust Deed and take the form of entries in the Register. Each Holder is taken to have irrevocably appointed and authorised the Trustee to hold the Trust Deed on behalf of that Holder.

### Nature of obligations

2.2 Each entry in the Register constitutes:

- (a) a separate and individual acknowledgment to the Trustee of the indebtedness of Macquarie Finance Limited to the Trustee and constitutes an irrevocable undertaking and promise by Macquarie Finance Limited to the Trustee that, for value received, Macquarie Finance Limited will make all payments due in respect of the Notes in accordance with the Conditions and the Trust Deed; and
- (b) an acknowledgment that the Holder holds the Holder's Interest.

The Holder is not a creditor of Macquarie Finance Limited and has no right to sue for, or otherwise claim payment from Macquarie Finance Limited of, Moneys Owing in respect of the Note.

### Register conclusive

2.3 Entries in the Register in relation to a Note constitute conclusive evidence that the Trustee is the registered owner of, and the Holder holds the Holder's Interest in, the Note subject to rectification for fraud or error.

### Registration in multiple names

2.4 No Note will be registered with more than four persons named as Holders of any Holder's Interest. A Note registered with more than one person named as Holder is held by those persons in equity as joint tenants and Macquarie Finance Limited and the Registrar shall be entitled to assume that any one of those persons is authorised by all of those persons to act as Holder of that Note. Notes will be registered by name of the Holder only without reference to any trusteeship or Encumbrance.

### Absolute owner

2.5 The person whose name is registered in the Register as a Holder of a Note will be treated by Macquarie Finance Limited and the Registrar as absolute beneficial holder of that Note and neither Macquarie Finance Limited nor the Registrar is, except as ordered by a court or as required by statute, obliged to take notice of any other claim (whether arising in respect of any trust, equity, security or otherwise) to a Note.

# Conditions of the Notes (cont)

52

## **No certificate**

- 2.6 No certificate or other evidence of title shall be issued by or on behalf of Macquarie Finance Limited to evidence title to the Note or the Holder's Interest unless Macquarie Finance Limited determines that certificates should be made available or that it is required to do so pursuant to any applicable law or regulation.

## **Holder absolutely entitled**

- 2.7 Upon a person acquiring the Holder's Interest by virtue of becoming registered as the Holder of that Holder's Interest, all rights and entitlements arising by virtue of the Trust Deed in respect of that Holder's Interest vest absolutely in that Holder, such that no person who has previously been registered as that Holder has or is entitled to assert against Macquarie Finance Limited, the Trustee or the registered Holder for the time being and from time to time any rights, benefits or entitlements in respect of that Holder's Interest.

## 3 Transfers

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### **Whole notes only**

- 3.1 The Trustee may not transfer its legal interest in the Notes, except:
- (a) to a new trustee of the Trust appointed in accordance with the Trust Deed; or
  - (b) to the trustee of a new trust for the Holders when the trust property is re-settled on account of a termination of the Trust in accordance with the Trust Deed.

A Holder may Transfer its Holder's Interest in whole but not in part.

### **Transfer forms**

- 3.2 Subject to Condition 3, a Holder may transfer all or any of its Holder's Interest by:
- (a) any computerised or electronic system established or recognised by the Listing Rules or the Corporations Law for the purpose of facilitating dealings in securities, including a proper SCH transfer (as that term is defined in the SCH Business Rules); or
  - (b) requesting such transfer by lodging a completed transfer form, in the form designated by Macquarie Finance Limited and available from the Registrar, during normal business hours on a Business Day at the office of the Registrar in Australia specified in the transfer form ("**Non-SCH Transfer**"). Each form must be accompanied by such evidence (if any) as the Registrar may require to prove the due execution of the transfer form by the transferor and the transferee. If a transfer form is delivered outside of normal business hours on a Business Day then it is deemed to have been delivered on the next following Business Day.

### **Operation of Transfer**

- 3.3 The making of a transfer by a Holder in accordance with Condition 3.2 constitutes on registration of the transfer as the new Holder:
- (a) a release and surrender by the transferor of its Holder's Interest; and
  - (b) the grant of a Holder's Interest to the transferee.

### **Marking**

- 3.4 The Registrar will provide a marking service under which the Registrar will upon request (other than at a time when the Register is closed) mark transfer forms to confirm that the Register records the transferor as the owner of the Holder's Interest specified in the transfer. A marked transfer form will only be recognised by the Registrar for 42 days from and including the date of marking.

### **Registration of transfers**

- 3.5 The transferor of a Holder's Interest is deemed to remain the Holder of that Holder's Interest until the name of the transferee is entered in the Register as the Holder in respect of that Holder's Interest. Transfers of a Holder's Interest will not be registered and the Registrar will not be obliged to register it:
- (a) unless the Transfer complies with Condition 3.9 and clause 22 of the Trust Deed (summarised in paragraph 21 of the Trust Deed summary); and
  - (b) after Macquarie Finance Limited has given notice of its intention to redeem that Note under Condition 6.

**No charge on transfer**

- 3.6 Transfers will be registered without charge to the transferor or transferee. The transferee or the transferor must pay any taxes, duties or other governmental charges (if any) imposed in relation to the transfer.

**Estates**

- 3.7 A person becoming entitled to be a Holder as a consequence of the death or bankruptcy of a Holder or of a vesting order or a person administering the estate of a Holder may, upon producing such evidence as to that entitlement or status as the Registrar considers sufficient, Transfer the relevant Holder's Interest or, if so entitled, become registered as the Holder of that Holder's Interest.

**Transfer of unidentified Notes**

- 3.8 Where a Holder makes a Transfer of less than all Holder's Interests registered in the Holder's name, and the specific Holder's Interests to be transferred are not identified, the Registrar may register the Transfer in respect of such of the Holder's Interests registered in the name of the transferor as the Registrar determines in its absolute discretion, provided the aggregate Principal Amount of the Holder's Interest registered as having been transferred equals the aggregate number of Holder's Interests expressed to be transferred in the Transfer.

**Restriction on transfers**

- 3.9 The provisions of clause 22 of the Trust Deed (summarised in paragraph 21 of the Trust Deed summary) apply to the Holder's Interest.
- 3.10 Any purported transfer or dealing with a Note or a Holder's Interest in breach of Condition 3 is void and of no effect.

## 4 Status, Security and Ranking

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**Status**

- 4.1 The Notes constitute direct, unsecured obligations of Macquarie Finance Limited subordinated in the manner specified in Condition 4 and which rank *pari passu* among themselves.

**Security**

- 4.2 Neither the Trustee nor the Holder holds any security over the assets of Macquarie Finance Limited or Macquarie to secure payment of any amount in respect of the Notes.

**Guarantee**

- 4.3 Macquarie guarantees to the Trustee for the benefit of each Holder the payment of interest on the Notes when due, on and subject to the terms and conditions set out in schedule 3 to the Trust Deed. (summarised in this section under the heading "Summary of Performance Guarantee")

**Subordination**

- 4.4 The right of the Trustee to be paid the Moneys Owing on a Note when due is subordinated to the claims of all Other Creditors of Macquarie Finance Limited in that the Moneys Owing will only be paid after the due and payable claims of Other Creditors have been satisfied in full.

# Conditions of the Notes (cont)

54

## 5 Interest

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### Interest Payments

- 5.1 Subject to Condition 5.5, on and from the Interest Accrual Date, Macquarie Finance Limited must pay on each Interest Payment Date, interest calculated in accordance with the following formula:

$$\text{Interest Payment} = \frac{\text{Interest Rate} \times \text{Principal Amount} \times D}{365}$$

where D is the number of days from (and including) the previous Interest Payment Date (or, in the case of the first Interest Period, the Interest Accrual Date) to (but excluding) the relevant Interest Payment Date, until the Note is redeemed or repaid in full. Interest accrues from day to day.

### Optional Interest Payment

- 5.2 The Optional Interest Payment is an amount of interest calculated as follows:
- (a) where four or more Interest Payments have not been paid in the period prior to the current Interest Period, or have not been paid in full, the Optional Interest Payment is equal to the aggregate of the four immediately preceding Interest Payments (had such payments in fact been made) that were not paid or where part payment of such Interest Payments was paid, the amount unpaid; and
  - (b) where less than four Interest Payments in the period to the current Interest Period have not been paid or not paid in full, the Optional Interest Payment is equal to the amount of the missed Interest Payments or the missed Interest Payment (as the case may be), or where part payment of any of such Interest Payments was paid, the amount unpaid,
- in each case not including:
- (c) Interest Payments not paid in full before the date on which an Optional Interest Payment was last paid; and
  - (d) Interest Payments not paid in full before a period in which Macquarie Finance Limited has paid four consecutive Interest Payments.

### Determination of Interest Rate

- 5.3 The Interest Rate applicable in respect of a Note for the Interest Period commencing on the Interest Accrual Date and ending on 15 January 2003 will be a rate which is the greater of 7.25 per cent per annum (or such other rate as may be agreed by the Underwriter, Macquarie Finance Limited and Macquarie before the Interest Accrual Date) and the floating rate being the aggregate of the Base Interest Rate and the Margin as determined on the first Business Day of each Interest Period and for each subsequent Interest Period a floating rate being the aggregate of the Base Interest Rate and the Margin as determined on the first Business Day of each Interest Period.

### Notification of Interest Rate

- 5.4 Macquarie Finance Limited shall cause the Interest Rate for each Interest Period in respect of the Notes to be notified to the ASX and the Trustee as soon as possible after its determination but in no event later than the second Business Day thereafter. If the Interest Rate is fixed, such notification need only be given once.

### Conditions to Payment

- 5.5 Interest Payments and Optional Interest Payments are subject to the following conditions:
- (a) the amount of interest payable on the Notes would not exceed the Distributable Profits and Macquarie complies with APRA's then current capital adequacy guidelines;
  - (b) the amount of any such payments being made on a pro-rata basis, in proportion to any dividends payable during the immediately following half year with the Preference Shares and any other preference shares ranking equally with the Preference Shares;
  - (c) if the amount of interest payable were an amount payable by Macquarie, Macquarie being able to meet the claims of all creditors and depositors as they fall due after making that payment;

- (d) Macquarie or Macquarie Finance Limited not having acknowledged on or before the Interest Payment Date that it is unable to pay its debts within the meaning of the Corporations Law;
- (e) a Liquidation Event not having occurred in respect of Macquarie or Macquarie Finance Limited;
- (f) the payment not being prohibited or limited by applicable law;
- (g) the directors of Macquarie Finance Limited have not resolved to stop the payment by the Business Day prior to the Interest Payment Date; and
- (h) in the case of the Optional Interest Payment, the prior written approval of APRA being obtained.

#### **Never payable**

- 5.6 Interest which has accrued in accordance with Condition 5.1 but which is not payable in accordance with Condition 5.5 on an Interest Payment Date is deemed, after that Interest Payment Date, never to have accrued and never to be payable.

#### **Interest Payment not made in full**

- 5.7 If an Interest Payment is not made in full on an Interest Payment Date as a result of any of the conditions in Condition 5.5 not being satisfied, payment will be made on the Interest Payment Date to the extent that those conditions can be satisfied pro-rata, in proportion to the amounts payable in the immediately following half year, with any dividends on the Preference Shares and any other preference shares ranking equally, with the Preference Shares.

- 5.8 If any Interest Payment is not made in full, Macquarie Finance Limited may, in its absolute discretion, with the prior written approval of APRA, and without limiting Conditions 5.5 and 5.6, make payment (or part payment) of such Interest Payment(s) on any subsequent Interest Payment Date, provided that where any such payment is made it shall be deemed to be payment (or part payment) of Interest Payments which but for Conditions 5.5 and 5.6 would have been payable in the immediately preceding year in each case in the order in which the Interest Payment Dates of such Interest Payments occurred. Payments made on an Interest Payment Date will be deemed to be Interest Payments for the then current Interest Period unless Macquarie Finance Limited notifies the Holder that the payment is made in accordance with this Condition. Any such payment must be pro rata in proportion to the amounts payable in the immediately following half year, with any dividends on the Preference Shares and any other preference shares ranking equally, with the Preference Shares.

#### **Dividend stop**

- 5.9 If Macquarie Finance Limited fails to pay in full an Interest Payment within 20 Business Days of the relevant Interest Payment Date, Macquarie must not declare or pay a dividend on any shares ranking junior to the Preference Shares (which for the avoidance of doubt, includes Ordinary Shares) unless and until Macquarie Finance Limited has either:

- (a) paid four consecutive Interest Payments in full on the Note; or
- (b) paid in full an Optional Interest Payment on the Note,

or the Holders otherwise agree.

#### **Notifications to be final**

- 5.10 All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5 will (in the absence of manifest error) be binding on the Trustee and all Holders.

# Conditions of the Notes (cont)

## 6 Perpetual Term and Redemption

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### **Perpetual Notes**

- 6.1 The Notes are undated and will only be redeemable or payable in accordance with the following provisions of this Condition 6.

### **Redemption after 5 years**

- 6.2 Subject to Condition 6.7, with the prior written approval of APRA, the Notes may be redeemed at the option of Macquarie Finance Limited after the fifth anniversary of the Issue Date on giving not less than 20 Business Days' notice to the Trustee and the Holders at their Redemption Amount.

### **Redemption for regulatory reasons**

- 6.3 The Notes may be redeemed at the option of Macquarie Finance Limited on or prior to the fifth anniversary of the Issue Date in whole, or in part, on giving not less than 20 Business Days' notice to the Trustee and the Holders (which notice shall be irrevocable) at their Redemption Amount, if:
- (a) a Capital Event, Securities Event or Tax Event has occurred in respect of Macquarie Finance Limited, the Notes, the Preference Shares or the Stapled Securities;
  - (b) such event cannot be avoided by Macquarie Finance Limited or Macquarie taking reasonable measures available to it; and
  - (c) APRA does not object to the Notes being redeemed.

### **Redemption for Winding Up**

- 6.4 Subject to clause 4.17 of the Trust Deed (summarised in paragraph 4.13 of the Trust Deed summary), the Notes are redeemable on a winding up of Macquarie Finance Limited at their Redemption Amount.

### **Notice of Redemption**

- 6.5 A notice of redemption under Condition 6.2 or Condition 6.3 must:
- (a) be in writing;
  - (b) specify the date on which redemption is to take place, which must be an Interest Payment Date; and
  - (c) specify whether the Notes are to be redeemed in whole or in part, and if in part, the aggregate Principal Amount of the Notes to be redeemed.

### **Partial Redemption**

- 6.6 Where Notes are redeemed in part, Macquarie Finance Limited must redeem the same percentage of Notes in respect of which a Holder has Holder's Interests. Following any partial redemption the aggregate Principal Amount of the Notes then on issue must be at least \$200,000,000.

### **Preference Shares**

- 6.7 Where Notes are redeemed under Condition 6.2 or Condition 6.3 Macquarie may also redeem or buy-back the Preference Shares which are stapled to the relevant Holder's Interests in accordance with the Preference Share Terms.

### **Redemption Amount**

- 6.8 Where a Note is redeemed the Redemption Amount is the Principal Amount plus an Interest Payment calculated in accordance with Condition 5.1 as if the date of redemption were an Interest Payment Date.

### **No Proceedings**

- 6.9 Neither the Trustee nor the Holder may take enforcement proceedings for the Moneys Owing in respect of the Note except in the case of the Trustee by instituting proceedings of any kind or by proving in winding up proceedings subject to any directions in accordance with clause 4.17 of the Trust Deed (summarised in paragraph 4.13 of the Trust Deed summary). This does not prevent the Trustee from making a claim on the Performance Guarantee subject to the terms of the Performance Guarantee.

## 7 Time limit for claims

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A claim against Macquarie Finance Limited for a payment under a Note is void unless made within five years of the due date for that payment or the date, if later, on which that payment is fully provided for by Macquarie Finance Limited making such payment to the Registrar.

## 8 Payments

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All payments in respect of a Note must be made in accordance with the Trust Deed.

## 9 Registrar

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Macquarie Finance Limited reserves the right at any time to vary or terminate the appointment of the Registrar and to appoint successor or additional registrars provided, however, that Macquarie Finance Limited shall at all times maintain the appointment of a registrar with an office in Australia.

Notice of any such variation or termination of appointment will be given to the Holders in accordance with Condition 11.

## 10 Meetings of Holders, modification and waiver

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Meetings of Holders may be convened to consider Notes affecting their interest in accordance with Schedule 2 to the Trust Deed.

## 11 Notices

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11.1 A Communication from Macquarie Finance Limited or Macquarie to the Holder with respect to the Note:

- (a) must be in writing; and
- (b) must be either:
  - (i) left at the Holder's registered address or sent by prepaid ordinary post (airmail if posted to a place outside Australia) to the Holder's address (or in the case of joint Holders, to the address recorded in the Register in accordance with clause 17 of the Trust Deed (summarised in paragraph 17 of the Trust Deed summary); or
  - (ii) published in a daily newspaper of general circulation in Australia, being the Australian Financial Review or such other newspaper determined by Macquarie Finance Limited in consultation with the Trustee.

11.2 A Communication from the Holder to Macquarie Finance Limited or Macquarie:

- (a) must be in writing; and
- (b) be left at Macquarie Finance Limited's or Macquarie's (as the case may be) address on following page or sent by prepaid ordinary post (airmail if posted to or from a place outside Australia) to Macquarie Finance Limited's or Macquarie's (as the case may be) address on following page or sent by facsimile with the details specified in this Condition or, if Macquarie Finance Limited or Macquarie (as the case may be) notifies another address or facsimile number, then to that address or facsimile number:

# Conditions of the Notes (cont)

58

## **Macquarie**

Address: Macquarie Bank Limited  
No. 1 Martin Place,  
Sydney, NSW, 2000

Attention: Company Secretary  
Fax: (02) 8232 7780

## **Macquarie Finance Limited**

Address: Macquarie Finance Limited  
No. 1 Martin Place,  
Sydney, NSW, 2000

Attention: Company Secretary  
Fax: (02) 8232 7780

11.3 A Communication is taken to be received:

- (a) in the case of a posted letter, on the third (seventh, if posted from a place outside Australia) day after posting;
- (b) in the case of a facsimile, on production of a transmission report by the machine from which the facsimile was sent which indicated that the facsimile was sent in its entirety to the facsimile number of the recipient notified for the purpose of this Condition; and
- (c) in the case of a notice given under Condition 11.1(b)(ii), on the date of first publication.

## 12 Governing law, jurisdiction and service of process

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### **Governing law**

12.1 The Notes are governed by the law in force in New South Wales, Australia.

### **Jurisdiction**

12.2 Macquarie Finance Limited, Macquarie and the Holders irrevocably and unconditionally submit to the exclusive jurisdiction of the courts of New South Wales, Australia and courts of appeal from them.

Macquarie Finance Limited, Macquarie and the Holders waive any right they have to object to an action being brought in those courts, to claim that the action has been brought in an inconvenient forum, or to claim those courts do not have jurisdiction.

## Summary of Performance Guarantee

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### **1 Interpretation**

Definition provisions relevant to this summary are contained in the Glossary and section 1 of the Trust Deed summary.

### **2 Consideration**

Macquarie acknowledges the receipt of valuable consideration from the Trustee and Macquarie Finance Limited for Macquarie incurring obligations and giving rights under the Performance Guarantee.

### **3 Guarantee**

3.1 Macquarie unconditionally and irrevocably guarantees to the Trustee as trustee for Holders the payment by Macquarie Finance Limited of interest in respect of each Note if and when due and payable in accordance with the Conditions.

3.2 If Macquarie Finance Limited fails to pay interest in respect of each Note as and when due and payable in accordance with the Conditions, Macquarie agrees to pay the interest to the Trustee as trustee for Holders on demand from the Trustee (whether or not a demand has been made on Macquarie Finance Limited). A demand may be made at any time and from time to time.

3.3 The rights of the Trustee under the Performance Guarantee to be paid interest for Holders or to make demand for it or to take any proceeding in respect of it are subject to any Payment Direction and clauses 4.5 to 4.17 inclusive of the Trust Deed (summarised in paragraphs 4.5 to 4.13 inclusive of the Trust Deed summary).

### **4 Conditions to Payment**

Nothing in the Performance Guarantee makes Macquarie liable to Holders on account of interest not being paid because a condition to that payment in clause 5.5 of the Conditions is not satisfied.

## 5 Ranking

- 5.1 The Performance Guarantee is a direct, unsecured obligation of the Company subordinated in the manner specified in clause 5 of the Performance Guarantee.
- 5.2 Neither the Trustee nor a Holder holds any security over the assets of Macquarie to secure payment of any amount in respect of the Performance Guarantee. A claim on the Performance Guarantee is not subject to Division 2 of Part II of the Banking Act 1959 (Cth) - Protection of Depositors.
- 5.3 The right of the Trustee to be paid any amount due on the Performance Guarantee is subordinated to the claims of all Other Creditors of Macquarie in that:
- the obligation of Macquarie Finance Limited to make payments of those amounts is conditional upon Macquarie being Solvent at the time of the payment;
  - no such amount is payable except to the extent that Macquarie Finance Limited would make the payment and still be Solvent after making it; and
  - in any proceedings for the winding up of Macquarie, the claim of the Trustee ranks *pari passu* with the claims of holders with respect to any unpaid dividend on the Preference Shares.
- 5.4 The Holders may not take enforcement proceedings for any amount due in respect of the Performance Guarantee. The Trustee may, subject to clause 4.17 of the Trust Deed (summarised in paragraph 4.13 of the Trust Deed summary), initiate or prove in winding up proceedings in respect of Macquarie but only on the basis provided in clause 5.3 of the Performance Guarantee.

## 6 Rights

Macquarie waives any right it has of first requiring the Trustee or any Holder to commence proceedings or enforce any other right against Macquarie Finance Limited or any other person before claiming under this Performance Guarantee.

## 7 Continuing security

This Performance Guarantee is a continuing security and is not discharged by any one payment.

## 8 Guarantee not affected

The liabilities of Macquarie under the Performance Guarantee and the rights of the Trustee as trustee for Holders under the Performance Guarantee are not affected by anything which might otherwise affect them at law or in equity including, but not limited to, one or more of the following:

- the Trustee or a Holder granting time or other indulgence to, compounding or compromising with or releasing Macquarie Finance Limited;
- acquiescence, delay, acts, omissions or mistakes on the part of the Trustee or a Holder;
- any transfer or assignment of a right of the Trustee or a Holder;
- any variation of the Trust Deed (other than this schedule) the Conditions or the Terms of Issue; or
- the invalidity or unenforceability of an obligation or liability of a person other than Macquarie.

## 9 Suspension of the Company's rights

- 9.1 Macquarie may not, without the consent of the Trustee claim to be entitled by way of contribution, indemnity, subrogation, marshalling or otherwise to the benefit of any security or guarantee held by the Trustee in connection with the Trust Deed, until the Moneys Owing in respect of each Note is paid, as and when due in accordance with the Conditions.
- 9.2 To the maximum extent permitted by applicable law, neither the Trustee nor a Holder may set off a liability it owes to Macquarie against the obligation of Macquarie to it under the Performance Guarantee.

## 10 Reinstatement of guarantee

If a claim that a payment or transfer to the Trustee by Macquarie Finance Limited in connection with the Trust Deed or the Conditions is void or voidable (including, but not limited to, a claim under laws relating to Liquidation) is upheld, conceded or compromised then the Trustee is entitled immediately as against Macquarie to the rights to which it would have been entitled under the Performance Guarantee if the payment or transfer had not occurred.

## 11 Governing law

The Performance Guarantee is governed by the law in force in New South Wales, Australia.

# 8. Preference Share Terms

## Macquarie Bank Limited Preference Shares terms of issue

60

A Preference Share confers on the Holder the rights set out in these Terms.

These Terms are subject to the Company Constitution.

### 1 Definitions

1.1 Terms defined in the Glossary have the same meaning when used in these Terms unless the context otherwise requires.

The following words have these meanings in these Terms unless the contrary intention appears:

**Allocation Date** means the date on which the underwriter transfers some or all of the Preference Shares to investors in accordance with their applications, on the terms and conditions of the prospectus relating to the offering of the Preference Shares.

**Buy-back Agreement** means the agreement formed, if and when, the Buy-back Offers are deemed to have been accepted by the Holders in accordance with clause 10.

**Buy-back Date** means the date specified by the Company in the Buy-back Notice as the date on which the Buy-back Offers are accepted.

**Buy-back Notice** means a notice given in accordance with clause 10.7.

**Buy-back Offer** means the buy-back offers made in accordance with clause 10.

**Buy-back Price** means \$100 per share plus a Semi-annual Dividend for the period from and including the most recent Payment Date to but excluding the Buy-back Date.

**Company** means Macquarie Bank Limited (ACN 008 583 542).

**Company Constitution** means the constitution of the Company.

**Converting Preference Shares** means the converting preference shares issued by the Company, the issue of which was approved by shareholders on 18 August 1999.

**Directors** means the Voting Directors of the Company as defined in the Company Constitution.

**Distributable Profits** means at any time the profits after tax of the Company for the current Year in which the relevant Payment Date falls (or such other amount as is determined by the Company and with the prior written approval of APRA in its discretion to be appropriate in the circumstances) less:

- (a) the aggregate amount of any dividend payments previously made during the current Year out of those profits; and
- (b) the aggregate amount of any dividends accrued but not paid on any preference shares ranking senior to the Preference Shares.

**Distribution Period** means the period from and including 15 January and 15 July in each year to but excluding the next occurring 15 July or 15 January respectively, where the first Distribution Period commences on the Allocation Date.

**Dividend** means a Semi-annual Dividend and an Optional Dividend and any amounts paid in partial payment of the same.

**Dividend Paying**, in relation to a Preference Share, means a Preference Share in respect of which the Holder is entitled to receive Dividends.

**Dividend Paying Date** means the date on which the Preference Shares become Dividend Paying pursuant to clause 4.

**Government Agency** means any government or governmental, semi-governmental or judicial authority or entity or any person (whether autonomous or not) charged with the administration of any law and includes APRA.

**Group** means the Company and its Related Bodies Corporate.

**Holder** means the person or persons whose name is for the time being registered as the holder of a Preference Share.

**Holder's Interest** means the entire beneficial interest in a Note issued in accordance with the terms of the Trust Deed.

**Liquidation Event** means in relation to a corporation any of the following events (except where the event is for the purpose of a solvent reconstruction or amalgamation):

- (a) a proceeding commenced by the corporation for an order that it be dissolved, wound-up or liquidated or for the appointment of a provisional liquidator or administrator of the corporation;
- (b) a proceeding for an order of a kind described in paragraph (a) is commenced by any other person and such proceeding is not discontinued or dismissed within 30 days of having been served on the corporation;
- (c) a liquidator, provisional liquidator or administrator is appointed to the corporation and such appointment is not revoked or set aside within 30 days of such appointment;
- (d) a receiver or receiver and manager is appointed to the whole, or substantially the whole of the corporation's property in the exercise of an Encumbrance and such appointment is not revoked or set aside within 30 days of appointment.

**Member** has the meaning given to that term in the Company Constitution.

**Note** means the perpetual unsecured debt obligations of Macquarie Finance Limited created under and subject to the terms of the Trust Deed.

**Optional Dividend** has the meaning given in clause 3.2.

**Payment Date** means 15 January and 15 July in each calendar year.

**Preference Share** means a non-cumulative preference share in the capital of the Company with the rights set out in these Terms.

**Record Date** means the dates being 11 Business Days before the relevant Payment Date.

**Redemption Date** means the date of redemption of the Preference Shares.

**Redemption Price** means in respect of a Dividend Paying Preference Share, \$100 per share plus a Semi-annual Dividend for the period from and including the most recent Payment Date to but excluding the Redemption Date, and in respect of a Preference Share which is not Dividend Paying, nil.

**Reduction Amount** means, \$99.99 per share, plus a Semi-annual Dividend for the period from and including the most Recent Payment Date to but excluding the Reduction Date.

**Reduction Date** means the date specified in the notice of reduction given in accordance with clause 11.3 as the effective date of the capital reduction.

**Register** means the register in respect of the Preference Shares required to be established and maintained by clause 7.2 the Company Constitution and includes any sub-register established and maintained under the Clearing Houses Electronic Sub-Register System (as defined in the Listing Rules).

**Semi-annual Dividend** means the dividend provided for in clause 3.1 and payable in accordance with clauses 3.1, 9, 10 and 11.7.

**Special Resolution** means a resolution passed at a meeting of Holders by a majority of at least 75% of the votes cast by Holders present in person or by proxy and entitled to vote on the resolution.

**Tax Act means:**

- (a) the Income Tax Assessment Act 1936 (Commonwealth) or the Income Tax Assessment Act 1997 (Commonwealth) as the case may be as amended and a reference to any section of the Income Tax Assessment Act 1936 (Commonwealth) includes a reference to that section as rewritten in the Income Tax Assessment Act 1997 (Commonwealth);
- (b) any other Act setting the rate of income tax payable; and
- (c) any regulation promulgated thereunder.

**Terms** means the terms of issue set out in this document.

**Trustee** means Trust Company of Australia Limited, as the trustee of the Macquarie Income Securities Trust, established by the Trust Deed, or its replacement from time to time.

## 8. Preference Share Terms (cont)

62

- 1.2 In these Terms, unless the contrary intention appears:
- (a) a reference to a clause or paragraph is a reference to a clause or paragraph in these Terms;
  - (b) a reference to:
    - (i) legislation (including subordinate legislation) or guidelines published by a Government Agency is to that legislation or guidelines as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
    - (ii) a document or agreement (including the Company Constitution, the Trust Deed and these Terms), or a provision of a document or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
    - (iii) a party to any other document or agreement includes a permitted substitute or permitted assign of that party; and
    - (iv) any thing includes any part of it;
  - (c) a singular word includes the plural, and vice versa;
  - (d) a word which suggests one gender includes the other genders;
  - (e) if a word is defined, another part of speech has a corresponding meaning;
  - (f) headings are for convenience only, and do not affect interpretation; and
  - (g) the word "person" includes:
    - (i) any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity; and
    - (ii) any executor, administrator, or successor in law of that person.
- 1.3 An obligation which is due for performance on a day which is not a Business Day may be performed on the next Business Day and if performed on that day will be regarded as having been performed on the due date.

### 2 Consideration for Issue

- 2.1 Subject to these Terms and the Company Constitution, each Preference Share will be issued for \$100.

### 3 Dividends

#### 3.1 Semi-annual dividends

- (a) Subject to clause 3.3, on and from the Dividend Paying Date, the Holder on a relevant Record Date (in this paragraph, "**Relevant Record Date**") is entitled to receive, if payable, on or before each Payment Date immediately following the Relevant Record Date, a non-cumulative Semi-annual Dividend calculated in accordance with the following formula (except for the first Semi-annual Dividend payment which will be calculated in accordance with clause 3.1(b)):

$$\text{Semi-annual Dividend} = \frac{\text{Dividend Rate} \times \$100 \times D}{365}$$

where:

**D** is the number of days from (and including) the last Payment Date to (but excluding) the Payment Date immediately following the Relevant Record Date.

**Dividend Rate** means the Dividend Rate applicable for the relevant Distribution Period.

- (b) For the Semi-annual Period ending on the first Payment Date following the Dividend Paying Date, subject to clause 3.3, the Holder on the Record Date immediately preceding the first Payment Date (in this paragraph, "**Relevant Record Date**") is entitled to receive, if payable, on or before the Payment Date immediately following the Relevant Record Date, a non-cumulative Semi-annual Dividend, calculated in accordance with the following formula:

$$\text{Semi-annual Dividend} = \frac{\text{Dividend Rate} \times \$100 \times D}{365}$$

where:

**D** is the number of days from (and including) the Interest Payment Date (as defined in Trust Deed) immediately preceding the Relevant Record Date to (but excluding) the Payment Date immediately following the Relevant Record Date.

**Dividend Rate** means the Dividend Rate applicable for the Distribution Period commencing on the Payment Date immediately preceding the Relevant Record Date.

(c) Where a Semi-annual Dividend is payable in accordance with clause 9, 10 or 11.7, the Semi-annual Dividend will be calculated in the same manner as in clause 3.1(a), as adjusted for the relevant period.

### 3.2 Optional Dividend

The Optional Dividend is an amount calculated as follows:

- (a) where two or more Semi-annual Dividends have not been paid in the period prior to the current Semi-annual Period, or have not been paid in full, the Optional Dividend is equal to the aggregate of the two immediately preceding Semi-annual Dividends (had such payments in fact been made) that were not paid, or where part payment of such Dividends was made, the amount unpaid;
- (b) where only one Semi-annual Dividend in the period prior to the current Semi-annual Period has not been paid, or not paid in full, the Optional Dividend is equal to the amount of the missed Semi-annual Dividend, or where part payment of such Dividend was made, the amount unpaid,

in each case but not including:

- (c) Semi-annual Dividends not paid in full before the date on which an Optional Dividend was last paid; and
- (d) Semi-annual Dividends not paid in full before a period in which the Company has paid two consecutive Semi-annual Dividends in full.

### 3.3 Dividends Generally

- (a) Until a Preference Share is Dividend Paying, the Holder is not entitled to receive any Dividend on the Preference Share.
- (b) Payment of Dividends is subject to:
  - (i) the Directors, at their discretion, declaring a Dividend to be payable;
  - (ii) the amount of such Dividends not exceeding the Distributable Profits and the Company complying with APRA's then current capital adequacy guidelines;
  - (iii) the amount of any such Dividends being made on a pro-rata basis, in proportion to any dividends payable during the immediately following half year on any other preference shares ranking equally with the Preference Shares;
  - (iv) the Company being able to meet the claims of all creditors and depositors as they fall due after making payment of such Dividends;
  - (v) the Company not having acknowledged on or before the relevant Payment Date that it is unable to pay its debts within the meaning of the Corporations Law;
  - (vi) a Liquidation Event not having occurred in respect of the Company;
  - (vii) the payment not being prohibited or limited by applicable law; and
  - (viii) in case of the Optional Dividend, the prior written approval of APRA.
- (c) If the Company fails to pay in full a Semi-annual Dividend within 20 Business Days of the relevant Payment Date, the Company must not declare or pay a dividend on any shares ranking junior to the Preference Shares (which for the avoidance of doubt includes Ordinary Shares), unless and until the Company has either:
  - (i) paid two consecutive Semi-annual Dividends in full on the Preference Shares;
  - (ii) paid an Optional Dividend to the Holders; or
  - (iii) the Holders otherwise agree (as a variation of these Terms).

## 8. Preference Share Terms (cont)

64

- (d) No adjustment will be made to any amount payable or amount paid in respect of a Preference Share whether by way of dividend, upon its redemption, buyback or cancellation or otherwise to take account of the extent to which the amount is franked under Part IIIAA of the Tax Act.
- (e) Dividends are non-cumulative. If a Dividend is not paid, the Company will have no liability to pay, and the Holders have no right to be paid, any amount in respect of that Dividend.
- (f) For the purposes of making any Dividend payment in respect of a Holder's aggregate Preference Shares, any fraction of a cent is disregarded.
- (g) Dividends shall be paid by cheque or by such other means as authorised by the Directors from time to time in favour of the Holders as they appear in the Register as at the relevant Record Date.
- (h) If a Dividend is not paid in full, the Company may in its absolute discretion with the prior written approval of APRA and without limiting clauses 3.3(b) or 3.3(e), make payment (or part payment) of such Dividend on any subsequent Payment Date, provided that where any such payment is made it shall be deemed to be payment (or part payment) of Dividends which but for clauses 3.3(b) or 3.3(e) would have been payable in the immediately preceding year in each case in the order in which the Payment Dates of such Dividends occurred.

### 3.4 Deductions

The Company will be entitled to deduct from any Dividend payable to a Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount and, where any such deduction has been made and the balance of the amount payable has been paid to the Holder concerned, the full amount payable to such Holder shall be deemed to have been duly paid and satisfied by the Company. The Company shall pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law.

### 4 Preference Shares becoming Dividend Paying

The Preference Shares will become Dividend Paying upon the occurrence of a Payment Direction Event.

### 5 Voting and Variation of Rights

- 5.1 The Holders have the same rights as the holders of Ordinary Shares in relation to receiving notices, reports and accounts of the Company and to attend general meetings of the Company, but are not entitled to vote other than in the circumstances set out in clause 5.2.
- 5.2 A Holder is entitled to vote in each of the following circumstances and in no others:
  - (a) during a period when two consecutive Semi-annual Dividends due and payable on the Preference Shares have not been paid in full, and no Optional Dividend has been paid;
  - (b) on any proposal to reduce the Company's share capital;
  - (c) on any resolution to approve the terms of a buy-back agreement;
  - (d) on any proposal that affects the rights attaching to the Preference Shares;
  - (e) on a proposal to wind up the Company;
  - (f) on any proposal for the disposal of the whole of the Company's property, business and undertaking; and
  - (g) during the winding-up of the Company,in which case all Holders have the same rights as to manner of attendance and as to voting in respect of each Preference Share as those conferred on holders of Ordinary Shares.

- 5.3 The issue of preference shares, or the conversion of existing shares into preference shares ranking equally with or behind the Preference Shares (in respect of dividends or distributions of capital in a winding up and whether entitled to cumulative or non-cumulative dividends) and any buyback, redemption, or return or distribution of capital in respect of, any share in the capital of the Company other than a Preference Share (whether ranking equally with or senior or junior to the Preference Shares) is expressly permitted and authorised and does not constitute a variation of the rights attaching to the Preference Shares.
- 5.4 The allotment or issue of preference shares, or conversion of existing shares into preference shares, ranking in priority to the Preference Shares then on issue will constitute a variation of the rights attached to the Preference Shares.

#### **6 Entitlement to Capital and Ranking**

- 6.1 The Preference Shares rank equally amongst themselves in all respects and rank equally with the Converting Preference Shares for payment of dividends and for a return of capital on a winding-up of the Company.
- 6.2 The Preference Shares rank in priority to Ordinary Shares for payment of dividends.
- 6.3 If there is a return of capital on a winding up of the Company, the Holders will be entitled to receive out of the assets of the Company available for distribution to equity holders, \$100 in respect of each Dividend Paying Preference Share held (and nil for each non-Dividend Paying Preference Share) before any return of capital is made to holders of Ordinary Shares or any other class of shares ranking behind the Preference Shares. If, upon such a return of capital, there are insufficient funds to pay in full such amount and the amounts payable in respect of any other shares in the Company ranking as to such distribution equally with the Dividend Paying Preference Shares on a winding up of the Company, then the Holders and the holders of any such other shares will share in any distribution of assets of the Company in proportion to the amounts to which they respectively are entitled. The Preference Shares confer on their Holders no further right to participate in the surplus assets of the Company on a winding up.

#### **7 Stapling**

- 7.1 No transfer of a Preference Share may occur from a transferor to a transferee without the Holder's Interest that is stapled to that Preference Share being also transferred at the same time from the same transferor to the same transferee. The Directors must refuse to register any transfer of such Preference Share which is not accompanied by a transfer of the Holder's Interest that is stapled to that Preference Share from the same transferor to the same transferee at the same time.
- 7.2 The Directors must establish and maintain a register which records the names of the Holders, the number of Preference Shares held, the number of Holder's Interests held by the Holders and any additional information required by the Corporations Law or the Listing Rules or determined from time to time by the Directors. The Directors may establish and maintain such a register jointly with the register of holders of the Holder's Interests maintained by or for Macquarie Finance Limited.
- 7.3 A Preference Share cannot be transferred or assigned or mortgaged, charged or otherwise Encumbered separately from the Holder's Interest that is stapled to it.
- 7.4 Nothing in this clause 7 prevents Preference Shares from being redeemed in accordance with these Terms.
- 7.5 If a Holder's Interest is redeemed in accordance with the Trust Deed, on the date of the redemption, the Preference Share which was stapled to that Holder's Interest will cease to be so stapled.

## 8. Preference Share Terms (cont)

66

### **8 Election to redeem or buy back Preference Share**

- 8.1 The Company may not elect to redeem or buy back Preference Shares as described in clauses 9 or 10 unless the Company has received an opinion from a reputable legal counsel, selected by it, that the redemption or buy back, as the case may be, will not result in a Nominal Holder being assessed to a greater amount of Australian income tax payable under the Tax Act in respect of the amounts received on the redemption or buy back than would have been the case if the Company had reduced capital on the Preference Share and redeemed the Preference Share as described in clause 11.
- 8.2 For the purposes of this clause 8, a "Nominal Holder" means a Holder who is an Australian resident, being either an individual or a company and does not hold Preference Shares in the course of a business carried on through a permanent establishment outside Australia.

### **9 Redemption of Preference Shares**

- 9.1 A Preference Share is only redeemable by the Company where the Note relating to the Holder's Interest stapled to that Preference Share is also redeemed.
- 9.2 Subject to clause 9.1, a Preference Share is redeemable by the Company in its absolute discretion at any time with the prior approval of APRA (if required under the laws or guidelines then applicable) at the Redemption Price.
- 9.3 Where the Company redeems some only of the Preference Share on issue it must redeem the same percentage of all Holders' registered holdings of Preference Shares.
- 9.4 Notice of any redemption must be given not less than 20 Business Days prior to the Redemption Date.
- 9.5 On the Redemption Date, the Company must pay the Redemption Price in respect of such Preference Share to the Holder.
- 9.6 Payment of the Redemption Price in accordance with clause 9.5 will constitute redemption of the relevant Preference Share.
- 9.7 The Redemption Price in respect of a Preference Share is only payable to the person who is the Holder of the Preference Share as at the close of business three Business Days immediately prior to the Redemption Date.

### **10 Buy-back of Preference Shares**

- 10.1 Each Holder shall accept any offer made by the Company to buy back some or all of its registered holding of Dividend Paying Preference Shares as at the Buy-back Date, on the terms set out in this clause 10, provided that:
- (a) the Note relating to the Holder's Interest stapled to the Dividend Paying Preference Share the subject of such offer is redeemed;
  - (b) the Buy-back Offer is made by the Company in the form of a Buy-back Notice in accordance with this clause 10; and
  - (c) the Company has, prior to making the Buy-back Offer, obtained the approval of APRA, if such approval is required under the laws or the guidelines applicable at the time of making the Buy-back Offer.
- 10.2 The Holder shall be deemed to have accepted a Buy-back Offer by the Company in respect of, and to have agreed to transfer to the Company, that percentage specified in the Buy-back Offer of its registered holding of Preference Shares pursuant to clause 10.1 upon delivery of the Buy-back Notice to the Holder in accordance with clause 10.7.
- 10.3 The purchase price for each Dividend Paying Preference Share under a Buy-back Offer and Buy-back Agreement is the Buy-back Price.
- 10.4 Any Buy-back Offer and Buy-back Agreement is conditional on the Company obtaining any necessary shareholder approvals for the terms of the Buy-back Agreement and otherwise complying with the requirements of the Corporations Law as they apply to the Buy-back Agreement.
- 10.5 Where the Company makes a Buy-back Offer in respect of part only of the Dividend Paying Preference Shares, it must offer to buy-back the same percentage of all the Holders' registered holdings of Dividend Paying Preference Shares.
- 10.6 Subject to clause 10.1, the Company may make Buy-back Offers and give Buy-back Notices in its absolute discretion, provided that Buy-back Notices are given to all Holders as at the date of the Buy-back Notice.

- 10.7 A Buy-back Notice must be given not less than 20 Business Days prior to the Buy-back Date and must:
- (a) specify a Buy-back Date; and
  - (b) be sent to each Holder.
- 10.8 On or prior to the Buy-back Date, the Company must pay the Buy-back Price in respect of such Dividend Paying Preference Shares to the Holders. Payment of the Buy-back Price shall constitute completion of the Buy-Back Agreement.
- 10.9 The Buy-back Price in respect of a Dividend Paying Preference Share shall be provided to the person who is the Holder as at the close of business three Business Days immediately prior to the Buy-back Date.
- 10.10 It is a term of the Buy-back Offer and Buy-back Agreement that:
- (a) each Holder represents and warrants to the Company that, as at the Buy-back Date:
    - (i) the Holder owns all of its Dividend Paying Preference Shares subject to the Buy-back Offer free of any mortgage, charge or other encumbrance affecting the Holder's ability to sell such Dividend Paying Preference Shares to the Company, and that those Dividend Paying Preference Shares are not subject to any option or other third party interest affecting the Holder's ability to sell such Preference Shares to the Company; and
    - (ii) it has the power to sell those Dividend Paying Preference Shares to the Company, without the consent of any other person;
  - (b) from and after the Buy-back Date each Holder irrevocably appoints each director and officer of the Company from time to time severally as its agent or attorney for it and on its behalf to execute all forms, notices, instruments and resolutions relating to those Dividend Paying Preference Shares subject to the Buy-back Offer and generally to exercise all powers and rights which the Holder may have as a shareholder and perform such action as may be appropriate in order to vest in the Company good title in the Holder's Dividend Paying Preference Shares the subject of the Buy-back Offer;
  - (c) after the date of a receipt of a Buy-back Notice, the Holder must not sell, transfer, assign, pledge or otherwise hypothecate any of its Dividend Paying Preference Shares which are subject to the Buy-back Offer and any sale, transfer, assignment, pledge or other hypothecation of any such Dividend Paying Preference Share in breach of this paragraph shall be void and of no effect; and
  - (d) damages is not an adequate remedy for breach of this paragraph. If a Holder sells Dividend Paying Preference Shares in breach of this clause, the Holder agrees that in addition to other remedies available to it, the Company may seek and obtain injunctive relief, including without limitation specific performance.
- 10.11 Once a Dividend Paying Preference Share is bought back in accordance with this clause, the provisions of clause 7 will cease to apply to that Preference Share.

## 11 Reduction of Capital

- 11.1 The Company may reduce the share capital of a Dividend Paying Preference Share by returning capital on the Dividend Paying Preference Share of an amount equal to the Reduction Amount and immediately thereafter redeeming the Dividend Paying Preference Share in accordance with clause 11.7. Any reduction in share capital of a Dividend Paying Preference Share may be done in the Company's absolute discretion at any time with the prior approval of APRA (if required under the laws or guidelines then applicable) provided that no such reduction of capital shall be made unless:
- (a) the reduction has been approved in accordance with, and if required under, the Corporations Law; and
  - (b) the Note relating to the Holder's Interest stapled to that Preference Share is redeemed.
- 11.2 Where the Company reduces the share capital of some only of the issued Dividend Paying Preference Shares, it must reduce capital on the same percentage of all Holders registered holdings of Preference Shares and the share capital of all of the issued Dividend Paying Preference Shares to be so reduced must be reduced by the same amount.
- 11.3 Notice of any reduction must be given not less than 20 Business Days prior to the Reduction Date. A notice of reduction shall state the Reduction Date.

## 8. Preference Share Terms (cont)

68

- 11.4 On or before the Reduction Date, the Company must pay the Reduction Amount to the Holders.
- 11.5 The Reduction Amount in respect of a Dividend Paying Preference Share is only payable to the person who is the Holder thereof as at the close of business three Business Days prior to the Reduction Date.
- 11.6 The reduction of capital of a Dividend Paying Preference Share will be effective as of the Reduction Date.
- 11.7 Notwithstanding any other provision of these Terms, on the Business Day following the Reduction Date, each Dividend Paying Preference Share the subject of the reduction of capital must be redeemed by the Company. The provisions of clause 9 shall apply to that redemption save that:
- (a) the Redemption Price shall be \$0.01 plus a Semi-annual Dividend for the period from and including the most recent Payment Date to but excluding the Reduction Date; and
  - (b) the Redemption Price in respect of a Dividend Paying Preference Share is only payable to the person who is the Holder as at the Reduction Date.
- 11.8 A reduction of capital in accordance with the provisions of these Terms shall not constitute a variation of rights attaching to the Dividend Paying Preference Shares and is expressly permitted and authorised under the Terms.

### 12 Transfers

- 12.1 Transfers of Preference Shares will be registered without charge to the transferor or transferee. The transferee or the transferor must pay any taxes, duties or other governmental charges (if any) imposed in relation to the transfer.
- 12.2 Where a Holder executes a transfer of less than all Preference Shares registered in the Holder's name, and the specific Preference Shares to be transferred are not identified, the Company may register the transfer in respect of such of the Preference Shares registered in the name of the transferor as the Company determines in its absolute discretion, provided the aggregate number or amount of the Preference Shares registered as having been transferred equals the aggregate number or amount of the Preference Shares expressed to be transferred in the transfer.

### 13 Small holdings

- 13.1 Subject to the provisions of this clause 13, while the Preference Shares are listed on the ASX the Company may in its discretion from time to time sell any Preference Shares held by a Holder which comprise less than a marketable parcel as provided in the Listing Rules without request by the Holder.
- 13.2 The Company may only sell Preference Shares under this clause 13 on one occasion in any 12 month period.
- 13.3 The Company must notify the Holder in writing of its intention to sell Preference Shares under this clause 13.
- 13.4 The Company will not sell the relevant Preference Shares:
- (a) before the expiry of 6 weeks from the date of the notice given under clause 13.3; or
  - (b) if, within the 6 weeks allowed by clause 13.4(a), the Holder advises the Company that the Holder wishes to retain the Preference Shares.
- 13.5 The power to sell lapses following the announcement of a takeover, but the procedure may be started again after the close of the offers made under the takeover.
- 13.6 The Company or the purchaser of the Preference Shares must pay the costs of the sale as the Company decides.
- 13.7 The proceeds of the sale will not be sent until the Company has received the certificate (if any) relating to the Preference Shares, or is satisfied that the certificate has been lost or destroyed.
- 13.8 No sale under this clause 13 may occur unless, at the same time as Preference Shares are sold, an identical number of Holder's Interests is also sold. The Company is appointed as attorney for the Holders of Preference Shares to sell the Holder's Interests in these circumstances.

## 14 Payments

- 14.1 Each payment in respect of a Preference Share will be made to the person recorded in the Register as the Holder of that Preference Share on the relevant record date.
- 14.2 When a Preference Share is held jointly, payment will be made to the Holders in their joint names.
- 14.3 (a) Payments in respect of each Preference Share will be made by cheque or by transfer to an account specified by the Holder in accordance with the payment instructions of the Holder recorded on the Register.
- (b) If the Holder has not notified the Company of such an account by close of business on the relevant record date or upon application by the Holder to the Company no later than close of business on the relevant record date, payments in respect of the Preference Share will be made by cheque, mailed on or before the due date for payment to (and at the risk of) the Holder (or to the first named of joint registered owners) at the address appearing in the Register on the relevant record date.
- (c) Cheques so dispatched will be deemed to have been received by the Holder on the due date for payment and no further amount will be payable by the Company in respect of the relevant Preference Share as a result of payment not being received by the Holder on the due date.
- (d) All payments in respect of the Preference Shares are subject in all cases to any applicable fiscal or other laws and regulations and to normal banking practice, but without prejudice to the provisions of clause 3.4.
- 14.4 Any payment made by the Company for the account of a person whose name is, on the relevant record date, inscribed in the Register as a Holder constitutes for all purposes an absolute and unconditional release and discharge of the Company, to the extent of such payment, of all obligations and indebtedness in respect of the Preference Share in relation to which the payment was made.

- 14.5 If a payment is due in relation to a Preference Share on a day which is not a Business Day or if payment is to be made to an account on a day on which banks are not open for general banking business in the city in which the account is located, the Holder is entitled to payment of such amount on the following Business Day and is not entitled to any interest or other payment in respect of any such delay.

## 15 Notifications to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of these Terms will (in the absence of negligence, wilful default, bad faith or manifest error) be binding on the Company and all Holders and where relevant, will constitute conclusive evidence of the facts and matters contained within.

## 16 Notices

- 16.1 A notice request, demand, consent, approval agreement or other communication ("**Communication**") from the Company to a Holder with respect to a Preference Share is valid if:
- (a) dispatched by prepaid ordinary post (airmail if posted to or from a place outside Australia) to the Holder at its registered address (or, in the case of joint holders, to the address of the first holder recorded in the Register); or
- (b) published in a daily newspaper of general circulation in Australia, being the Australian Financial Review or such other newspaper determined by the Company.

## 8. Preference Share Terms (cont)

70

16.2 A Communication from a Holder to the Company:

- (a) must be in writing; and
- (b) be left at the Company's address below or sent by prepaid ordinary post (airmail if posted to or from a place outside Australia) to the Company's address below or sent by facsimile with the details specified in this clause or, if the Company notifies another address or facsimile number, then to that address or facsimile number:

Address: Macquarie Bank Limited  
No. 1 Martin Place,  
Sydney, NSW, 2000

Attention: Company Secretary  
Fax: (02) 8232 7780

16.3 A Communication takes effect from the time it is received (or in the case of a Communication published in a newspaper, the date of first publication) unless a later time is specified in it.

16.4 A Communication is taken to be received:

- (a) in the case of a posted letter, on the third (seventh, if posted from a place outside Australia) day after posting; and
- (b) in the case of a facsimile, on production of a transmission report by the machine from which the facsimile was sent which indicated that the facsimile was sent in its entirety to the facsimile number of the recipient notified for the purpose of this clause; and
- (c) in the case of a publication in a newspaper, on the date of first publication.

### 17 Further Issues

17.1 The Company reserves the right from time to time without the consent of the Holders to issue additional Preference Shares.

17.2 A Preference Share does not confer any right to participate in any future issues by the Company whether of equity, debt or some other security.

### 18 Variation of these Terms

18.1 The Company may vary these Terms with:

- (a) the consent in writing of the Holders of three-quarters of the Preference Shares; or
- (b) the consent of a Special Resolution of Holders.

18.2 Any variation to these Terms proposed by the Company in accordance with this clause and agreed to by the Holders in accordance with this clause is binding on all Holders.

### 19 No Set-off by Holders

A Holder may not set off any amount due or arising to the Holder by the Company in respect of the Preference Shares against any amount due or arising to the Company by the Holder.

## 9. Additional Information

### 9.1 Documents available for inspection

The following documents may be viewed upon request at the registered offices of Macquarie and Macquarie Finance Limited and may also be viewed at Macquarie's principal office at No.1, 15 Martin Place, Sydney during normal business hours free of charge for 12 months after lodgment of this prospectus:

- the Preference Share Terms;
- the Trust Deed;
- the Supplemental Conditions Statements;
- the Macquarie Constitution;
- the material contracts described in section 9.2;
- ASIC modifications and exemptions; and
- consents to be named and consents to the inclusion of information.

### 9.2 Material contracts

A summary of the Trust Deed is contained in section 7 and the terms of issue of the Preference Shares are set out in section 8 of the Prospectus.

#### (a) Subscription Agreement

Under an agreement between Macquarie, Macquarie Finance Limited, the Trustee and the Underwriter dated 30 September 1999 (as amended on 14 October 1999), the Underwriter subscribed for Preference Shares with a total face value of \$200,000,000, issued to the Underwriter as initial holder of the Preference Shares, on 30 September 1999. The Underwriter also subscribed for Holder's Interests with a total face value of \$200,000,000, issued to the Underwriter as initial holder of the Holder's Interests, on 30 September 1999. The Underwriter paid the subscription price in respect of those securities on 30 September 1999.

The Underwriter also agreed to subscribe, on the Allocation Date, for such additional Preference Shares and Holder's Interests as is required to meet applications accepted by Macquarie and Macquarie Finance Limited under the Prospectus, up to a further 2,000,000 Preference Shares and 2,000,000 Holder's Interests. The Underwriter is required to pay the subscription price for such additional securities on the Allocation Date.

On the Allocation Date, the Underwriter must transfer Preference Shares and Holder's Interests unencumbered to applicants whose applications for Macquarie Income Securities have been accepted.

The subscription price for each Preference Share is \$100 and for each Holder's Interest is \$100.

The Subscription Agreement encapsulates the Underwriter's underwriting obligation. The Underwriter has agreed with Macquarie and Macquarie Finance Limited to underwrite the issue of Macquarie Income Securities for a total amount of \$200,000,000. Accordingly, if Applications for the Macquarie Income Securities are less than \$200,000,000, the Underwriter will retain any shortfall between successful Applications on the Allocation Date and the 2,000,000 Preference Shares and 2,000,000 Holder's Interests for which it has already subscribed.

Macquarie has agreed to indemnify the Underwriter and each of its Related Bodies Corporate and their respective directors, employees and agents ("**Deutsche Bank Group**") and to hold the Deutsche Bank Group harmless from and against all actions, claims, demands, proceedings, liabilities, losses, damages, costs and expenses (including reasonable legal costs and expenses) suffered or incurred by any member of the Deutsche Bank Group in connection with or arising out of:

- (i) the Underwriter's obligations under the Subscription Agreement. The indemnity includes liability for the Prospectus, liability resulting from any action taken by any party to the Subscription Agreement in connection with or arising under that agreement and liability resulting from the Underwriter having to transfer any Holder's Interests to Macquarie Finance Limited or any Preference Shares to Macquarie; and
- (ii) certain taxation events.

## 9. Additional Information (cont)

72

(b) **Procurement Agreement**

Under an agreement dated 30 September 1999, Macquarie and the Underwriter agreed that in consideration for Macquarie paying to the Underwriter an amount of \$100 per Note ("Payment Direction Amount") issued to the Trustee, the Underwriter would give a notice to the Trustee and Macquarie Finance Limited directing the Trustee to make the Payment Direction.

In consideration for Macquarie paying a Payment Direction Amount in respect of 2,000,000 Notes on 30 September 1999, the Underwriter gave, on that date, a notice to the Trustee and Macquarie Finance Limited directing the Trustee to make the Payment Direction in respect of those Notes.

In consideration for Macquarie paying a Payment Direction Amount in respect of the Notes issued to the Trustee on the Allocation Date, the Underwriter agreed to give, on the Allocation Date, a notice to the Trustee and Macquarie Finance Limited directing the Trustee to make the Payment Direction in respect of the Notes issued to the Trustee on the Allocation Date.

Macquarie has agreed to indemnify the Underwriter and to hold it harmless for any non-performance by the Trustee of the Payment Direction.

(c) **Fee Arrangements in Relation to Underwriting**

***Letter from Macquarie to Deutsche Bank AG***

A letter dated 30 September 1999 from Macquarie to Deutsche Bank AG set out the fees payable to the Underwriter for subscribing for 2,000,000 Macquarie Income Securities on 30 September 1999.

The fee comprises two elements, a funding fee and a shortfall fee.

The funding fee compensates the Underwriter for the cost of holding the Macquarie Income Securities from 30 September 1999 until the Allocation Date. These fees form part of the funding arrangements between Macquarie Deutsche Bank AG.

The shortfall fee is payable only in the event that Applications for less than 2,000,000 Macquarie Income Securities are received (excluding any shortfall in respect of firm allocations made to the Underwriter and approved Brokers (as agreed by the Underwriter and Macquarie)) and varies depending on the size of the shortfall.

**Letter from the Underwriter to Macquarie**

Macquarie has agreed to pay an underwriting fee of 1% for the underwritten amount of \$200,000,000 (comprising 2,000,000 Preference Shares and 2,000,000 Holder's Interests).

A management fee of 0.50% and a distribution fee of 1.25% of the total number of Macquarie Income Securities subscribed for by the Underwriter and accepted by Macquarie and Macquarie Finance Limited, by \$100 is to be shared equally by the Joint Lead Managers, Macquarie Equity Capital Markets Limited and Deutsche Securities Australia Limited.

**9.3 Section 1028 disclosure**

For the purposes of section 1028 of the Corporations Law, Macquarie and Macquarie Finance Limited state that:

- (a) they expressly reserve the right to accept or retain oversubscriptions up to a limit of \$200 million (ie \$400 million in total);
- (b) if oversubscriptions up to the limit of \$200 million were accepted or retained:
  - (i) the total assets of Macquarie would be \$21,150,000,000 on a consolidated basis;
  - (ii) the total liabilities of Macquarie would be \$19,999,000,000 on a consolidated basis,

in each case based on the pro-form balance sheet in section 4.

**9.4 ASIC Declarations and Exemptions and ASX Waivers**

ASIC has indicated its in principle approval to the following declarations and modifications under the Corporations Law:

Corporations Law Provision	Effect of relief
Sections 1020 and 1025	Modification to permit the Application Forms to be sent to Macquarie Shareholders to be personalised and to accompany, rather than be attached to, the Prospectus.
Sections 1023 and 1096	Modification to permit the issue, sale and transfer of Macquarie Income Securities without certificates or other documents being delivered to the Trustee or holders of Holder's Interests.
Section 1030(2), 1030(4) and 1030(6)	Modification to exempt Deutsche Securities Australia Limited from being deemed to be a director of Macquarie and Macquarie Finance Limited, from an obligation to sign the Prospectus and from being liable in that capacity.
Section 1054	Modification to remedy an inconsistency in the Corporations Law where Macquarie Finance Limited has only one member and is therefore not required to hold annual general meetings.
Class order 99/790	Modifications to allow certain differences between the electronic application form and the paper application form.

The declarations and exemptions are subject to various conditions that must be complied with for the relevant relief to continue to operate.

## Additional Information (cont)

74

### ASX waivers

The ASX has indicated that, upon an application by Macquarie for official quotation of Macquarie Income Securities the ASX will grant certain waivers or modifications from the requirements of the Listing Rules. In addition a quotation agreement will be entered into with ASX to enable quotation of the Holder's Interests.

Listing Rule	Result of Waiver/Effect of Confirmation
Guidance Note on stapled securities	Stapling provisions will be contained in the Trust Deed and terms of issue of the Preference Shares, but not in the constitution of Macquarie.
Listing rule 3.20	Modification so that the record date for Macquarie Shareholders to receive personalised Application Forms (and preference on allocation) is four Business Days after the announcement.
Listing Rule 6.5	In relation to the non-payment of dividends prior to a Payment Direction Event.
Listing Rule 8.10	Waiver to allow the refusal of transfers of Holder's or Preference Shares where not accompanied by a transfer of the other security to which it is stapled.
Listing Rule 10.11	Waiver to allow related parties of Macquarie to participate in the public offer, and in any priority offer to Macquarie Shareholders if the related party was a Macquarie Shareholder.

### 9.5 **Interests of promoters, experts and the directors of Macquarie and Macquarie Finance Limited**

#### **Interests of directors of Macquarie and Macquarie Finance Limited**

Directors of Macquarie and Macquarie Finance Limited are not required to hold any Macquarie Income Securities.

No director of Macquarie or Macquarie Finance Limited as at the date of this Prospectus is a beneficial holder of Macquarie Income Securities. However, directors of Macquarie and Macquarie Finance Limited may acquire Macquarie Income Securities under this Prospectus.

#### **Interests of Experts**

No expert or firm in which any expert is a partner or director has any interest in the promotion, or in property proposed to be acquired by Macquarie or Macquarie Finance Limited in connection with their formation or promotion, and no amounts, whether in cash or securities or otherwise, have been paid or agreed to be paid in the last two years by any person to any expert or to any firm in which any expert is a partner or director for services rendered by any expert or the firm in connection with the promotion or formation of Macquarie or Macquarie Finance Limited, except as set out below.

Mallesons Stephen Jaques has provided legal advice to Macquarie and Macquarie Finance Limited in respect of this Offer and in respect of other share issues and capital raisings, for which Mallesons Stephen Jaques were paid approximately \$700,000. Mallesons Stephen Jaques also act for the Macquarie Group generally.

PricewaterhouseCoopers has provided accounting advice to Macquarie and Macquarie Finance Limited in respect of this Offer for which PricewaterhouseCoopers were paid approximately \$32,000. PricewaterhouseCoopers is the independent auditor of Macquarie and Macquarie Finance Limited and has provided other services to the Macquarie Group over the past 2 years before the date of lodgment of this Prospectus.

PricewaterhouseCoopers Securities Limited has provided valuation advice to the directors of Macquarie and Macquarie Finance Limited which has been included, by way of reference, in this Prospectus for which PricewaterhouseCoopers Securities Limited was paid approximately \$12,000.

### 9.6 **Consents and Disclaimers**

None of Macquarie Equity Capital Markets Limited, PricewaterhouseCoopers, Macquarie Equities Limited, Deutsche Securities Australia Limited, Deutsche Bank AG, Trust Company of Australia Limited or Mallesons Stephen Jaques have authorised or caused the issue of the Prospectus.

Mallesons Stephen Jaques has given and has not before the issue of this Prospectus, withdrawn their written consent to the issue of this Prospectus with the inclusion in section 6 of their letter in the form and context in which it is included.

PricewaterhouseCoopers has given and has not, before the issue of this Prospectus, withdrawn their written consent to the issue of this Prospectus with the inclusion of references to the audited accounts of the Macquarie Group in the form and context in which they are included, before the issue of this Prospectus.

PricewaterhouseCoopers Securities Limited has given and not withdrawn its consent to the form and context of the reference to its valuation report dated 12 October 1999 included in this Prospectus. PricewaterhouseCoopers Securities Limited has not authorised or caused the issue of this Prospectus.

The following parties have given and have not, before the issue of this Prospectus, withdrawn their written consent to be named in this Prospectus in the following context in which they are named:

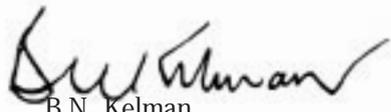
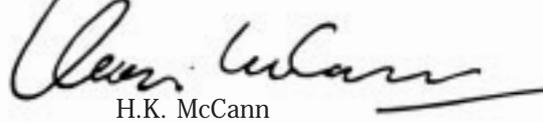
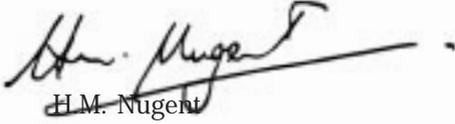
- Macquarie Equity Capital Markets Limited - as one of the Joint Lead Managers and as one of the Joint Structurers;
- Deutsche Securities Australia Limited - as the Underwriter, and as one of the Brokers to the Offer;
- Deutsche Bank AG - as one of the Joint Lead Managers and as one of the Joint Structurers;
- Macquarie Equities Limited - as one of the Brokers to the Offer;
- Mallesons Stephen Jaques - as Legal Advisers;
- Trust Company of Australia Limited - as trustee of the Macquarie Income Securities Trust;
- PricewaterhouseCoopers - as auditors for Macquarie and Macquarie Finance Limited; and
- PricewaterhouseCoopers Securities Limited - as expert providing the valuation report referred to in section 6.

## 10. Directors' Authorisation

This Prospectus has been signed by each of the Directors of Macquarie Bank Limited and Macquarie Finance Limited (or their authorised representative) as required by the Corporations Law.

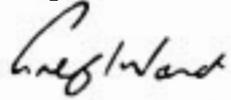
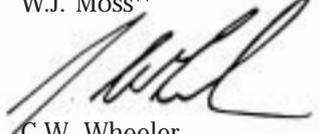
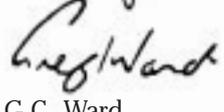
76

### Macquarie Bank Limited

 D.S. Clarke*	 A.E. Moss
 B.N. Kelman	 J.G. Allpass
 L.G. Cox*	 M.R.G. Johnson*
 B.R. Martin*	 H.K. McCann
 H.M. Nugent	

\* by his agent, Allan Edward Moss, duly authorised in writing.

### Macquarie Finance Limited

 W.J. Moss**	 H.G. Munro
 C.W. Wheeler	 G.C. Ward

\*\* by his agent, Gregory Colin Ward, duly authorised in writing.

# Glossary

The following is a glossary of the terms used in this Prospectus. There is also a list of defined terms that are used in sections 7 and 8 at the start of those sections. Terms similar to those defined, but used in a different grammatical sense, are to be read as having a corresponding meaning unless the contrary intention appears. Where a term is defined in either section 7 or 8 and also in this glossary, the definition in section 7 or 8 (as the case may be) applies in respect of the use of that defined term in that section.

<b>Allocation Date</b>	means the date on which the Underwriter transfers Macquarie Income Securities to investors in accordance with their applications, on the terms and conditions of the Prospectus.	77
<b>Application</b>	a valid application made on the conditions set out in this Prospectus to purchase a specified number of Macquarie Income Securities.	
<b>Application Form</b>	each form attached to (or accompanying) this Prospectus upon which an offer to purchase Macquarie Income Securities must be made.	
<b>Application Monies</b>	the monies payable on Application, being the product of multiplying the number of Macquarie Income Securities applied for by \$100.	
<b>Application Price</b>	the purchase price for a Macquarie Income Security under this Offer, being \$100.	
<b>APRA</b>	Australian Prudential Regulation Authority or any other authority responsible for prudential supervision or regulation of banks in Australia, as applicable.	
<b>ASIC</b>	Australian Securities and Investments Commission.	
<b>ASX</b>	Australian Stock Exchange Limited (ACN 008 624 691).	
<b>Banking Act</b>	Banking Act 1959 (Commonwealth).	
<b>Base Interest Rate</b>	the average mid rate for 90 day bank bills expressed as a percentage per annum (rounded upwards to two decimal places) which average rate is displayed at 10.10 am (Sydney time) on the page of the Reuters Monitor System designated "BBSW" on the first Business Day of each Interest Period or if there is a manifest error in the calculation of that rate or that rate is not displayed by 10.30 am (Sydney time) on that date the rate specified in good faith by Macquarie Finance Limited at or around that time on that date having regard, to the extent possible, to: <ul style="list-style-type: none"><li>(a) the rates otherwise bid and offered for 90 day bank bills or for funds of that tenor, at or around the time (including, without limitation, the sets of bid and offer rates for Bills of that tenor displayed on that page "BBSW" at that time on that date; or</li><li>(b) if bid and offer rates for 90 day bank bills are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time.</li></ul>	

# Glossary (cont)

78

## **Base Dividend Rate**

means the rate, expressed as a yield per cent per annum, (rounded upwards to two decimal places) calculated as the quoted average 180 day swap reference rates at 10.10 am (Sydney time) on the Australian bank bill reference rates (BBSW) page AFRP of the AFMA Service on Bloomberg (or any page which replaces that page):

- (a) in the case of the first Distribution Period (as defined in section 8), on the Allocation Date;
- (b) in the case of any subsequent Distribution Period, on the first Business Day of each Distribution Period.

Or if there is a manifest error in the calculation of that rate or that rate is not displayed by 10.30 am (Sydney time) on that date the rate specified in good faith by the Company at or around that time on that date having regard, to the extent possible, to:

- (c) the rates otherwise bid and offered for 180 day swaps or for funds of that tenor, at or around that time; or
- (d) if bid and offer rates for 180 day swaps are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time.

## **Board**

the board of voting directors of Macquarie from time to time.

## **BPAY**

a means of electronic funds transfer used by certain banks and their customers, which may be accessed either by telephone or online.

## **Brokers to the Offer**

the broker listed as such at the back of this Prospectus.

## **BTIB**

the investment banking business of Bankers Trust Australia as described in section 4.

## **Business Day**

a day on which banks are open for general banking business in Sydney, other than a Saturday or a Sunday or public holiday in that place and which is also a business day for the purposes of the Listing Rules.

## **Capital Event**

the determination by Macquarie to the effect that, as a result of:

- (a) the introduction of, or an amendment or clarification to or change in (or announcement of a prospective introduction of, amendment or clarification to or change in):
  - (i) a law or regulation of the Commonwealth of Australia or any State, Territory or other political subdivision thereof or therein; or
  - (ii) any directive, order, requirement, guideline or statement (whether or not having the force of law) of APRA or any other central bank or government or governmental, fiscal, monetary, supervisory or other authority in Australia or elsewhere (any such central bank, government or authority to be for the purpose of this definition an "Authority"); or

(b) any statement, notification or advice by APRA or an Authority or a decision by any court, interpreting, applying or administering any such law, regulation, directive, order, requirement, guideline or statement,

which occurs on or after the Issue Date, there is a risk that the Group is not or will not be entitled to include as "Tier 1 Capital" (or the then equivalent thereof) an amount specified in the Supplemental Conditions Statement for the Macquarie Income Security for the purposes of the capital adequacy directives, requirements, guidelines or statements of APRA, as then in effect and applicable to the Group (other than merely because the total capital raised by Macquarie Income Securities then on issue exceeds the aggregate amount which APRA is prepared to allow the Group at that time to treat as Tier 1 Capital).

<b>CHESS</b>	Clearing House Electronic Subregister System.
<b>Closing Date</b>	the last day on which Application Forms will be accepted.
<b>Converting Preference Shares</b>	the converting preference shares issued by Macquarie, the issue of which was approved by shareholders of Macquarie in general meeting on 18 August 1999.
<b>Dividend Rate</b>	the rate which is the Base Dividend Rate plus 1.70% per annum except for the period ending on 15 January 2003, during which the rate is the greater of 7.25% per annum and the Base Dividend Rate plus 1.70% per annum.
<b>Dividend Record Date</b>	means in relation to a dividend the date being 11 days before the relevant Payment Date.
<b>Encumbrance</b>	any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement and any other security agreement or security arrangement or any other arrangement having the same effect as any of the foregoing of whatsoever nature other than liens arising by operation of law and " <b>Encumbered</b> " is to be construed accordingly.
<b>Holder's Interest</b>	means, with respect to a Note, the entire beneficial interest in the Note.
<b>Initial Holder</b>	the Underwriter as the person entered or to be entered in the register as the initial holder of Holder's Interests and Preference Shares.
<b>Interest Accrual Date</b>	the date on which the Holder's Interests are transferred to investors in accordance with this Prospectus.
<b>Interest Payment Date</b>	15 January, 15 April, 15 July, 15 October in each year, or where that day is not a Business Day, the next Business Day.

## Glossary (cont)

80

<b>Interest Period</b>	a period of 3 months commencing on each Interest Payment Date and concluding on the next succeeding Interest Payment Date provided that the first Interest Period commences on the Interest Accrual Date and terminates on the next Interest Payment Date.
<b>Interest Rate</b>	for the Interest Period commencing on the Interest Accrual Date and ending on 15 January 2003 will be a rate which is the greater of 7.25 per cent per annum (or such other rate as may be agreed by the Underwriter, Macquarie Finance Limited and Macquarie before the Interest Accrual Date) and the floating rate being the aggregate of the Bank Interest Rate and the Margin as determined on the first Business Day of each Interest Period and for each subsequent Interest Period a floating rate being the aggregate of the Bank Interest Rate and the Margin as determined on the first Business Day of each Interest Period.
<b>Issue Amount</b>	means for a Series or Tranche of Notes, the aggregate principal amount on issue of Notes in that Series or Tranche as specified in the Supplemental Conditions Statement.
<b>Issue Date</b>	in respect of a Note, means the date specified as such in the Register (as defined in section 7) with respect to that Note.
<b>Issuers</b>	Macquarie Bank Limited and Macquarie Finance Limited.
<b>Joint Lead Managers</b>	Macquarie Equity Capital Markets Limited and Deutsche Bank AG.
<b>Liquidation Event</b>	means in relation to a corporation any of the following events (except where the event is for the purpose of a solvent reconstruction or amalgamation consented to by the Trustee, such consent not to be unreasonably withheld): <ol style="list-style-type: none"><li>a proceeding commenced by the corporation for an order that it be dissolved, wound-up or liquidated or for the appointment of a provisional liquidator or administrator of the corporation;</li><li>a proceeding for an order of a kind described in paragraph (a) is commenced by any other person and such proceeding is not discontinued or dismissed within 30 days of having been served on the corporation;</li><li>a liquidator, provisional liquidator or administrator is appointed to the corporation and such appointment is not revoked or set aside within 30 days of such appointment; or</li><li>a receiver or receiver and manager is appointed to the whole or substantially the whole of the corporation's property in the exercise of an Encumbrance and such appointment is not revoked or set aside within 30 days of appointment.</li></ol>

<b>Listing Rules</b>	means the Official Listing Rules of ASX from time to time with any modification or waivers in their application to Macquarie which ASX may grant.	81
<b>Macquarie</b>	Macquarie Bank Limited (ACN 008 583 542).	
<b>Macquarie Constitution</b>	the constitution of Macquarie, as amended from time to time.	
<b>Macquarie Finance Limited</b>	Macquarie Finance Limited (ACN 001 214 964).	
<b>Macquarie Group</b>	Macquarie and its Related Bodies Corporate.	
<b>Macquarie Income Security</b>	a Preference Share and a Holder's Interest which are stapled together.	
<b>Macquarie Shareholders</b>	holders of ordinary shares in Macquarie.	
<b>Margin</b>	1.7 per cent per annum (or such other rate as may be agreed by the Underwriter, Macquarie and Macquarie Finance Limited before the Interest Accrual Date).	
<b>Moneys Owing</b>	in respect of a Note means its outstanding Principal Amount, any interest payable on it and any other moneys payable in respect of it.	
<b>Note</b>	means a direct, unsecured obligation of Macquarie Finance Limited, having a Denomination specified in this Prospectus and having no fixed maturity date.	
<b>Offer</b>	the invitation to members of the public made by this Prospectus to make an Application to purchase Macquarie Income Securities.	
<b>Ordinary Share</b>	an ordinary share in the capital of Macquarie.	
<b>Payment Dates</b>	in relation to a dividend means 15 January and 15 July in each calendar year.	
<b>Payment Direction</b>	means the irrevocable payment direction to Macquarie Finance Limited by the Trustee to pay to Macquarie amounts due to it under the Notes in accordance with the Trust Deed.	
<b>Payment Direction Event</b>	means: <ul style="list-style-type: none"> <li>(a) a Liquidation Event occurs in relation to Macquarie or Macquarie Finance Limited;</li> <li>(b) Macquarie or Macquarie Finance Limited acknowledges in writing that it is unable to pay its debts within the meaning of the Corporations Law;</li> <li>(c) at any time, Macquarie gives notice in writing to the Trustee stating that it requires all Moneys Owing in respect of the Notes be paid to it as they become due; or</li> <li>(d) APRA determines in writing that Macquarie has a Tier 1 Capital Ratio of less than 5 per cent or a Total Capital Adequacy Ratio of less than 8 per cent.</li> </ul>	
<b>Performance Guarantee</b>	means the guarantee given by Macquarie on the terms of schedule 3 of the Trust Deed, the terms of which are summarised in section 7.	

## Glossary (cont)

82

<b>Preference Share</b>	a non-cumulative preference share in the capital of Macquarie, the terms of issue of which are set out in section 8.
<b>Preference Shareholders</b>	holders of Preference Shares.
<b>Preference Share Terms</b>	the terms of issue on which the Preference Shares are issued to investors under this Prospectus.
<b>Prospectus</b>	this document setting out the terms and conditions on which Applications are invited.
<b>Purchase Price</b>	the purchase price for a Macquarie Income Security under this Offer, being \$100.
<b>Record Date</b>	for a payment of Moneys Owing means the date being 11 Business Days before the date on which the payment in question becomes due.
<b>Registry</b>	Computershare Registry Services Pty Ltd, GPO Box 7045, Sydney NSW, 1115
<b>Related Body Corporate</b>	has the meaning given to that term by sections 9 and 50 of the Corporations Law.
<b>Repurchase</b>	in relation to a Macquarie Income Security, means to repurchase the Preference Share and Holder's Interest which is stapled to such share by: <ul style="list-style-type: none"><li>(a) in relation to a Holder's Interest, redeeming the Note to which the Holder's Interest relates;</li><li>(b) in relation to a non-dividend paying Preference Share, redeeming; and</li><li>(c) in relation to a dividend paying Preference Share, redeeming, buying back, or reducing capital on that Preference Share.</li></ul>
<b>Securities Event</b>	the receipt by Macquarie or Macquarie Finance Limited of an opinion from a reputable legal counsel experienced in such matters to the effect that, as a result of: <ul style="list-style-type: none"><li>(a) any amendment to, clarification of or change (including any announced prospective change) in, any law or regulation thereunder affecting the securities laws of Australia; or</li><li>(b) any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations,</li></ul> which amendment, clarification or change is effective or such pronouncement, action or decision is announced on or after the Issue Date, Macquarie or Macquarie Finance Limited will be subject to additional requirements in relation to the Preference Shares, the Notes or the Macquarie Income Securities which Macquarie determines, at its sole discretion, to be unacceptable.

<b>Series</b>	Notes which have identical terms except for their Issue Date and Issue Amount.	83
<b>Stapling</b>	the linking together of the transfer rights and obligations which attach to a Macquarie Income Security.	
<b>Supplemental Conditions Statement</b>	means in respect of a Series or Tranche of Notes, a statement in the form of schedule 5 of the Trust Deed giving particulars of that Series or Tranche.	
<b>Tax</b>	all kinds of taxes, duties, imposts, deductions and charges imposed by a government, together with interest and penalties.	
<b>Tax Event</b>	<p>means the receipt by Macquarie or Macquarie Finance Limited of an opinion from a reputable legal counsel or other tax adviser in Australia, experienced in such matters to the effect that, as a result of:</p> <ul style="list-style-type: none"> <li>(a) any amendment to, clarification of, or change (including any announced prospective change) in, the laws of Australia or any political subdivision or taxing authority thereof or therein affecting taxation;</li> <li>(b) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) ("<b>Administrative Action</b>"); or</li> <li>(c) any amendment to, clarification of, or change in, the pronouncement that provides for a position with respect to an Administrative Action that differs from the position that was previously generally accepted, <ul style="list-style-type: none"> <li>(in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known), which is effective or announced on or after the Issue Date, there is more than an insubstantial risk that Macquarie or Macquarie Finance Limited:</li> </ul> </li> <li>(d) would be exposed to more than a de minimis increase in its costs in relation to the Macquarie Income Securities, the Notes or the Preference Shares as a result of increased taxes, duties or other government charges or civil liabilities; or</li> <li>(e) would forgo a more than de minimis return by maintaining, or it is otherwise not desirable for it to maintain, the Macquarie Income Securities, the Notes or the Preference Shares.</li> </ul>	

## Glossary (cont)

84

<b>Tier 1 Capital</b>	the capital which is regarded as "tier 1 capital" for the purposes of the capital adequacy guidelines of APRA.
<b>Tier 1 Capital Ratio</b>	means the Tier 1 Capital ratio of Macquarie either as reported quarterly by Macquarie to APRA or as determined from time to time by APRA in its absolute discretion.
<b>Total Capital Adequacy Ratio</b>	means the total capital adequacy ratio of Macquarie either as reported quarterly by Macquarie to APRA or as determined from time to time by APRA in its absolute discretion.
<b>Tranche</b>	means Notes of the same Series which have the same Issue Date.
<b>Trust Deed</b>	means the Macquarie Income Securities Trust Deed dated 30 September 1999 as amended and reinstated on or about 13 October 1999 between Macquarie Finance Limited, Trust Company of Australia Limited (ACN 004 027 749) and Macquarie.
<b>Trustee</b>	means Trust Company of Australia Limited (ACN 004 027 749) as initial trustee of the Macquarie Income Securities Trust or any successor trustee appointed in accordance with the Trust Deed.
<b>Underwriter</b>	Deutsche Securities Australia Limited (ACN 003 204 368).
<b>Year</b>	a financial year of Macquarie.

# Corporate Directory

Macquarie Bank Limited  
ACN 008 583 542

*Directors*

D.S. Clarke, AO, Executive Chairman  
A.E. Moss, Managing Director  
and Chief Executive Officer  
B.N. Kelman, AO, CBE, Deputy Chairman  
J.G. Allpass  
L.G. Cox, AO  
M.R.G. Johnson  
B.R. Martin  
H.K. McCann  
H.M. Nugent

*Registered Office*

Level 9, National Mutual Centre  
15 London Circuit  
Canberra ACT 2600  
Telephone: (02) 6274 0777

*Internet website* <http://www.macquarie.com.au>

*Secretaries*

D. Leong (*Macquarie Bank Limited and Macquarie Finance Limited*)  
D.R.F. Hunt (*Macquarie Finance Limited*)

*Trustee*

Trust Company of Australia Limited  
80-84 New South Head Road  
Edgecliff NSW 2027

*Registry*

Computershare Registry Services Pty Ltd\*\*  
GPO Box 7045  
Sydney NSW 1115

*Legal Advisers*

Mallesons Stephen Jaques  
Level 28, North Rialto  
525 Collins Street  
Melbourne VIC 3000

*Auditors (Macquarie Bank Limited and Macquarie Finance Limited)*

PricewaterhouseCoopers  
Chartered Accountants  
201 Sussex Street  
Sydney NSW 2000

*Joint Lead Manager and  
Joint Structurer*

Macquarie Equity Capital  
Markets Limited  
Level 8  
No.1 Martin Place  
Sydney NSW 2000

*Joint Lead Manager and  
Joint Structurer*

Deutsche Bank AG  
Level 18  
225 George Street  
Grosvenor Place  
Sydney NSW 2000

*Underwriter*

Deutsche Securities  
Australia Limited  
Level 18  
225 George Street  
Grosvenor Place  
Sydney NSW 2000

Macquarie Finance Limited  
ACN 001 214 964

*Directors*

W.J. Moss  
H.G. Munro  
G.C. Ward  
C.W. Wheeler

*Registered Office*

Level 15  
No. 1 Martin Place  
Sydney NSW 2000

# Corporate Directory (cont)

## Brokers to the Offer

92

### **Macquarie Equities Limited\***

(ACN 002 574 923)

#### SYDNEY

Level 3, No.1 Martin Place  
Sydney NSW 2000  
Freecall: 1800 815 099

#### MELBOURNE

Level 23, 101 Collins St  
Melbourne VIC 3000  
Freecall: 1800 623 414

#### CHATSWOOD

Cnr Victoria Ave & Victor St  
Chatswood NSW 2067  
Freecall: 1800 336 368

### **Macquarie Porter Western\***

#### PERTH

Level 3, 30 The Esplanade  
Perth WA 6000  
Tel: 08 9422 2828

### **Macquarie Day Cutten\***

#### ADELAIDE

1st Floor, West Wing  
50 Grenfell Street  
Adelaide SA 5000  
Freecall: 1800 810 718

#### MT GAMBIER

Tel: 08 8724 9544

### **Macquarie Nevitts\***

#### BRISBANE

Level 12, Comalco Place  
12 Creek Street  
Brisbane QLD 4000  
Freecall: 1800 640 257

#### TOWNSVILLE

Tel: 07 4771 6089

#### TOOWOOMBA

Tel: 07 4639 2588

#### BUDERIM

Tel: 07 5445 2822

#### CAIRNS

Tel: 07 4051 2922

#### SOUTHPORT

Tel: 07 5532 8955

#### BURLEIGH HEADS

Tel: 07 5576 1044

#### NOOSA

Freecall: 1800 068 927

#### NATIONAL SENIORS

Tel: 07 3221 2140

### **Deutsche Securities Australia Limited**

#### SYDNEY

Level 18  
225 George Street  
Grosvenor Place  
Sydney NSW 2000  
Tel: 02 9258 1234  
Freecall: 1800 816 550

#### MELBOURNE

Level 23  
333 Collins Street  
Melbourne VIC 3000  
Tel: 03 9270 4400  
Freecall: 1800 064 157

#### BRISBANE

Level 2  
307 Queen Street  
Brisbane QLD 4000  
Tel: 07 3228 1330  
Freecall: 1800 627 704

[\*] These entities have not been involved in preparation of any part of this Prospectus. Their names are included for information purposes only.

[\*\*] This entity has not been involved in the preparation of any part of this Prospectus and has not consented to be named in the Prospectus. Its name is included for information purposes only.