

Nexus3

Deutsche

Nexus3 Notes Prospectus

Interest is payable quarterly at the 90 day Bank Bill Rate plus 2.75% per annum.

Principal and interest on Nexus3 Notes may be reduced in certain circumstances as set out in this Prospectus.

Nexus3 Notes are classified as unsecured notes for the purposes of section 283BH of the Corporations Act.

Issuer

Nexus Bonds Limited

ABN 23 101 744 389

Arranger

Deutsche Bank AG

ABN 13 064 165 162

AFS Licence 238153

Joint Lead Managers

ABN AMRO Morgans Limited

ABN 49 010 669 726

AFS Licence 235410

Grange Securities Limited

ABN 12 066 797 760

AFS Licence 246572

Deutsche Bank



Important information

Nexus Bonds Limited (Nexus) is the issuer of the Nexus3 Notes described in this Prospectus. Deutsche Bank (AFS Licence 238153) is arranging the issue of Nexus3 Notes by Nexus. The issue of Nexus3 Notes will be made pursuant to arrangements which constitute 'intermediary authorisations' for the purposes of Section 911A(2)(b) of the Corporations Act.

Note to investors

The repayment of your principal, payment of interest and the performance of Nexus, each as described in this Prospectus, are not guaranteed by Deutsche Bank, nor any related parties or associates of Deutsche Bank. Neither Deutsche Bank nor any of its related parties or associates makes any representation or gives any guarantee or assurance as to the performance of Nexus, the payment of interest on Nexus3 Notes, the repayment of amounts invested or any particular rate of overall return. Nexus3 Notes do not represent a deposit or any other type of liability of Deutsche Bank or any related parties or associates of Deutsche Bank. Nexus3 Notes are subject to investment risk, including possible delays in repayment, early redemption, reduced income and loss of principal invested.

Deutsche Bank has entered into certain arrangements with Nexus, which are described in this Prospectus.

None of Permanent Nominees (Aust.) Ltd (ACN 000 154 441), Computershare Investor Services Pty Limited (ABN 48 078 279 277), any of the Joint Lead Managers, or any of their related parties or associates makes any representations or gives any guarantee or assurance as to the performance of Nexus, the payment of interest on Nexus3 Notes, the repayment of amounts invested or any particular rate of overall return.

Standard & Poor's and Deutsche Bank's ratings

The rating to be assigned by Standard & Poor's to Nexus3 Notes will be based on current information furnished to Standard & Poor's by or on behalf of Nexus or obtained by Standard & Poor's from other sources it considers reliable. The ratings assigned by Standard & Poor's to certain of the Portfolio Companies (and the internal ratings assigned by Deutsche Bank (see Section 1.7) to all Portfolio Companies) are based on information obtained by Standard & Poor's (or Deutsche Bank) from sources it considers reliable.

Neither Standard & Poor's nor Deutsche Bank performs an audit in connection with any rating and each of them may, on occasion, rely on unaudited financial information. Any rating may be changed, suspended or withdrawn at any time as a result of changes in, or unavailability of, such information, or based on other circumstances.

The rating assigned by Standard & Poor's to Nexus3 Notes is not a recommendation to buy, hold or sell Nexus3 Notes in as much as it does not comment as to market price or suitability for a particular investor.

This Prospectus

This Prospectus is dated 3 November 2004 and was lodged with ASIC on 3 November 2004. ASIC takes no responsibility for the contents of this Prospectus. No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Jurisdiction

No action has been taken to register or qualify Nexus3 Notes or the Offer, or otherwise permit a public offering of Nexus3 Notes, in any jurisdiction outside Australia. This Prospectus does not constitute an offer to any person to whom, or in any place in which, it would be unlawful to make such an offer. The distribution of this Prospectus in any jurisdiction 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 applicable securities laws.

By making an Application, the applicant warrants to Nexus and Deutsche Bank that it is lawful for this invitation to be made to the applicant and for the applicant to subscribe for Nexus3 Notes under this Prospectus.

Availability of Prospectus

This Prospectus, without the Application Forms, will be made available during the exposure period by being posted on Nexus' website at www.nexusbonds.com.au/prospectus.html. The exposure period commences on the date of this Prospectus and will be for seven days, although it may be extended by a further seven days up to 14 days. Paper copies of this Prospectus including the Application Forms are available free of charge during the Offer Period by calling

the Arranger or one of the Joint Lead Managers (see page 93 for their contact numbers), or the information line on 1800 101 185.

Nexus is prohibited from processing Applications during the exposure period. Applications received during the exposure period will not be processed until after the expiry of this period.

Defined words

Certain capitalised words used in this Prospectus have defined meanings. A Glossary of these terms appears at pages 84 to 89. References to \$ are to Australian dollars.

Amounts

Nexus intends to raise up to \$35.0 million by the issue of Nexus3 Notes, with the ability to accept over-subscriptions of up to a further \$20.0 million. There is no minimum issue amount.

Various defined terms used in this Prospectus are linked to the amount raised from the Offer (i.e. the Principal Amount of Nexus3 Notes actually issued). These include the Maximum Portfolio Size and the Protection Amount (each as defined in the Glossary). If the amount raised from the Offer is more or less than \$35.0 million, each of these amounts will increase or decrease proportionately (see Section 1.8 from page 11).

Risks of investing

The terms of Nexus3 Notes, and a discussion of the risks associated with investing in Nexus3 Notes, are described in this Prospectus. These include the risk of interest and the Principal Amount of Nexus3 Notes being reduced or not payable or repayable at all (see Sections 2.20, 5.7 and 5.8). Potential investors should read the whole of this Prospectus carefully (including Section 6). This Prospectus does not take into account the investment objectives, financial situation and particular needs of each potential investor. It is recommended that, before making a decision to apply for Nexus3 Notes, you consult your broker or licensed financial services adviser.

ASX quotation

Application will be made for the quotation of Nexus3 Notes on ASX within seven days from the date of this Prospectus. ASX takes no responsibility for the contents of this Prospectus.

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Key offer information

Name of security	Nexus3 Notes.
Issuer	Nexus Bonds Limited.
Issue Price	\$100 per Nexus3 Note.
Minimum investment	\$10,000 (100 Nexus3 Notes) and thereafter in multiples of \$1,000 (10 Nexus3 Notes).
Offer opens	15 November 2004.
Closing Date	10 December 2004.
Issue Date	14 December 2004.

These dates are indicative only and may change. The Arranger has the right to close the Offer early, extend the Closing Date or withdraw the Offer, in each case without notice. Potential investors who wish to apply for Nexus3 Notes are encouraged to submit their Application Form as soon as possible after the Offer opens (see Section 3 for detailed information on how to apply for Nexus3 Notes).

Any questions?

Answers to key questions in relation to Nexus3 Notes are set out in Section 2.

You should read this Prospectus in full. You should consult your broker or licensed financial services adviser before making a decision to apply for Nexus3 Notes.

If you have further questions about the Offer, please call one of the Joint Lead Managers on the telephone numbers set out below or the information line on 1800 101 185 (Monday to Friday 8.30am to 5.00pm Sydney time).

Joint Lead Managers	Phone
ABN AMRO Morgans Limited	1800 777 946
Grange Securities Limited	1800 634 636

Letter to investors

Dear Investor

It is my pleasure to invite you to participate in the latest offering from Nexus Bonds Limited, Nexus3 Notes, which is arranged by Deutsche Bank.

Nexus Bonds Limited was established in 2002 and has successfully issued two ASX listed collateralised debt obligation (CDO) investment products linked to separate underlying portfolios, Nexus Yield Bonds (Nexus1 Notes – ASX code NXBHA) and Nexus Portfolio Linked Floating Rate Notes (Nexus2 Notes – ASX code NXBHB).

The offer of Nexus3 Notes, as with the previous two Nexus offers, continues to take advantage of Deutsche Bank's global reach and extensive experience in arranging innovative investment opportunities, including CDO investment products. Deutsche Bank currently holds International Financing Review magazine's 'CDO House of the Year' (2003) award, as well as other industry accolades.

Nexus3 Notes are designed to deliver the following key features:

- a floating rate return of 2.75% per annum above the 90 day Bank Bill Rate;
- on issue, a BBB+ rating from Standard & Poor's;
- a 6 year term, although Nexus3 Notes may be redeemed early or repaid late in certain circumstances;
- an investment based on debt obligations owed to the Deutsche Bank Group;
- the ability to trade Nexus3 Notes on ASX; and
- no entry, exit or management fees payable by Noteholders to Nexus.

The Directors believe Nexus3 Notes provide an opportunity for investors to access an attractive yield in an investment product rated BBB+ on issue by Standard & Poor's. See Section 6 for a discussion of the risks associated with investing in Nexus3 Notes.

The size of this third offer is limited and the Closing Date may be varied without notice. Accordingly, if you wish to apply for Nexus3 Notes, I recommend you contact one of the Joint Lead Managers or your licensed financial services adviser as soon as possible.

Yours sincerely



Richard Nettleton
Chairman
Nexus Bonds Limited

Nexus3 Notes at a glance

This table sets out information about Nexus3 Notes at a glance, and is designed to assist your review of the information set out in further detail in this Prospectus. You should read this Prospectus in full. Certain capitalised words have the defined meanings set out in the Glossary at pages 84 to 89.

Topic	Summary	More information
Type of security	Nexus3 Notes are a collateralised debt obligation (CDO) investment product. Nexus3 Notes are classified as unsecured notes for the purposes of section 283BH of the Corporations Act.	Section 1.1
Term	6 years. Nexus3 Notes may be redeemed early, or the repayment date may be extended, in certain circumstances.	Sections 2.27 and 5.5
Interest rate	Floating interest rate equal to the 90 day Bank Bill Rate plus 2.75% per annum. The 90 day Bank Bill Rate is set on the first day of each quarterly interest period.	Section 1.3
Interest Payment Dates	Interest is payable quarterly in arrears, commencing three months after the Issue Date.	Section 1.3
Rating of Nexus3 Notes	On issue, a BBB+ rating from Standard & Poor's.	Sections 1.1, 2.14 to 2.17 (and the table on page 25)
ASX quotation	Nexus will apply for official quotation of Nexus3 Notes on ASX within 7 days of the date of this Prospectus. The anticipated date of ASX quotation is 20 December 2004 ¹ .	Section 3.7
Fees payable to Nexus	There are no entry, exit or management fees payable by Noteholders to Nexus.	Sections 3.4 and 3.10
Use of proceeds	Proceeds raised from the issue of Nexus3 Notes will be placed on deposit with Deutsche Bank.	Section 2.7

¹ This date is indicative only and may change. The Arranger has the right to close the Offer early, extend the Closing Date or withdraw the Offer, in each case without notice.

Topic	Summary	More information
Exposure to an underlying portfolio	<p>Nexus3 Notes expose Noteholders to the creditworthiness of at least 100 international and Australian companies via their Debt Obligations included in the Portfolio.</p> <p>The maximum size of the Portfolio is \$1.5 billion². All of the Debt Obligations in the Portfolio are required to be senior (secured or unsecured) Debt Obligations owed to the Deutsche Bank Group and originally approved under Deutsche Bank's standard credit policies and guidelines.</p> <p>As Debt Obligations are repaid or the amounts of Debt Obligations are otherwise reduced, Deutsche Bank is able to Replenish the Portfolio by adding further Debt Obligations, subject to defined eligibility criteria and other conditions.</p>	Sections 1.1 and 1.5 to 1.8
Payment of principal and interest	<p>Interest will be payable to Noteholders on the outstanding principal amount of Nexus3 Notes.</p> <p>The principal amount invested will only reduce to the extent that losses on the Portfolio exceed the \$59.1 million² Protection Amount, which is 3.94% of the total initial size of the Portfolio.</p>	Sections 1.2, 1.3, 2.20, 5.7 and 5.8
Key risks	<p>Nexus3 Notes are subject to investment risks, which may result in possible delays in repayment, early redemption and the reduction or loss of principal and interest. The key risks relate to the creditworthiness of the Portfolio Companies and Deutsche Bank. These and other risks are set out in this Prospectus.</p>	Section 6
Taxation	<p>This Prospectus includes a tax opinion which summarises, in broad terms, the main income tax consequences to certain investors arising from an acquisition of Nexus3 Notes.</p>	Section 7
Arrangements with service providers	<p>Nexus' key service providers in connection with Nexus3 Notes include Deutsche Bank, Permanent and Computershare. Nexus has entered into arrangements with each of them for the purpose of the ongoing administration of Nexus3 Notes.</p>	Section 8
Other information	<p>This Prospectus also sets out additional information on the business and financial position of Nexus, its board of directors, and the interests of, and fees payable to, the directors and certain other persons named in this Prospectus. Answers to key questions are set out in Section 2.</p>	Sections 2 and 9

² If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

Section 1

Investment summary

This Section 1 sets out a summary of the Offer and the terms of Nexus3 Notes.

This information is a summary only. You should read this Prospectus in full. You should consult one of the Joint Lead Managers or your broker or licensed financial services adviser before making a decision to apply for Nexus3 Notes.

1.1 General

Offer structure

Nexus intends to issue up to 350,000 Nexus3 Notes at \$100 each to raise up to \$35.0 million, with the ability to accept over-subscriptions of up to a further \$20.0 million. There is no minimum issue amount.

Applications must be for a minimum investment of \$10,000 (100 Nexus3 Notes at \$100 each). Additional investments must be in multiples of \$1,000 (10 Nexus3 Notes).

Issuer

Nexus Bonds Limited.

Key characteristics

Nexus3 Notes are debt securities that pay interest quarterly in arrears at a floating rate equal to the 90 day Bank Bill Rate plus 2.75% per annum. The 90 day Bank Bill Rate is set on the first day of each quarterly interest period. Nexus3 Notes may be subject to early redemption or late repayment in certain circumstances (see Sections 2.27 and 5.5).

Nexus is able to pay the return on Nexus3 Notes through the use of a financial instrument that exposes Noteholders to the creditworthiness of a diversified group of at least 100 international and Australian companies via their senior (secured or unsecured) Debt Obligations included in the Portfolio, which has a maximum size of \$1.5 billion³.

If losses arising on the Portfolio exceed the \$59.1 million³ Protection Amount (see Section 1.6), then interest and the Principal Amount of Nexus3 Notes will be reduced or not payable or repayable at all, as set out in this Prospectus (see Sections 2.20, 5.7 and 5.8).

Nexus3 Notes are classified as unsecured notes for the purposes of section 283BH of the Corporations Act.

Rating of Nexus3 Notes

It is expected that Nexus3 Notes will be assigned a BBB+ credit rating by Standard & Poor's on issue, which is an Investment Grade rating (see Sections 2.13 to 2.17). If this rating is not assigned before Nexus3 Notes are issued, Nexus3 Notes will not be issued and all application money will be refunded without interest.

³ If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

The rating assigned by Standard & Poor's to Nexus3 Notes is not a recommendation to buy, sell or hold the securities and may be subject to change, suspension or withdrawal at any time by Standard & Poor's.

Copies of the Standard & Poor's rating report in respect of Nexus3 Notes are expected to be available from Standard & Poor's shortly after the Offer opens on 15 November 2004.

Use of proceeds

Proceeds raised from the issue of Nexus3 Notes will be deposited with Deutsche Bank (see Section 2.7).

ASX quotation

Nexus will apply for official quotation of Nexus3 Notes on ASX.

1.2 Principal

Principal Amount

\$100.

The Principal Amount of Nexus3 Notes repayable to Noteholders is dependent on the performance of the Portfolio and may be reduced, or not repayable at all, if losses on the Portfolio exceed the \$59.1 million⁴ Protection Amount, which is 3.94% of the total initial size of the Portfolio (see Sections 2.20, 5.7 and 5.8).

1.3 Interest

Interest amount

For the first two years after the Issue Date of Nexus3 Notes, interest will be payable to Noteholders on the initial Principal Amount of Nexus3 Notes unless early redemption occurs. Thereafter, the interest payable to Noteholders will be calculated on the then outstanding Principal Amount of Nexus3 Notes, which may be reduced, or not repayable at all, in certain circumstances as set out in this Prospectus (see Sections 2.20, 5.7 and 5.8).

Interest rate

A floating interest rate equal to the 90 day Bank Bill Rate plus 2.75% per annum until the Maturity Date, unless early redemption occurs (see Section 2.9). If the Term is extended after that, interest will be paid at a reduced rate equal to the 90 day Bank Bill Rate on any unpaid balance of the outstanding Principal Amount of Nexus3 Notes.

The 90 day Bank Bill Rate is regularly quoted in the financial data section of The Australian Financial Review under the heading 'Money & Bond Markets' where it is described as the 90 day Bank Bill Swap Reference Rate. Details of the 90 day Bank Bill Rate will also be available on Nexus' website at www.nexusbonds.com.au.

⁴ If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

Section 1

Investment summary

Interest Payment Dates

Interest is payable quarterly in arrears, commencing three months after the Issue Date and at the end of every three month period after that.

1.4 Term

Maturity Date

6 years after the Issue Date. For details of when Nexus3 Notes may be redeemed early or when the repayment date may be extended, see Sections 2.27 and 5.5.

1.5 Portfolio

Maximum Portfolio Size

\$1.5 billion⁵.

Composition

The Portfolio consists of a replenishable pool of senior (secured or unsecured) Debt Obligations of a diversified group of at least 100 international and Australian companies which were approved under Deutsche Bank's standard credit policies and guidelines at the time the Debt Obligation was originated or acquired by the Deutsche Bank Group. All companies must be rated Investment Grade when their Debt Obligations are first included in the Portfolio, except that Debt Obligations of companies rated BB or BB+ may be included in the Portfolio provided that no more than 10% of the Maximum Portfolio Size may consist of Debt Obligations owed by such companies.

The criteria for the composition of the Portfolio are described in Section 4.1.

Replenishment

As the Portfolio is a replenishable portfolio of Debt Obligations, the composition of the Portfolio will change over time and the distribution of the Portfolio Companies will differ during the Portfolio Term from the composition of the initial Portfolio as at 1 November 2004 (see Section 1.8). Once a Debt Obligation is included in the Portfolio, it cannot be removed from the Portfolio, or its principal amount reduced, except as described in Section 4.2.

The circumstances in which the Portfolio will change over the Portfolio Term are described in Section 4.2. Any Replenishment of the Portfolio must take place in accordance with the eligibility criteria and other conditions described in Section 4.1. Deutsche Bank is not obliged to consider the interests of Nexus or Noteholders in exercising its discretions in respect of any Replenishment. In particular, in doing so Deutsche Bank does not act as an adviser or as agent for, or owe any fiduciary duties to, Nexus or Noteholders. Nexus has no ability to influence the exercise of discretions by Deutsche Bank.

⁵ If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

Reporting

An internationally recognised accounting firm will be appointed by Deutsche Bank to provide regular reports in relation to certain aspects of the composition and Replenishment of the Portfolio. These reports will be provided to ASX and will be made available on Nexus' website at www.nexusbonds.com.au. See Section 4.5 for more detail on the extent and contents of these reports.

Portfolio Company names

As a result of banking confidentiality or privacy conditions, the names of the Portfolio Companies cannot be disclosed to Nexus, Noteholders or ASX.

1.6 Portfolio link to Noteholders**Nature**

The Portfolio Agreement transfers credit exposure to the Debt Obligations in the Portfolio in excess of the Protection Amount (see below) from Deutsche Bank to Nexus and Noteholders.

Noteholders are not directly or indirectly investing in any of the Portfolio Companies or their Debt Obligations in the Portfolio. Amounts payable under Nexus3 Notes are not directly affected by:

- a fall in the share price of a Portfolio Company;
- non-payment of a dividend by a Portfolio Company;
- movements in foreign exchange rates; or
- a change in the credit rating of a Portfolio Company.

Investment return

Repayment of the initial Principal Amount invested and payment of interest on that amount will be made in full, unless a number of Portfolio Companies experience a weakening in their financial position to the extent that they suffer a Company Event which results in aggregate losses on their Debt Obligations in the Portfolio exceeding the Protection Amount (see Sections 2.20, 5.7 and 5.8). If the Principal Amount repayable is reduced, interest is calculated on the reduced Principal Amount.

If the Principal Amount is reduced to zero, Nexus3 Notes will be redeemed for zero value, and no further amount is payable to Noteholders (except any accrued interest).

Section 1

Investment summary

Company Events

A Company Event occurs when the financial position of a Portfolio Company weakens to the extent that it becomes bankrupt or insolvent or fails to make certain payments in respect of borrowed money (see Section 2.12).

If a Company Event occurs, a work out or sale process is undertaken to determine the actual loss (if any) in relation to the Debt Obligations of the affected Portfolio Company in the Portfolio.

Protection Amount

If there are losses on the Portfolio arising from Company Events, these will be borne sequentially as follows:

- Noteholders will not be exposed to the first \$59.1 million⁶ of any losses, as these will be absorbed by the Protection Amount; and
- should losses exceed the \$59.1 million⁶ Protection Amount, then these excess losses will be allocated to the Nexus3 Notes up to a maximum of \$35.0 million⁶. The Principal Amount of the Nexus3 Notes will be reduced by these excess losses up to their full amount. Any such reduction of the Principal Amount will only occur on or after the second anniversary of the Issue Date or, if earlier, any Early Redemption Date, in respect of any losses arising from the Issue Date.

However, if at any time losses exceed \$94.1 million⁶, then on the next Interest Payment Date Nexus3 Notes will be redeemed for zero value and no further amount will be payable to Noteholders (except any accrued interest).

See Sections 2.20, 5.7 and 5.8 for more detail on the impact of any Portfolio losses on Nexus3 Notes.

1.7 Rating of Portfolio Companies

Rating of Portfolio Companies

Deutsche Bank has assigned an internal credit rating to each of the Portfolio Companies. This rating is Deutsche Bank's assessment of the expected credit performance of that company and is similar to an issuer credit rating by Standard & Poor's. If a Portfolio Company is rated by Standard & Poor's, then the Standard & Poor's credit rating is used.

Standard & Poor's has mapped Deutsche Bank's internal credit rating scale against its own and accepts Deutsche Bank's internal credit ratings in its analysis of the Portfolio for any Portfolio Company not rated by Standard & Poor's (see Sections 2.3 and 2.13).

⁶ If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

Both Deutsche Bank's and Standard & Poor's credit ratings are current assessments of a company's overall financial capacity (its creditworthiness) to pay its financial obligations (i.e. its debts) as they fall due. They do not apply to any specific financial obligation of that company.

1.8 Distribution of Portfolio Companies in the initial Portfolio

Initial Portfolio

The Portfolio is required to comply with the criteria for its composition described in Section 4.1 on the Issue Date. However, an initial Portfolio has been constructed as at 1 November 2004 and the description of the composition of the Portfolio in this Prospectus is based on that initial Portfolio.

The initial Portfolio is not expected to change materially between 1 November 2004 and the Issue Date, except in the following circumstances:

- if the amount raised in the Offer is more or less than \$35.0 million⁷ and, hence, the Maximum Portfolio Size increases or decreases;
- if the initial Portfolio does not comply with the criteria for its composition described in Section 4.1 on the Issue Date;
- if there are Debt Obligations in the initial Portfolio which, as at the Issue Date, have been repaid, cancelled, restructured or transferred to a third party; or
- if foreign exchange movements result in the total of the Debt Obligations in the initial Portfolio on the Issue Date falling below the Maximum Portfolio Size.

In these circumstances, Deutsche Bank may add or remove Debt Obligations from, or increase or decrease the principal amount of Debt Obligations included in, the initial Portfolio provided that it complies with the eligibility criteria and other conditions described in Section 4.1.

Nexus3 Notes will not be impacted by any Company Events which occur before the Issue Date. Noteholders' exposure to the Portfolio is from the Issue Date.

⁷ If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

Section 1

Investment summary

Key Debt Obligation and Portfolio Criteria

The Portfolio must comply with certain Debt Obligation and Portfolio criteria set out in Section 4.1. The criteria cannot be varied. The table below shows details of compliance of the initial Portfolio as at 1 November 2004 with the key Debt Obligation and Portfolio criteria.

All of the percentages below are percentages of the Maximum Portfolio Size.

	Required	Initial Portfolio – as at 1 November 2004
Maximum Portfolio Size	\$1.5 billion ⁱ	\$1.5 billion ⁱ
Minimum number of Portfolio Company Groups	100 (which must represent not less than 100 separate Portfolio Companies)	117
Maximum weighted average term to maturity of Debt Obligations in the Portfolio	3.5 years	3.3 years
Maximum amount of Debt Obligations of Portfolio Companies incorporated in countries having a Standard & Poor's sovereign long term foreign currency rating below AA– ⁱⁱ	3% per country 6% in aggregate	0% 0%
Maximum exposure to Standard & Poor's industry classifications ⁱⁱ	12% to largest 12% to second largest 10% to third largest 8% to all other classifications	11.7% Insurance 11.1% Financial intermediaries 8.1% Utilities 6.7% Retailers (except food and drug)
Maximum exposure to geographic regions ⁱⁱ and ⁱⁱⁱ	45% Americas 65% Europe 20% Australia and New Zealand 6% Asia	33.1% 60.7% 6.2% 0%
Minimum percentage of Portfolio Companies publicly assigned an issuer credit rating by Standard & Poor's ⁱⁱ	40%	57.8%
Maximum percentage of Debt Obligations of Portfolio Companies having a Standard & Poor's equivalent rating of BB+ or below ^{iv}	10%	7.8%
Individual Portfolio Company Group concentration limits ^v:		
<input type="checkbox"/> S&P equivalent rating AAA to A–	Maximum 2.50%	1.60%
<input type="checkbox"/> S&P equivalent rating BBB+ or BBB	Maximum 2.00%	1.65%
<input type="checkbox"/> S&P equivalent rating BBB–	Maximum 1.75%	1.60%
<input type="checkbox"/> S&P equivalent rating BB+ or BB	Maximum 1.00%	0.80%

Source: Deutsche Bank

ⁱ If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

ⁱⁱ Weighted by the principal amount of Debt Obligations included in the Portfolio.

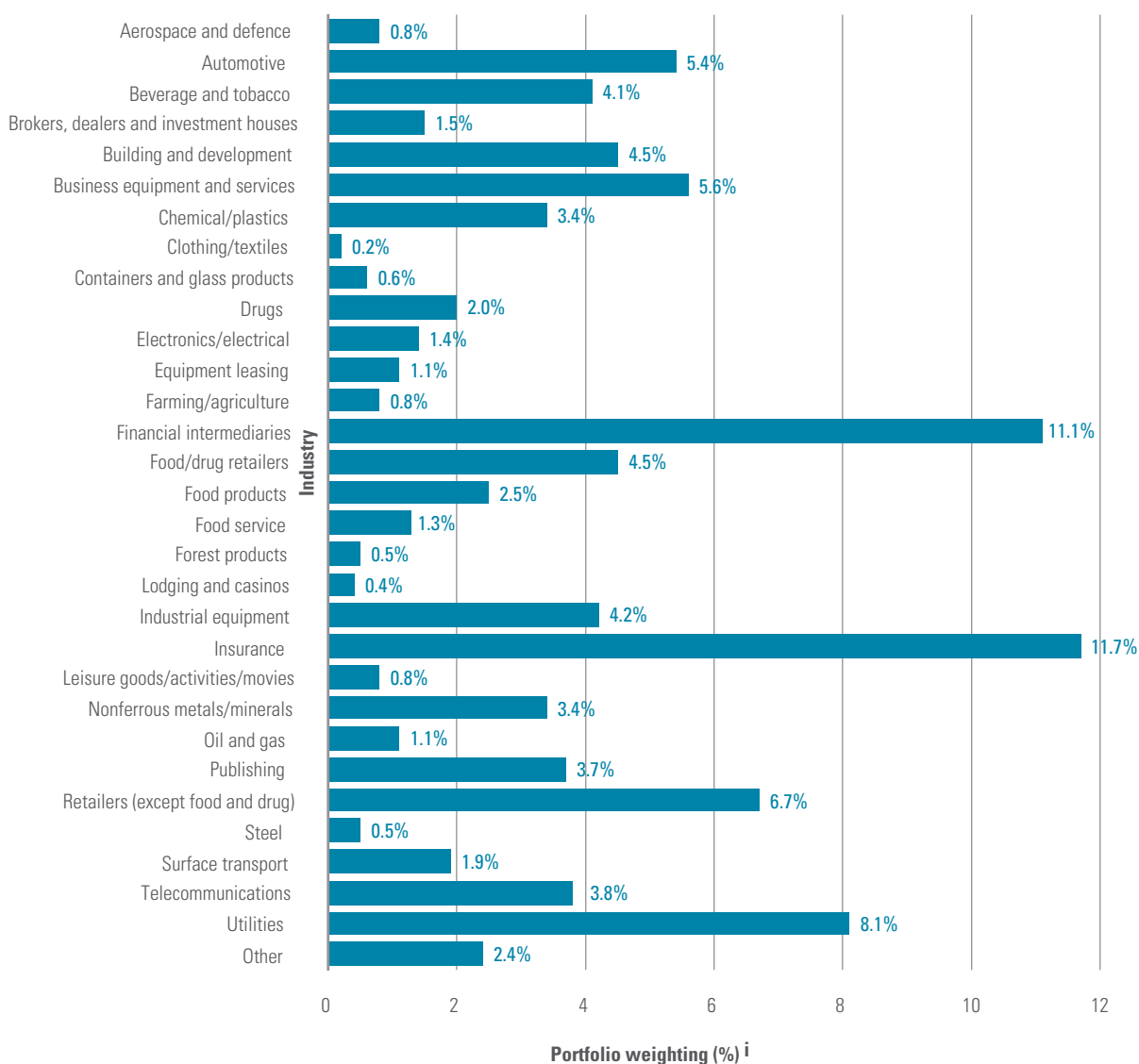
ⁱⁱⁱ Geographic region exposure is determined by reference to the place of incorporation or organisation of the Portfolio Company.

^{iv} At the time a Debt Obligation is first included in the Portfolio, it must be owed by a company rated BB or above.

^v Ratings are based on the Portfolio Company within the Portfolio Company Group with the highest weighting by the principal amount of Debt Obligations included in the Portfolio.

Industry distribution

The diagram below shows the distribution of the Portfolio Companies in the initial Portfolio as at 1 November 2004 within the industry classifications used by Standard & Poor's.



Source: Deutsche Bank

ⁱ Weighted by the principal amount of Debt Obligations included in the initial Portfolio.

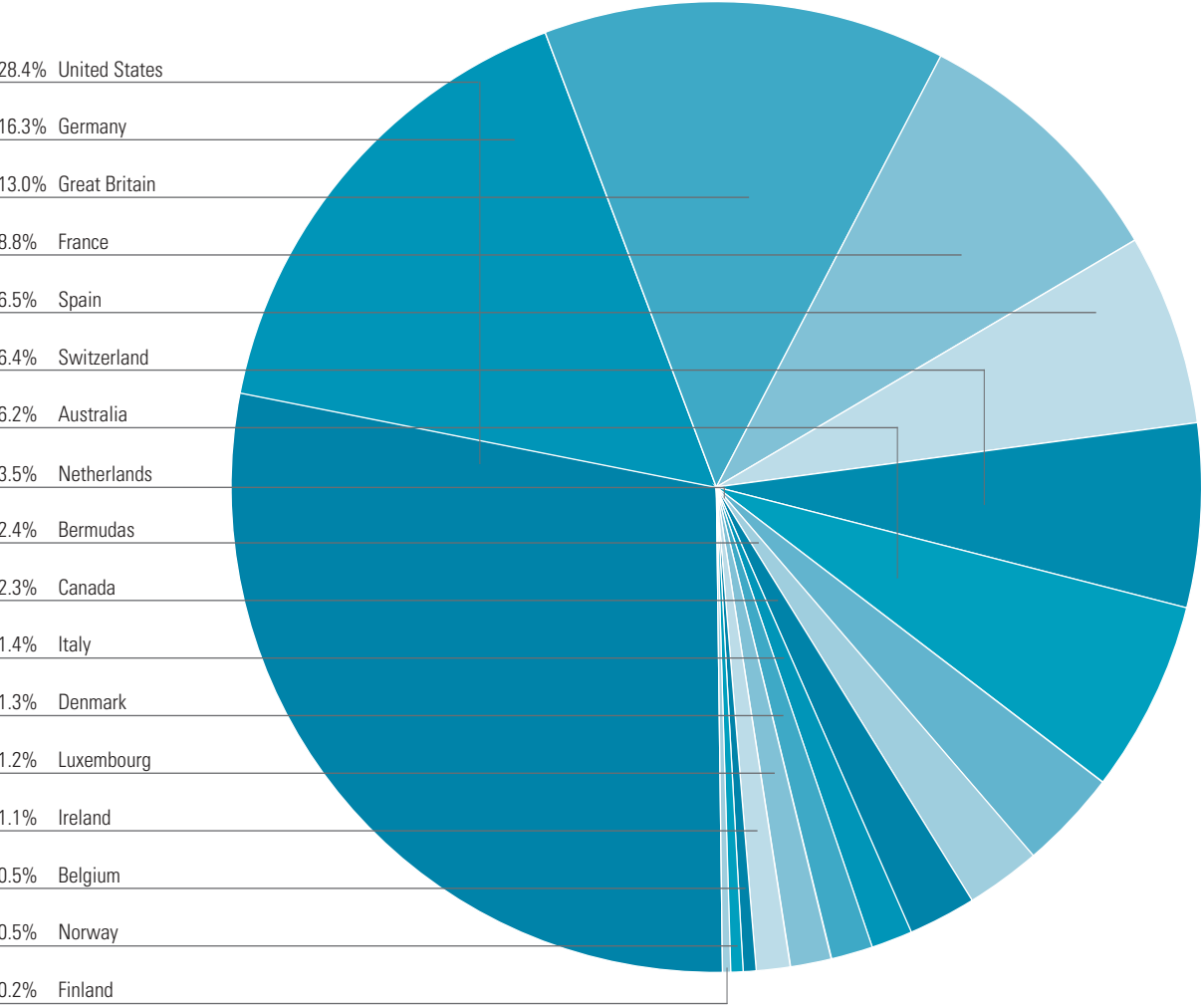
Section 1

Investment summary

Geographic distribution

The diagram below shows the geographic distribution of the Portfolio Companies in the initial Portfolio as at 1 November 2004, weighted by the principal amount of their Debt Obligations included in the initial Portfolio.

The Portfolio Companies in the initial Portfolio are geographically diversified with 33.1% located in the Americas, 60.7% in Europe and 6.2% in Australia and New Zealand.



Source: Deutsche Bank

Credit rating distribution and term to maturity

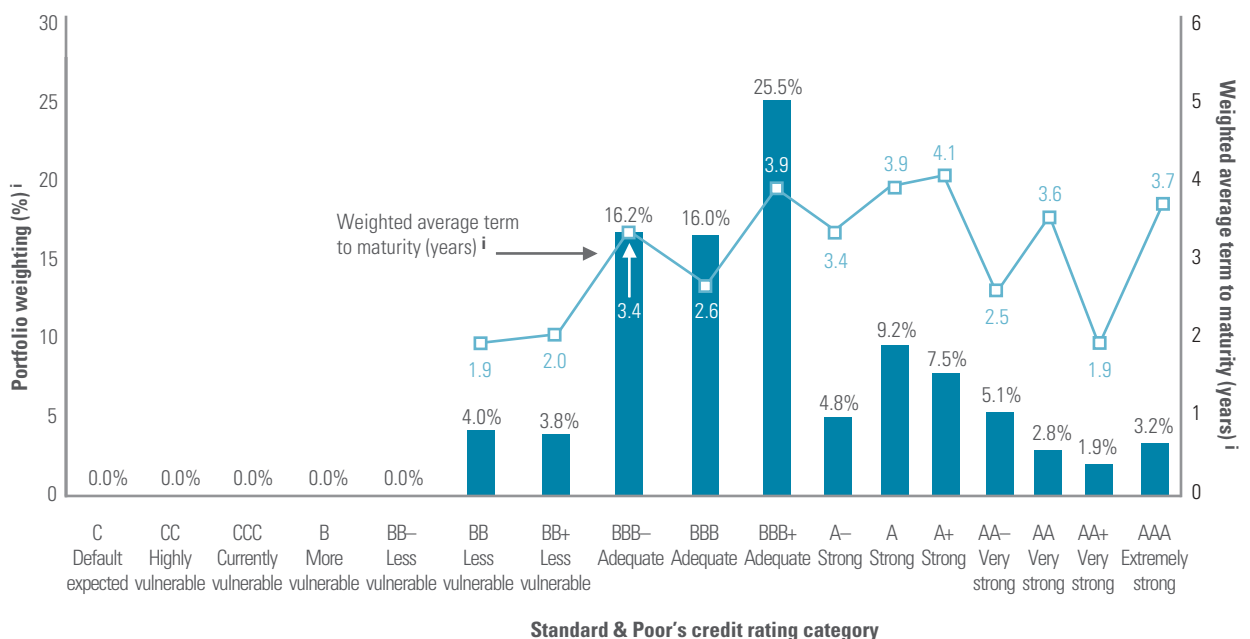
The diagram below shows the credit rating distribution of the Portfolio Companies in the initial Portfolio as at 1 November 2004 within Standard & Poor's credit rating categories (see the table on page 25 for Standard & Poor's rating definitions).

If a Portfolio Company is rated by Standard & Poor's, then the Standard & Poor's credit rating is used (without adjustment to reflect any Standard & Poor's 'Creditwatch Negative' or 'Creditwatch Positive' statement), otherwise the Deutsche Bank internal credit rating is used (see Section 2.13).

The light blue line in the diagram below shows the distribution of the weighted average term to maturity of the Debt Obligations in the initial Portfolio as at 1 November 2004 within each of the Standard & Poor's credit rating categories.

For example, the weighted average term to maturity of Debt Obligations owed by Portfolio Companies rated BB in the initial Portfolio (representing 4.0% of the initial Portfolio by principal amount) is 1.9 years, whereas the weighted average term to maturity of Debt Obligations owed by Portfolio Companies rated BBB+ in that Portfolio (representing 25.5% by principal amount) is 3.9 years.

The overall weighted average term to maturity of the Debt Obligations in the initial Portfolio (across all credit rating categories) is 3.3 years.



Source: Deutsche Bank

ⁱ Weighted by the principal amount of Debt Obligations included in the initial Portfolio.

Section 2

Answers to key questions

This Section 2 provides answers to the following key questions about the Offer and the terms of the Nexus3 Notes.

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2.1 What is the business of Nexus?

Nexus was established in 2002 to develop new investment products for Australian investors.

Nexus has previously issued Nexus1 Notes (ASX code NXBHA) and Nexus2 Notes (ASX code NXBHB). These CDO investment products represented a new class of ASX listed investment and provided an alternative, with different characteristics and risks, to investments in shares and other equity securities and many previously available debt securities. Interest and principal in respect of Nexus1 Notes and Nexus2 Notes may be reduced, or not payable or repayable at all, in certain circumstances.

As of the date of this Prospectus, interest on Nexus1 Notes and Nexus2 Notes has been paid in full when due and no losses have occurred which would result in the loss of any principal or protection amounts.

As of the date of this Prospectus, Nexus1 Notes have been on issue for less than two years and Nexus2 Notes have been on issue for less than 11 months. The information in this Section 2.1 is intended solely for the purpose of providing information as to the business of Nexus and its experience in issuing CDO investment products. The historical performance of Nexus1 Notes and Nexus2 Notes is not necessarily indicative of future performance. The information in this Section 2.1 is not, and should not be used as, a basis for assessing the performance of Nexus3 Notes which have different characteristics and risks.

Nexus may also issue other securities in the future. See Section 9.1 for further information on the business and financial position of Nexus.

2.2 What are Nexus3 Notes?

Nexus3 Notes are a CDO investment product that is designed to:

- pay Noteholders interest at a floating rate equal to the 90 day Bank Bill Rate plus 2.75% per annum quarterly in arrears until the Maturity Date;
- deliver an investment based on Debt Obligations owed to the Deutsche Bank Group; and
- carry a BBB+ credit rating by Standard & Poor's on issue, which is an Investment Grade rating.

In certain circumstances, as set out in Sections 2.20, 5.7 and 5.8 of this Prospectus, the Principal Amount of Nexus3 Notes, and accordingly interest amounts payable to Noteholders, may be reduced, or not payable or repayable at all. Nexus3 Notes may also be subject to early redemption or late repayment (see Sections 2.27 and 5.5).

Nexus3 Notes are classified as unsecured notes for the purposes of section 283BH of the Corporations Act.

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Answers to key questions

2.3 Who is Deutsche Bank?

Deutsche Bank is one of the world's largest lending institutions.

As at 30 June 2004, the Deutsche Bank Group had provided over EUR 141.8 billion in drawn loans to corporate, institutional and governmental customers.

The Deutsche Bank Group has detailed approval processes which involve the application of credit policies and guidelines to determine credit risk levels acceptable to Deutsche Bank. Deutsche Bank's credit policies and guidelines have been developed over many years. All of the Debt Obligations in the Portfolio are required to have been approved by Deutsche Bank under these credit policies and guidelines at the time the Debt Obligations were originated or acquired by the Deutsche Bank Group (see Section 4.3).

A key part of the credit assessment process is determining and assigning a credit rating to each corporate, institutional or governmental customer. All Portfolio Companies must be rated by Deutsche Bank when their Debt Obligations are first included in the Portfolio and, on the Issue Date, at least 40% by value of the Maximum Portfolio Size must comprise Debt Obligations of Portfolio Companies which are publicly rated by Standard & Poor's. Deutsche Bank's credit ratings scale has been mapped with that of Standard & Poor's (see Section 2.13). A consequence of this harmonisation is that Standard & Poor's uses the Deutsche Bank credit rating in their analysis of the Portfolio for any Portfolio Companies that are not rated by them. Standard & Poor's mapping of Deutsche Bank's credit ratings to its own is not an endorsement by Standard & Poor's of Deutsche Bank's internal rating methodology.

Deutsche Bank provides a list of credit ratings for all Portfolio Companies to Standard & Poor's. If a Portfolio Company is rated by Standard & Poor's, the Standard & Poor's rating must be used rather than the Deutsche Bank internal rating in determining compliance with the Portfolio Criteria.

2.4 Why is Deutsche Bank providing access to its lending and credit business?

Deutsche Bank is providing access to its lending and credit business as part of its capital and loan exposure management activities. Under the Portfolio Agreement, credit exposure to the Debt Obligations in the Portfolio in excess of the Protection Amount is transferred from Deutsche Bank to Nexus and Noteholders, up to a maximum amount equal to the initial Principal Amount of Nexus3 Notes (see Section 2.10). The credit protection Deutsche Bank receives under the Portfolio Agreement allows it to manage the amount of capital required to be held by it to support the Debt Obligations included in the Portfolio.

2.5 What is Deutsche Bank's experience in providing access to its lending and credit business for CDO transactions?

Deutsche Bank has over five years' experience in providing access to its lending and credit business for the issuance of CDO investment products both in Australia and overseas. Since 1999, Deutsche Bank has provided access to 16 portfolios consisting of senior (secured or unsecured) debt obligations of international companies arising from its lending and credit business. In aggregate, the portfolio sizes have exceeded US\$31 billion.

71 issues of CDO investment products (CDO Tranches), each linked to one of these portfolios, have been undertaken and 67 of these CDO Tranches (including Nexus2 Notes) have been rated by Standard & Poor's or other rating agencies (see Section 2.13 for further information on credit ratings). Of these, 63 CDO Tranches have been rated by Standard & Poor's. Nexus1 Notes are not included in this analysis because they are not linked to a portfolio of debt obligations arising from Deutsche Bank's lending and credit business.

The diagram below shows the distribution of the original ratings of each CDO Tranche rated by Standard & Poor's within Standard & Poor's rating categories:

Standard & Poor's rating category on issue	Number of CDO Tranches rated by Standard & Poor's
AAA	24
AA	7
A	9
BBB	14
BB	9
Total	63

Source: Standard & Poor's

Different CDO Tranches linked to the same portfolio may have different ratings. The rating assigned to a CDO Tranche is determined by, among other things, the level of credit enhancement provided to absorb losses before the principal amount of the CDO Tranche is reduced or not repayable.

As at 1 November 2004, the lowest rating assigned to a CDO Tranche by Standard & Poor's was BB and no CDO Tranche has been downgraded by Standard & Poor's below its original credit rating. Two CDO Tranches, which were rated by Standard & Poor's and another rating agency and linked to the same portfolio, were downgraded by one rating category by the other rating agency. However, both these CDO Tranches were subsequently repaid in full in accordance with their original terms without any loss to investors.

Section 2

Answers to key questions

The historical performance of a CDO Tranche is not necessarily indicative of future performance. The eligibility criteria which governed the inclusion of debt obligations in the 16 portfolios and the characteristics and risks of each CDO Tranche are different from each other and are different from the criteria which govern the inclusion of Debt Obligations in the Portfolio and the characteristics and risks of Nexus3 Notes. The information in this Section 2.5 is intended solely for the purpose of providing information as to Deutsche Bank's experience in providing access to its lending and credit business for CDO transactions. Accordingly the information in this Section 2.5 is not, and should not be used as, a basis for assessing the performance of Nexus3 Notes which have different characteristics and risks.

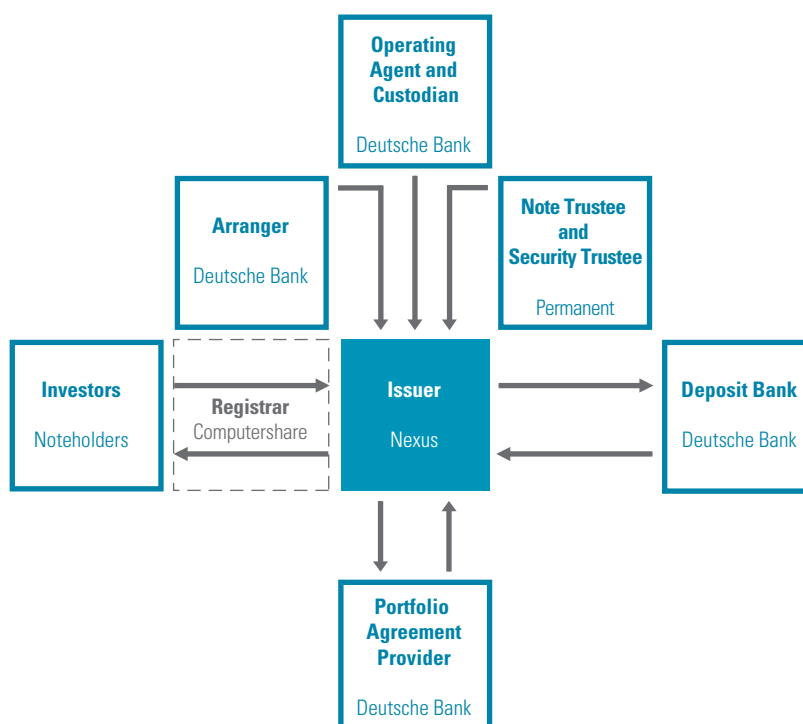
2.6 Who provides services to Nexus?

Nexus' key service providers in connection with Nexus3 Notes include Deutsche Bank, Permanent and Computershare. Nexus has entered into arrangements with each of them for the purpose of the ongoing administration of Nexus3 Notes.

The diagram below shows the relationships between Nexus and its key service providers.

Each of Deutsche Bank, Permanent and Computershare act as independent contractors, and not as partners, officers or employees of Nexus. Except as described in Section 8.1, Deutsche Bank's services are provided solely to Nexus and it provides no service to, and undertakes to perform no obligations in favour of, Noteholders.

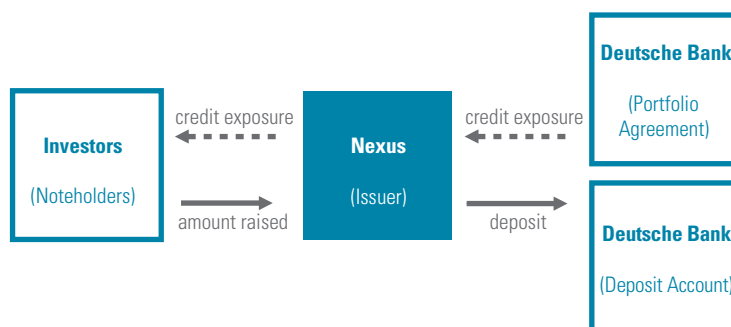
A summary of the responsibilities of each service provider and the material contracts between Nexus and each service provider is set out in Section 8.



2.7 Where does my money go?

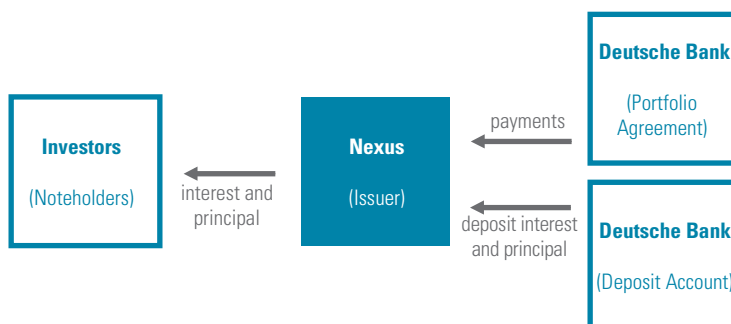
The amount raised from the issue of Nexus3 Notes will be placed in a Deposit Account with Deutsche Bank.

Nexus has also entered into the Portfolio Agreement with Deutsche Bank under which Nexus will receive payments from Deutsche Bank in exchange for taking credit exposure on the Portfolio in excess of the Protection Amount. Nexus is not directly or indirectly investing in any of the Portfolio Companies or their Debt Obligations in the Portfolio. However, Nexus and Noteholders have credit exposure to the Portfolio as set out in Section 5.



2.8 How is Nexus able to pay interest and principal on Nexus3 Notes?

Nexus will receive interest payments from the Deposit Account. Nexus will also receive payments under the Portfolio Agreement from Deutsche Bank in return for taking credit exposure on the Portfolio in excess of the Protection Amount. The combination of these amounts will enable Nexus to pay the interest due on Nexus3 Notes.



Nexus will receive repayment of the deposit from Deutsche Bank in an amount equal to the outstanding Principal Amount due to be repaid on Nexus3 Notes. If losses arising on the Portfolio exceed the \$59.1 million⁸ Protection Amount, then the Principal Amount repayable to Noteholders and interest amounts will be reduced, or not payable or repayable at all, as set out in this Prospectus (see Sections 2.20, 5.7 and 5.8).

Nexus has no obligation to pay amounts due on Nexus3 Notes unless it has received the amounts described in this Section 2.8 from Deutsche Bank (see Section 6.4).

⁸ If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

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Answers to key questions

2.9 What is my interest rate?

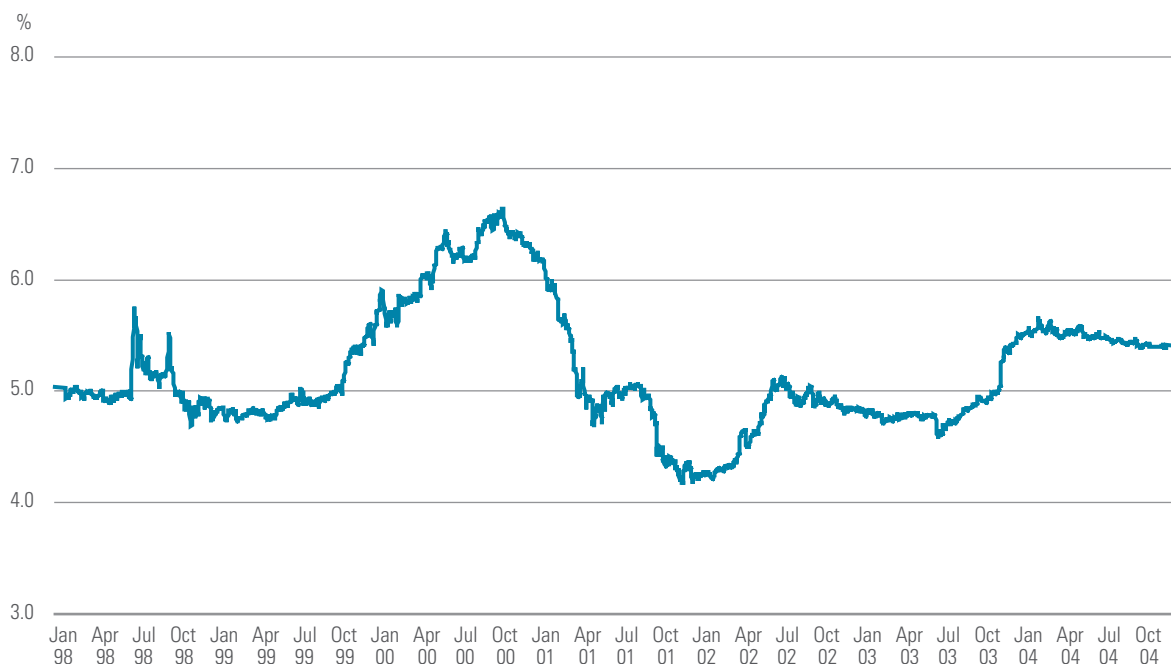
Nexus3 Notes pay interest at a floating rate equal to the 90 day Bank Bill Rate plus 2.75% per annum quarterly in arrears until the Maturity Date, unless early redemption occurs. The 90 day Bank Bill Rate is set on the first day of each quarterly interest period. The interest amount payable to Noteholders will be calculated by applying the interest rate (i.e. the 90 day Bank Bill Rate plus 2.75% per annum) to the outstanding Principal Amount of Nexus3 Notes. The Principal Amount may be reduced as set out in this Prospectus (see Sections 2.20, 5.7 and 5.8).

As at 1 November 2004, the 90 day Bank Bill Rate was 5.43% per annum⁹. If Nexus3 Notes had been issued on this date, the interest rate for the first quarter would have been 8.18% per annum⁹. The 90 day Bank Bill Rate on the Issue Date (expected to be 14 December 2004) may be higher or lower than 5.43% per annum⁹. The interest rate will vary over the Term due to changes in the 90 day Bank Bill Rate.

The 90 day Bank Bill Rate is a floating rate of interest which may move up or down over the Term of Nexus3 Notes. The following graph shows how the 90 day Bank Bill Rate has moved over the period from 1 January 1998 to 1 November 2004.

The historical rates shown in the graph below may not be indicative of future rates.

Historical 90 day Bank Bill Rate ⁱ



Source: Deutsche Bank

ⁱ The vertical axis of this graph commences at 3.0% for ease of presenting the 90 day Bank Bill Rate over the period covered by the graph.

⁹ In this example the 90 day Bank Bill Rate is rounded to only two decimal places. For the purpose of calculating the interest rate, the 90 day Bank Bill Rate is rounded to four decimal places.

2.10 What is the Portfolio Agreement?

The Portfolio Agreement is a contract between Nexus and Deutsche Bank relating to the Portfolio.

It transfers credit exposure to the Debt Obligations in the Portfolio in excess of the Protection Amount from Deutsche Bank to Nexus and Noteholders, up to a maximum amount equal to the initial Principal Amount of Nexus3 Notes, in return for payments from Deutsche Bank to Nexus. These payments provide a portion of the amount required to enable Nexus to pay interest amounts due on Nexus3 Notes.

2.11 What is the key risk of investing in Nexus3 Notes?

The key risk is that a number of Portfolio Companies experience a weakening in their financial position to the extent that they suffer a Company Event which results in aggregate losses on their Debt Obligations in the Portfolio exceeding the Protection Amount. If this happens, the Principal Amount of Nexus3 Notes repayable to Noteholders, and interest amounts payable to Noteholders, will be reduced and, depending on the amount of the aggregate losses, may not be payable or repayable at all. The nature of this risk is explained further in Sections 2.12 to 2.20, 5.7 and 5.8.

2.12 What is a Company Event?

A Company Event occurs only when a Portfolio Company:

- becomes insolvent or bankrupt; or
- fails to pay when due certain amounts in respect of borrowed money within any applicable grace period ('borrowed money' includes borrowed money which is guaranteed or insured by the Portfolio Company).

A Company Event is not:

- a restructuring of any borrowed money of a Portfolio Company;
- a fall in the share price of a Portfolio Company;
- non-payment of a dividend by a Portfolio Company; or
- a change in the credit rating of a Portfolio Company.

See also Sections 5.2 and 8.5.7.

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2.13 How can I assess the likelihood of a Company Event occurring?

While there is no way to measure with certainty the likelihood of a Portfolio Company experiencing a Company Event, one of the most widely used ways to assess the creditworthiness of companies is to refer to credit ratings issued by credit rating agencies.

A credit rating is a current assessment of a company's overall financial capacity (its creditworthiness) to pay its financial obligations (i.e. its debts). This assessment focuses on the company's capacity to meet its financial commitments as they become due. It does not apply to any specific financial obligation.

All Portfolio Companies must be rated by Deutsche Bank when their Debt Obligations are first included in the Portfolio and, on the Issue Date, at least 40% by value of the Maximum Portfolio Size must comprise Debt Obligations of Portfolio Companies which are publicly rated by Standard & Poor's. Deutsche Bank provides a list of credit ratings for all Portfolio Companies to Standard & Poor's. If a Portfolio Company is rated by Standard & Poor's, the Standard & Poor's rating must be used rather than the Deutsche Bank internal rating.

If a Portfolio Company rated by Standard & Poor's is on 'Creditwatch Negative' or 'Creditwatch Positive', any such Standard & Poor's creditwatch statement is taken into account in assigning a rating to Nexus3 Notes (see Section 2.17) and in running the Standard & Poor's rating model used to determine the implied credit rating for Nexus3 Notes immediately before and after any Replenishment (see Sections 2.17 and 8.5.14). However, adjustments for Standard & Poor's creditwatch statements are not made for the purposes of determining compliance with the other Portfolio Criteria (see Section 4.1) and reporting (see Section 4.5).

Deutsche Bank's credit ratings are based on substantially equivalent assessments to those of Standard & Poor's and have been accepted as such by Standard & Poor's in rating Nexus3 Notes. The table on the following page shows the Standard & Poor's major rating categories and associated definitions, the equivalent Deutsche Bank rating category and the weightings of the initial Portfolio as at 1 November 2004 based on the Standard & Poor's rating of the Portfolio Companies and, where applicable, the equivalent Deutsche Bank rating.

The Portfolio will change over time and the weightings of the Portfolio Companies will differ from those illustrated in the table on the following page (see Section 4.2).

A credit rating is not a recommendation to buy, sell, or hold a financial obligation issued by an obligor (a company), as it does not comment on market price or suitability for a particular investor.

	Standard & Poor's major rating category	Standard & Poor's definition	Deutsche Bank rating category ⁱ	Portfolio weighting ⁱⁱ at 1 November 2004
Investment Grade	AAA	An obligation rated 'AAA' has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on these obligations is EXTREMELY STRONG .	–	3.2%
	AA (AA+, AA and AA–)	An obligation rated 'AA' differs from the highest rated obligations only in a small degree. The obligor's capacity to meet its financial commitment on these obligations is VERY STRONG .	iAAA/iAA (iAAA, iAA+, iAA)	9.8%
	A (A+, A and A–)	An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on these obligations is still STRONG .	iAA/iA (iAA–, iA+, iA, iA–)	21.5%
	BBB (BBB+, BBB and BBB–)	An obligation rated 'BBB' exhibits ADEQUATE protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on these obligations.	iBBB (iBBB+, iBBB, iBBB–)	57.7%
Sub-investment grade	BB, B, CCC, CC, C	An obligation rated 'BB', 'B', 'CCC', 'CC' and 'C' is regarded as having significant SPECULATIVE CHARACTERISTICS . 'BB' indicates the least degree of speculation and 'C' the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions. See further explanation of each of these ratings below.	iBB, iB, iCCC, iCC, iC	See each separate rating category below
	BB (BB+, BB and BB–)	An obligation rated 'BB' is LESS VULNERABLE to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.	iBB (iBB+, iBB, iBB–)	7.8% ⁱⁱⁱ
	B (B+, B and B–)	An obligation rated 'B' is MORE VULNERABLE to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment.	iB (iB+, iB, iB–)	0.0%
	CCC, CC, C	An obligation rated 'CCC' is CURRENTLY VULNERABLE to nonpayment, and is dependent upon favourable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation. An obligation rated 'CC' or 'C' is currently HIGHLY VULNERABLE to nonpayment.	iCCC, iCC, iC	0.0%
	D	An obligation rated 'D' is in PAYMENT DEFAULT . The 'D' rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardised.	iD	0.0%

Source: Standard & Poor's, Deutsche Bank

ⁱ It should be noted that the mappings of Deutsche Bank credit ratings as shown in this table are valid as at 1 November 2004 and in relation to this Portfolio only. If, as a result of changes in Deutsche Bank's internal rating system or otherwise, Standard & Poor's changes the mappings of Deutsche Bank's credit ratings to its own after 1 November 2004, then the mapped Deutsche Bank credit ratings in this column will be adjusted accordingly. Standard & Poor's mapping of Deutsche Bank's credit ratings to its own is not an endorsement by Standard & Poor's of Deutsche Bank's internal rating methodology.

ⁱⁱ Weighted by the principal amount of Debt Obligations in the initial Portfolio.

ⁱⁱⁱ The initial Portfolio only includes Debt Obligations of companies rated BB+ or BB (or iBB+ or iBB if applicable) or higher. Debt Obligations of companies in the initial Portfolio rated BB+ or BB (or iBB+ or iBB) represent 7.8% of the Maximum Portfolio Size. The initial Portfolio does not contain Debt Obligations of any company rated BB– (or iBB– if applicable).

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2.14 Who is Standard & Poor's?

Standard & Poor's is a leading international rating agency which specialises in the assessment of the credit quality of investments. Further information on Standard & Poor's is available on the Standard & Poor's website at www.standardandpoors.com.

It is expected that Nexus3 Notes will be assigned a BBB+ credit rating by Standard & Poor's on issue, which is an Investment Grade rating. If this rating is not assigned before Nexus3 Notes are issued, Nexus3 Notes will not be issued and all application money will be refunded without interest.

2.15 Why are Nexus3 Notes to be rated by Standard & Poor's?

A public rating from Standard & Poor's for Nexus3 Notes is being obtained to assist prospective Noteholders to determine the risk of investing in Nexus3 Notes relative to other investments they may make.

2.16 What is a Standard & Poor's rating?

For CDO investment products such as Nexus3 Notes, a Standard & Poor's rating addresses the likelihood of full and timely payment of interest and repayment of principal by no later than the Maturity Date. Specifically, a Standard & Poor's rating addresses the likelihood of the first-dollar-of-loss (based on the stated interest and maturity terms) rather than the likelihood of losing the total amount of the investment.

The rating to be assigned to Nexus3 Notes reflects Standard & Poor's assessment of risk, given the characteristics and features, credit enhancement (in this case, the Protection Amount) and legal structure of Nexus3 Notes. A credit rating is not a recommendation to buy, sell, or hold a financial obligation issued by an obligor (a company), as it does not comment on market price or suitability for a particular investor.

Copies of Standard & Poor's rating report in respect of Nexus3 Notes are expected to be available from Standard & Poor's, and accessible from Nexus' website at www.nexusbonds.com.au, shortly after the Offer opens on 15 November 2004.

2.17 Why will Nexus3 Notes be rated BBB+?

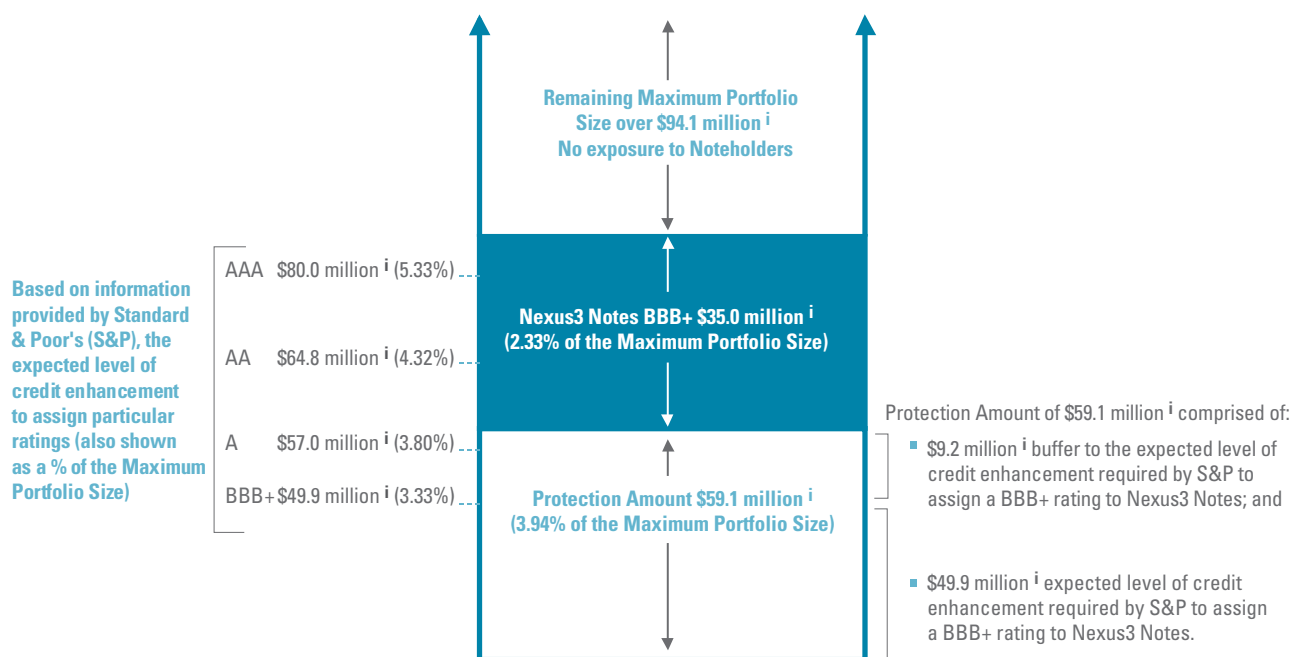
The analysis by Standard & Poor's of Nexus3 Notes, as in all structured finance ratings, focuses on how much credit enhancement (the amount of credit protection required) is needed to achieve a particular rating. Based on the initial Portfolio as at 1 November 2004, Standard & Poor's would require credit enhancement of at least \$49.9 million¹⁰ (3.33% of the Maximum Portfolio Size) to assign a BBB+ rating to Nexus3 Notes.

The actual credit enhancement provided to Nexus3 Notes by the Protection Amount is \$59.1 million¹⁰ (3.94% of the Maximum Portfolio Size). Based on the initial Portfolio, the excess credit enhancement provided to Nexus3 Notes by the Protection Amount is \$9.2 million¹⁰ (which represents 18.4% more credit enhancement than the minimum required by Standard & Poor's for a BBB+ rating). This excess credit enhancement is consistent with an A rating for Nexus3 Notes on the Issue Date since the Protection Amount exceeds the \$57.0 million¹⁰ (3.80% of

¹⁰ If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

the Maximum Portfolio Size) expected to be required by Standard & Poor's for such a rating. However, in accordance with Nexus' request for a BBB+ rating for Nexus3 Notes, it is expected that a BBB+ rating will be assigned by Standard & Poor's to Nexus3 Notes. This allows for a buffer, based on the initial Portfolio as at 1 November 2004, to the level of credit enhancement expected to be required by Standard & Poor's to assign a BBB+ rating to Nexus3 Notes, and therefore reduces the risk of ratings volatility. As a result, changes over time in the Portfolio, or in the rating of Portfolio Companies, are less likely to cause the initial rating of Nexus3 Notes to be downgraded than if the Nexus3 Notes were assigned an A rating on issue.

The following diagram shows the expected levels of credit enhancement which Standard & Poor's would require in relation to the initial Portfolio as at 1 November 2004 plotted against the actual Protection Amount and the proposed issue size of Nexus3 Notes. The initial Portfolio complies with all Portfolio Criteria.



Source: Deutsche Bank

Diagram not to scale.

ⁱ If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will increase or decrease proportionately.

On issue, it is expected that Nexus3 Notes will be assigned a BBB+ rating by Standard & Poor's. References to AAA, AA and A ratings in this Section 2.17 are intended to indicate the level of credit enhancement which is consistent with the expected levels required by Standard & Poor's to assign those ratings and not the actual rating of Nexus3 Notes. For example, to be assigned a AAA credit rating, the expected level of credit enhancement would have to be at least \$80.0 million¹¹ (5.33% of the Maximum Portfolio Size).

¹¹ If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

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It should be noted that:

- Replenishment of the Portfolio from time to time, even when in compliance with all criteria for Replenishment as described in Section 4.2, may nevertheless diminish or eliminate the excess credit enhancement provided by the Protection Amount over that required by Standard & Poor's for a BBB+ rating;
- although the implied credit rating applicable to Nexus3 Notes determined by Deutsche Bank in accordance with Standard & Poor's rating model following any Replenishment must not be lower than the implied credit rating determined immediately before the Replenishment, changes in the creditworthiness of Portfolio Companies may cause the rating of Nexus3 Notes to fall below BBB+; and
- any losses in relation to Debt Obligations in the Portfolio will reduce the amount of credit enhancement provided by the Protection Amount, and therefore may lead to a downgrade in the credit rating assigned by Standard & Poor's to Nexus3 Notes.

If a BBB+ rating is not assigned to Nexus3 Notes before they are issued, Nexus3 Notes will not be issued and all application money will be refunded without interest.

2.18 What happens if a Company Event occurs in respect of a Portfolio Company?

If a Company Event occurs, a work out or sale process is undertaken to determine the actual loss (if any) in relation to the Debt Obligations of the affected Portfolio Company included in the Portfolio.

If there is no loss, then there is no loss allocated to Nexus3 Notes.

If there is a loss, there may be an allocation of that loss to Nexus3 Notes (see Sections 2.19 and 2.20).

The occurrence of Company Events may also lead to the rating of Nexus3 Notes being downgraded by Standard & Poor's.

2.19 If a Company Event occurs, how are loss amounts determined?

If a Company Event occurs, a member of the Deutsche Bank Group, or a third party agent bank or financial institution, will assume responsibility for the ensuing work out or sale process in respect of the Debt Obligations of the Portfolio Company affected by the Company Event which are included in the Portfolio.

If a third party agent assumes responsibility, such as under certain syndicated transactions, a member of the Deutsche Bank Group will nevertheless monitor their performance.

After the work out or sale process is complete, a recovery amount will be determined for each relevant Debt Obligation. If the full amount of principal (i.e. 100%) is recovered then there will be no loss amount. However, if the recovery amount is less than 100%, then the loss amount will be calculated based on the extent of non-recovery. The loss amount cannot exceed the principal amount of the Debt Obligation (as at the date of the Company Event) of the affected Portfolio Company included in the Portfolio, expressed in Australian dollars at the exchange rate applied to that Debt Obligation in the Portfolio registry (see Section 8.5.11).

Loss amounts may include a proportionate share of recovery costs.

The work out or sale process must be conducted or monitored by the appointed member of the Deutsche Bank Group (DB Servicer) in accordance with:

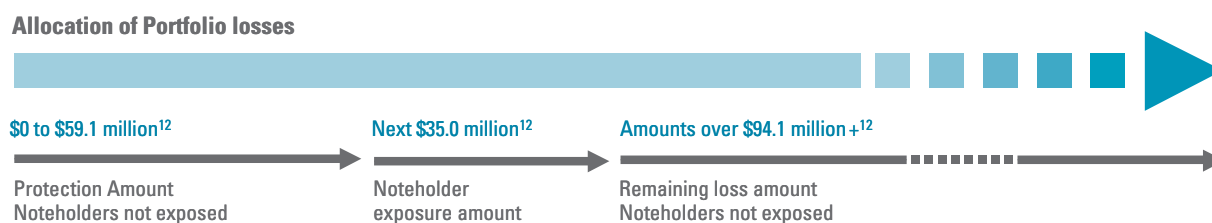
- Deutsche Bank’s established procedures applicable to similar obligations (however, see Section 6.1 in relation to Debt Obligations in the Portfolio arising under syndicated transactions);
- the relevant transaction documents; and
- servicing principles that require the relevant DB Servicer to act as a reasonable creditor would in the protection of its own interests, acting reasonably and in accordance with applicable laws, regulations and regulatory requirements.

An internationally recognised accounting firm will confirm that any loss amounts determined by Deutsche Bank were correctly calculated. See Section 4.5 for more information on reporting in relation to the Portfolio.

Section 5 describes the Company Event and work out or sale process in more detail.

2.20 If there are loss amounts, how will they impact on Nexus3 Notes?

The allocation of Portfolio losses is shown diagrammatically below.



If a Company Event occurs in respect of a Portfolio Company and a loss is subsequently determined in respect of the Debt Obligations of that Portfolio Company included in the Portfolio, the loss will be allocated as follows:

¹² If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

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(1) First loss amount

Noteholders are not exposed to the first \$59.1 million¹² of losses on the Portfolio. This is referred to as the Protection Amount.

(2) Second loss amount

If there are Portfolio losses in excess of the \$59.1 million¹³ Protection Amount then these excess losses will be allocated to Noteholders. Excess losses arising before or after the second anniversary of the Issue Date will be allocated to Noteholders on or after the second anniversary of the Issue Date, or, if earlier, on any Early Redemption Date. In this event:

- the Principal Amount of Nexus3 Notes repayable to Noteholders will be reduced by the amount of the excess losses; and
- Noteholders will receive less interest for the rest of the Term, as interest will be calculated on the reduced Principal Amount of Nexus3 Notes from the date on which excess losses are allocated to reduce the outstanding Principal Amount.

However, if at any time losses on the Portfolio exceed \$94.1 million¹³, on the next Interest Payment Date the Principal Amount of Nexus3 Notes will reduce to zero and Nexus3 Notes will be redeemed for zero value and Nexus will not be obliged to pay or repay any further amounts to Noteholders (other than any accrued interest).

Losses are borne proportionately by all Noteholders.

(3) Remaining loss amount

Noteholders have no exposure to losses in excess of \$94.1 million¹³ (being the aggregate of the Protection Amount and the original Principal Amount of Nexus3 Notes).

2.21 What is the composition of the Portfolio?

The Portfolio consists of a replenishable pool of senior (secured or unsecured) Debt Obligations of over 100 international and Australian diversified companies which were approved under Deutsche Bank's standard credit policies and guidelines at the time the Debt Obligation was originated or acquired by the Deutsche Bank Group.

All Debt Obligations included in the Portfolio must also comply with the specific criteria described in Section 4.1 at the time they are first included in the Portfolio or at the time of any increase in their principal amount included in the Portfolio.

All Portfolio Companies must be rated by Deutsche Bank when their Debt Obligations are first included in the Portfolio and, on the Issue Date, at least 40% by value of the Maximum Portfolio Size must comprise Debt Obligations of Portfolio Companies that are also publicly rated by Standard & Poor's. If a Portfolio Company is rated by Standard & Poor's, the Standard & Poor's rating must be used rather than the Deutsche Bank internal rating in determining compliance with the Portfolio Criteria.

¹³ If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

All companies must be rated Investment Grade when their Debt Obligations are first included in the Portfolio, except that companies rated BB or BB+ may be included in the Portfolio provided that no more than 10% of the Maximum Portfolio Size may consist of Debt Obligations owed by such companies. Where, following the inclusion of Debt Obligations in the Portfolio in accordance with the Portfolio Criteria, a Portfolio Company has suffered a downgrade and is rated BB+ or below then, upon Replenishment, new Debt Obligations of Portfolio Companies rated BB or BB+ may only be included in the Portfolio if (after such inclusion) the Replenishment does not result in more than 10% of the Maximum Portfolio Size consisting of Debt Obligations owed by Portfolio Companies which are rated BB+ or below and the other eligibility criteria and conditions described in Section 4.1 are satisfied.

The distribution of the initial Portfolio as at 1 November 2004 by industry classification, geography, credit rating category and term to maturity is described in Section 1.8 at pages 13 to 15.

The Maximum Portfolio Size is \$1.5 billion¹⁴.

Where the actual size of the Portfolio is reduced as a result of Debt Obligations in the Portfolio having been repaid, cancelled, restructured or transferred to a third party or as a result of foreign exchange movements, further Debt Obligations may be added to the Portfolio, or the principal amount of existing Debt Obligations in the Portfolio may be increased, to bring the size of the Portfolio back to an amount equal to the Maximum Portfolio Size less the amount of any losses on the Portfolio.

The criteria applying to the Portfolio and to Debt Obligations in the Portfolio are taken into account by Standard & Poor's in rating Nexus3 Notes. See Section 4.1 for more information on these criteria.

2.22 Can the composition of the Portfolio change over time?

Yes.

On a monthly basis, Replenishment of the Portfolio may occur as a result of:

- loan or credit facility repayments;
 - expiry or cancellation of undrawn amounts;
 - the transfer of an interest in a Debt Obligation to a third party; or
 - foreign exchange movements involving a depreciation of a foreign currency against the Australian dollar.
- As the Maximum Portfolio Size, the principal amount of Debt Obligations included in the Portfolio and any losses on the Portfolio are denominated in Australian dollars, Noteholders are not exposed to currency risk even though Debt Obligations included in the Portfolio may be payable in foreign currencies.

The key criteria for Replenishment of the Portfolio are summarised in Section 4.1. Deutsche Bank may not vary the criteria.

¹⁴ If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

Section 2

Answers to key questions

2.23 Are the identities of the Portfolio Companies disclosed?

No.

As a result of banking confidentiality or privacy conditions, the names of the Portfolio Companies cannot be disclosed to Nexus, Noteholders or ASX. However, Deutsche Bank has undertaken to Nexus to disclose their identity to an internationally recognised accounting firm for the purposes of the reports described in Sections 4.5 and 8.5.15.

2.24 What verification and reporting will be available?

An internationally recognised accounting firm will be appointed by Deutsche Bank to provide to Nexus an initial report, ongoing quarterly and semi-annual reports and other reports in relation to the composition of the Portfolio and some, but not all, of the criteria for its Replenishment. More detail on the extent and content of these reports is set out in Section 4.5.

These reports will be provided to ASX and will be made available on Nexus' website at www.nexusbonds.com.au.

2.25 What are Deutsche Bank's roles in relation to the Portfolio?

The Deutsche Bank Group has a number of roles in relation to the Portfolio. The most important roles are that it:

- originates or acquires all of the Debt Obligations in the Portfolio in accordance with its credit processes;
- selects which Debt Obligations will be included in the Portfolio, but in so doing must comply with the criteria described in Section 4.1; and
- must certify compliance with the criteria described in Section 4.1 before any loss is determined in respect of a Debt Obligation in the Portfolio.

In selecting which Debt Obligations will be included in the Portfolio, Deutsche Bank must comply with the eligibility criteria and other conditions described in Section 4.1, but may otherwise exercise discretions without being obliged to consider the interests of Nexus or Noteholders. In particular, in doing so Deutsche Bank does not act as adviser or as agent for, or owe any fiduciary duties to, Nexus or Noteholders.

2.26 Will I be able to obtain early repayment of my Nexus3 Notes?

No. You are not entitled to obtain early repayment of your Nexus3 Notes.

You will have the opportunity to sell your Nexus3 Notes on ASX. However, there is no certainty of liquidity.

2.27 Can my Nexus3 Notes be redeemed early by Nexus?

Yes. Nexus3 Notes are subject to early redemption by Nexus but only if:

- there are certain changes in law (see Sections 6.2 and 8.2.5);
- a Regulatory Event occurs (see Sections 6.2 and 8.2.5); or
- loss amounts (if any) on the Portfolio exceed \$94.1 million¹⁵, being the aggregate of the Protection Amount and the original Principal Amount of Nexus3 Notes (see Section 5).

See Section 5.9 for a description of the consequences of early redemption.

2.28 What are the tax implications of holding or selling Nexus3 Notes?

The tax implications of holding or selling Nexus3 Notes will depend on each Noteholder's individual circumstances. Prospective Noteholders should obtain their own taxation advice. If relevant, you should also seek advice on the treatment of holding Nexus3 Notes for the purpose of pension or other government benefits to which you may be entitled. See Section 7 for some taxation information.

2.29 How do I apply for Nexus3 Notes?

Detailed information on how to invest is provided in Section 3.

¹⁵ If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

Section 3

How to invest

This Section 3 sets out detailed information on how to apply for Nexus3 Notes.

3.1 When to apply

From 9.00am 15 November 2004 to 5.00pm 10 December 2004.

The Offer is scheduled to open at 9.00am (Sydney time) on 15 November 2004 and is expected to close at 5.00pm (Sydney time) on 10 December 2004.

Applications for Nexus3 Notes must be received in accordance with the instructions in this Section 3 by no later than 5.00pm (Sydney time) on 10 December 2004.

The Arranger may, without notice, close the Offer early or extend the Closing Date. The Arranger also has the right at any time to withdraw the Offer without notice.

Potential investors who wish to apply are encouraged to submit their Application Form as soon as possible after the Offer opens.

If the Closing Date varies, subsequent dates may also vary.

3.2 How to apply

Apply through one of the Joint Lead Managers or your broker or licensed financial services adviser.

Applications for Nexus3 Notes may be made through a Joint Lead Manager or your broker or licensed financial services adviser.

Your completed Application Form and payment must be lodged with a Joint Lead Manager or your broker or licensed financial services adviser. It should not be lodged with Nexus, the Arranger or the Registrar.

To apply for Nexus3 Notes:

Complete the Application Form

You must complete an Application Form attached to, or accompanying, this Prospectus in accordance with the instructions set out on page 90, the Application Form and accompanying notes. Photocopied Application Forms will not be accepted.

□ **Return your Application Form**

■ **Broker firm Application**

If you received a firm allocation of Nexus3 Notes from one of the Joint Lead Managers, you must:

1. return your completed Application Form to that Joint Lead Manager; and
2. attach a cheque or money order in Australian dollars which must be drawn on an Australian branch of a financial institution, made payable according to the instructions provided by that Joint Lead Manager.

■ **General Application**

If you did not receive a firm allocation of Nexus3 Notes from one of the Joint Lead Managers, you must:

1. return your completed Application Form to a Joint Lead Manager or your broker or licensed financial services adviser; and
2. attach a cheque or money order in Australian dollars which must be drawn on an Australian branch of a financial institution, made payable to 'Nexus3 Notes Application Account' and crossed 'Not Negotiable'.

Failure to comply with these instructions may mean your Application is not accepted.

3.3 Minimum application size

\$10,000.

Applications must be for a minimum of \$10,000 (100 Nexus3 Notes), and thereafter in multiples of \$1,000 (10 Nexus3 Notes).

The issue price is \$100 per Nexus3 Note.

Application money is payable in full with your Application for Nexus3 Notes.

3.4 Application fees

None.

No entry, exit or management fees are payable by Noteholders to Nexus.

Section 3

How to invest

3.5 Distribution arrangements

Nexus has authorised Deutsche Bank as Arranger to make offers to arrange for the issue of Nexus3 Notes by Nexus in accordance with this Prospectus, and to nominate other persons to make similar offers to arrange for the issue of the Nexus3 Notes by Nexus. As at the date of this Prospectus, Deutsche Bank has nominated each Joint Lead Manager for this purpose. These arrangements between Nexus, the Arranger, each Joint Lead Manager and each other person nominated by the Arranger constitute 'intermediary authorisations' for the purposes of section 911A(2)(b) of the Corporations Act.

3.6 Acceptance of Applications and refunds

A duly submitted Application Form constitutes an offer to subscribe for Nexus3 Notes on the terms set out in this Prospectus and a warranty by the applicant to Nexus and Deutsche Bank that it is lawful for this invitation to be made to the applicant and for the applicant to subscribe for Nexus3 Notes under this Prospectus.

Acceptance of an offer is constituted by entry of the applicant's name in the Register as the holder of Nexus3 Notes and will take effect immediately on entry without prior notice to the applicant.

Allocation of Nexus3 Notes will be at the discretion of the Arranger and, where relevant, each of the Joint Lead Managers.

The distribution of broker firm allocations will be at the discretion of each of the Joint Lead Managers and will be subject to the terms of relevant arrangements between the Arranger and the Joint Lead Managers.

Applications may be subject to scaling back and some Applications may be rejected in full if there is demand for Nexus3 Notes beyond the intended issue size (see below). This may include scaling back below the stated minimum Application of 100 Nexus3 Notes.

If you are allotted less than the number of Nexus3 Notes you applied for, you will receive a refund of your excess application money as soon as practicable after the Closing Date. No interest will be payable on any application money, whether refunded or not. Nexus will retain interest on any application money.

The intended issue size is up to \$35.0 million (350,000 Nexus3 Notes). Over subscriptions may be accepted up to a further \$20.0 million (200,000 additional Nexus3 Notes).

There is no minimum issue amount.

3.7 ASX quotation

Nexus will apply for official quotation of Nexus3 Notes on ASX within seven days of the date of this Prospectus. The expected ASX listing code is NXBHC.

If quotation is not granted on ASX, Nexus3 Notes will not be issued and all application money will be refunded without interest.

It is expected that trading of Nexus3 Notes on ASX will commence on 20 December 2004¹⁶.

3.8 CHESS and holding statements

Nexus will apply to participate in CHESS in relation to Nexus3 Notes and, in accordance with the Listing Rules and the ASTC Settlement Rules, will maintain an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. These two sub-registers together will make up Nexus' principal register of Nexus3 Notes. Nexus will not issue certificates to Noteholders.

Following the issue or transfer of Nexus3 Notes to successful applicants, Noteholders will receive an initial statement of holding (similar to a bank statement) that sets out the number of Nexus3 Notes which have been allocated to them. This statement also will provide details of a Noteholders' Holder Identification Number (HIN) in the case of a holding on the CHESS sub-register, or Security Reference Number (SRN) in the case of a holding on the issuer-sponsored sub-register.

Noteholders will be required to quote their HIN or SRN, as applicable, in all dealings with a broker or the Registrar. These statements will be dispatched to successful applicants within five Business Days after the Issue Date.

Noteholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the Register and as otherwise required under the Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Noteholder's sponsoring broker, in the case of a holding on the CHESS sub-register, or through the Registrar in the case of a holding on the issuer sponsored sub-register. Nexus or the Registrar may charge a fee for these additional issuer sponsored statements.

¹⁶ This date is indicative only and may change. The Arranger has the right to close the Offer early, extend the Closing Date or withdraw the Offer, in each case without notice.

Section 3

How to invest

3.9 Transfer of Nexus3 Notes

If Nexus3 Notes are officially quoted on ASX, they may be transferred in any manner permitted by the CHES system. Before registration of any such transfer, Nexus may require any documents which the rules of the CHES system require or permit Nexus to require be provided to it to authorise registration. A transfer is not effective until registered.

In accordance with all applicable laws, Nexus must register a transfer of a Nexus3 Note to or by a person who is entitled to be registered as a result of death or bankruptcy of a Noteholder, on the provision of such evidence of entitlement as Nexus may require.

3.10 Commissions, stamp duty and GST

No commission or stamp duty will be payable by applicants on Nexus3 Notes. Stamp duty is not payable on transfers of Nexus3 Notes.

Nexus has agreed that the Arranger may make payments of certain commissions out of its own funds to the Joint Lead Managers and other brokers or licensed financial services advisers in relation to Applications for Nexus3 Notes.

Related bodies corporate of Deutsche Bank may receive some of these commission payments.

Payments of interest and repayment of principal on Nexus3 Notes are not subject to GST.

3.11 Prospectus

During the exposure period and the Offer Period this Prospectus (without Application Forms) will be available on Nexus' website at www.nexusbonds.com.au/prospectus.html.

Applications may only be made on an Application Form attached to, or accompanying, this Prospectus.

During the Offer Period, you can request paper copies of the Prospectus including the Application Form and any supplementary documentation, free of charge by telephoning:

- the information line on 1800 101 185;
- the Arranger; or
- either Joint Lead Manager.

See page 93 for a list of their contact numbers.

3.12 Enquiries

If you require assistance to complete the Application Form, you should contact one of the Joint Lead Managers (see page 93 for their contact numbers) or the information line on 1800 101 185.

If you are unclear as to any matter or are uncertain if Nexus3 Notes are a suitable investment for you, you should contact a Joint Lead Manager or your broker or licensed financial services adviser before making a decision to apply for Nexus3 Notes.

Section 4

The Portfolio

The Portfolio consists of a replenishable pool of senior (secured or unsecured) Debt Obligations of a diversified group of international and Australian companies. This Section 4 sets out further detail on the criteria for inclusion in the Portfolio, Deutsche Bank's credit process and reporting to Noteholders in relation to the Portfolio.

4.1 Criteria for inclusion in the Portfolio

In order to be included in the Portfolio, or for the principal amount of a Debt Obligation already included in the Portfolio to be increased, the Debt Obligation must comply with the Debt Obligation Eligibility Criteria as summarised in the table on the following page, which include a requirement that the relevant Portfolio Company must not be the subject of a Company Event or an event which, with the giving of notice or lapse of time, would become a Company Event (see Section 5.2). The Debt Obligation Eligibility Criteria cannot be varied by Deutsche Bank. Once a Debt Obligation is included in the Portfolio, it cannot be removed from the Portfolio, or its principal amount reduced, except as described in Sections 4.2 and 8.5.14.

On the Issue Date the Portfolio as a whole must comply with the Portfolio Criteria as summarised in the table on the following page.

There is no requirement that a Debt Obligation comply with the Debt Obligation Eligibility Criteria, or that the Portfolio comply with the Portfolio Criteria, on an ongoing basis after the Issue Date. For example, if a Portfolio Company is downgraded so that it has a lower rating than when the Debt Obligation of that Portfolio Company was first included in the Portfolio, there is no obligation to remove its Debt Obligation from the Portfolio. Deterioration in the Portfolio is a risk which Noteholders assume in return for the investment return on Nexus3 Notes.

On a monthly basis during the Portfolio Term, Deutsche Bank can Replenish the Portfolio by adding new Debt Obligations to the Portfolio or by increasing the principal amount of a Debt Obligation already included in the Portfolio (see Section 4.2). However, the new or increased Debt Obligation must comply with the Debt Obligation Eligibility Criteria and any Replenishment must not cause the Portfolio to breach the Portfolio Criteria or, if the Portfolio is not then in compliance with the Portfolio Criteria, must not worsen the extent of non-compliance.

For the purposes of compliance with the criteria for inclusion of a Debt Obligation in the Portfolio, and for Replenishment, a Standard & Poor's 'Creditwatch Negative' or 'Creditwatch Positive' statement for the rating of a Portfolio Company is not taken into account. However, Standard & Poor's creditwatch statements are taken into account in assigning a rating to Nexus3 Notes and in running the rating model used to determine the implied credit rating for Nexus3 Notes immediately before and after any Replenishment (see Sections 2.17, 4.2 and 8.5.14).

The key Debt Obligation Eligibility Criteria and Portfolio Criteria are summarised in the following table.

Key Debt Obligation Eligibility Criteria	
Debt Obligation	<p>Each Debt Obligation must:</p> <ul style="list-style-type: none"> <input type="checkbox"/> be a senior (secured or unsecured) obligation in respect of borrowed money approved under Deutsche Bank's standard credit policies and guidelines at the time it was originated or acquired by the Deutsche Bank Group; <input type="checkbox"/> be legally valid and enforceable (subject to insolvency and bankruptcy laws and equitable principles); and <input type="checkbox"/> not cause the aggregate amount of Debt Obligations of a Portfolio Company Group ^v in the Portfolio to exceed: <ul style="list-style-type: none"> <input type="checkbox"/> if rated A– or higher by S&P (or the Deutsche Bank equivalent), 2.50% of the Maximum Portfolio Size. <input type="checkbox"/> if rated BBB or BBB+ by S&P (or the Deutsche Bank equivalent), 2.00% of the Maximum Portfolio Size. <input type="checkbox"/> if rated BBB– by S&P (or the Deutsche Bank equivalent), 1.75% of the Maximum Portfolio Size. <input type="checkbox"/> if rated BB+ or BB by S&P (or the Deutsche Bank equivalent), 1.00% of the Maximum Portfolio Size.
Portfolio Company	<p>Each Portfolio Company must:</p> <ul style="list-style-type: none"> <input type="checkbox"/> be rated BB or better by S&P (if rated by S&P), or have an equivalent rating by Deutsche Bank; <input type="checkbox"/> be incorporated in a country having an S&P sovereign long term foreign currency country rating of at least A–; and <input type="checkbox"/> not be the subject of a Company Event or an event which, with the giving of notice or lapse of time, would become a Company Event.

Key Portfolio Criteria	
Maximum Portfolio Size	\$1.5 billion ⁱ .
Minimum number of Portfolio Company Groups	100 (which must represent not less than 100 separate Portfolio Companies).
Maximum weighted average term to maturity of Debt Obligations in the Portfolio	3.5 years.
Maximum amount of Debt Obligations in the Portfolio by rating ⁱⁱ	<p>All companies must be rated Investment Grade when their Debt Obligations are first included in the Portfolio, except that companies rated BB or BB+ may be included in the Portfolio provided that no more than 10% of the Maximum Portfolio Size may consist of Debt Obligations owed by such companies (on the Issue Date) or by companies rated BB+ or below (at any time after the Issue Date) ⁱⁱⁱ.</p> <p>At the time of inclusion of a Debt Obligation in the Portfolio, the aggregate amount of Debt Obligations of Portfolio Companies incorporated in countries having an S&P sovereign long term foreign currency rating below AA– must not exceed 3% for any one country, or 6% in aggregate of the Maximum Portfolio Size ^{iv}.</p>
Maximum exposure to S&P industry classifications ⁱⁱ	<p>12% to largest</p> <p>12% to second largest</p> <p>10% to third largest</p> <p>8% to all other industry classifications</p>
Maximum exposure to geographic regions ⁱⁱ	<p>45% Americas</p> <p>65% Europe</p> <p>20% Australia and New Zealand</p> <p>6% Asia</p>
Minimum percentage of Portfolio Companies publicly assigned an issuer credit rating by S&P ⁱⁱ	40%

ⁱ If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

ⁱⁱ Weighted by the principal amount of Debt Obligations included in the Portfolio.

ⁱⁱⁱ See Section 2.21 for further information about this Portfolio Criterion.

^{iv} If the S&P sovereign long term foreign currency rating of a country is downgraded then Replenishment of the Portfolio cannot cause these limitations to exceed the greater of 3% or 6%, as the case may be, and the applicable percentage immediately prior to Replenishment.

^v Ratings are based on the Portfolio Company within the Portfolio Company Group with the highest weighting by the principal amount of Debt Obligations included in the Portfolio.

Section 4

The Portfolio

4.2 Replenishment of the Portfolio over the Portfolio Term

The Portfolio can be Replenished by Deutsche Bank on a monthly basis during the Portfolio Term by adding new Debt Obligations to the Portfolio or by increasing the principal amount of Debt Obligations already included in the Portfolio. Deutsche Bank is not obliged to consider the interests of Nexus or Noteholders in exercising its discretions in respect of any Replenishment, provided that the criteria described in Section 4.1 are met. In particular, in doing so Deutsche Bank does not act as adviser or as agent for, or owe any fiduciary duties to, Nexus or Noteholders. Nexus has no ability to influence the exercise of discretions by Deutsche Bank.

Replenishments may be made as a result of:

- loan or credit facility repayments;
- expiry or cancellation of undrawn amounts;
- the transfer of an interest in a Debt Obligation to a third party; or
- foreign exchange movements involving a depreciation of a foreign currency against the Australian dollar.

Replenishments cannot cause the size of the Portfolio to exceed an amount equal to the Maximum Portfolio Size less the amount of any losses determined in respect of the Portfolio.

Further detail on the process for Replenishment is set out in Sections 8.5.3 and 8.5.14. See also Section 6.1 for a discussion of the investment risks associated with the Portfolio.

In addition, the implied credit rating applicable to Nexus3 Notes determined by Deutsche Bank in accordance with Standard & Poor's rating model following any Replenishment must not be lower than the implied credit rating determined immediately before the Replenishment.

It should be noted that:

- debt restructurings; and
- the replacement of short term loans with longer fixed term loans as contemplated by their terms,

may result in the automatic substitution of one Debt Obligation for another, without the need for the new Debt Obligation to comply with the criteria for Replenishment (see Section 8.5.3).

4.3 Deutsche Bank's standard credit policies and guidelines

As set out in Section 4.1, one of the Debt Obligation Eligibility Criteria is that each Debt Obligation must have been originally approved under Deutsche Bank's standard credit policies and guidelines. This means that a member of the Deutsche Bank Group, in accordance with Deutsche Bank's standard credit policies and guidelines at the relevant time and on the basis of circumstances at that time, must have approved the incurring of indebtedness to the relevant Portfolio Company under that Debt Obligation or the acquisition of that Debt Obligation.

It should be noted that those circumstances and Deutsche Bank's credit policies and guidelines may have changed by the time of first inclusion of the Debt Obligation in the Portfolio or the time of any increase in its principal amount in the Portfolio. Despite these changes in circumstances, the Debt Obligation must still satisfy the Debt Obligation Eligibility Criteria, including rating requirements, at the time of inclusion in the Portfolio or at the time of any increase in its principal amount in the Portfolio.

The following is a brief description of Deutsche Bank's credit policies and guidelines currently applying. These may change from time to time.

The Deutsche Bank Credit Risk Management Group reviews all proposals for the extension of credit by a member of the Deutsche Bank Group. This review is done in accordance with Deutsche Bank's internal credit policies as well as its specialised product guidelines.

Credit is extended primarily based on a borrower's or other obligor's credit standing evaluated in accordance with Deutsche Bank's risk scoring system, which places particular emphasis on the borrower's or obligor's future outlook and cash flow. In other words, the borrower or obligor must be considered to be willing and able to fulfil its obligations from business operations. In addition, alternative sources of repayment are considered.

Deutsche Bank manages credit risk in accordance with certain principles, including:

- every extension of credit requires approval at a specified seniority level;
- all Deutsche Bank Group entities and divisions must apply consistent standards in arriving at their credit decisions;
- the approval of credit limits and the management of individual credit exposures must fit within specified portfolio guidelines and credit strategies;
- every material change to a credit facility (such as to its term, collateral structure or major covenants) requires approval at a specified seniority level;
- credit approval authorities are assigned to individuals according to their qualifications, experience and training, which is reviewed regularly; and
- all credit exposures to each obligor are measured and managed on a global basis that applies across the consolidated Deutsche Bank Group.

Section 4

The Portfolio

4.4 Deutsche Bank and its experience in lending

Deutsche Bank is one of the world's largest banks and is the parent company of a group consisting of banks, capital market companies, fund management companies, a property finance company, instalment financing companies, research and consultancy companies and other domestic and foreign companies.

As at 30 June 2004 the Deutsche Bank Group had total assets of EUR 849.2 billion. The group has about 1,555 branches and offices in 74 countries engaged in banking and other financial business worldwide.

As at 30 June 2004 the Deutsche Bank Group had provided over EUR 141.8 billion in drawn loans to corporate, institutional and governmental customers.

Deutsche Bank's credit policies and guidelines have been developed over many years.

A key part of the credit assessment process is determining and assigning an internal credit rating to each corporate, institutional and governmental customer.

A credit rating is a current assessment of a company's overall financial capacity (its creditworthiness) to pay its financial obligations (i.e. its debts). This assessment focuses on the company's capacity to meet its financial commitments as they become due. It does not apply to any specific financial obligation.

Deutsche Bank's credit ratings scale has been mapped with that of Standard & Poor's. A consequence of this harmonisation is that Standard & Poor's use the Deutsche Bank credit rating in their analysis of the Portfolio for any Portfolio Companies that are not rated by them.

4.5 Reporting in relation to the Portfolio

An internationally recognised accounting firm will be appointed by Deutsche Bank to examine compliance with some, but not all, of the criteria for the composition and Replenishment of the Portfolio. The accounting firm will provide the following reports to Nexus:

- an **initial report** within 60 days of the Issue Date confirming that, on the basis of the Portfolio records and information sourced from Standard & Poor's, the Portfolio Criteria and some, but not all, of the Debt Obligation Eligibility Criteria were complied with on the Issue Date;
- **semi-annual reports**
 - confirming that, on the same basis, in respect of any Debt Obligation which was added to the Portfolio or the principal amount of which was increased during the semi-annual period, it satisfied some, but not all, of the conditions for Replenishment, including the requirement not to cause or worsen any non-compliance of the Portfolio with the Portfolio Criteria (see Section 4.1);

- confirming that, on the same basis, in respect of any Debt Obligation in the Portfolio in default, any losses in respect of that Debt Obligation allocated during the semi-annual period were correctly calculated and that some, but not all, of the conditions for Replenishment were complied with when the Debt Obligation was included in the Portfolio;
 - on the stratification of the Portfolio within the categories of Portfolio specific criteria, updating the information in the key criteria for Debt Obligations and the Portfolio table in Section 1.8 on page 12; and
 - giving certain information concerning any Debt Obligations in the Portfolio in default;
- **quarterly reports** for the first quarter of each semi-annual period based solely on the Portfolio records and providing some, but not all, of the information provided in the semi-annual reports in relation to that quarter; and
 - a **final report** confirming that, in respect of any Debt Obligation in the Portfolio in default, any losses in respect of that Debt Obligation allocated during the period since the previous semi-annual or quarterly report (as applicable) were correctly calculated.

Section 8.5.15 provides further information in respect of the reports that will be provided.

The reports described above do not cover compliance with all conditions for Replenishment as some of the conditions are not susceptible to verification by the accounting firm. See Section 8.5.15 for a description of what conditions for Replenishment the reports cover. The reports also do not cover the conduct of any work out or sale process or other conditions to loss allocation described in Sections 5.5 to 5.7. However, Deutsche Bank must certify to Nexus that all the criteria described in Section 4.1 were satisfied before any losses are allocated to Nexus3 Notes.

Deutsche Bank has also undertaken to provide to Nexus:

- semi-annual certificates as to the correlation between the Portfolio and Deutsche Bank's internal books and records; and
- quarterly non-binding estimates of loss on each relevant Debt Obligation once a Company Event has occurred, except in certain circumstances (see Section 5.5).

These certificates and estimates will not be examined by the accounting firm.

For the purpose of reporting, a Standard & Poor's 'Creditwatch Negative' or 'Creditwatch Positive' statement for the rating of a Portfolio Company is not taken into account.

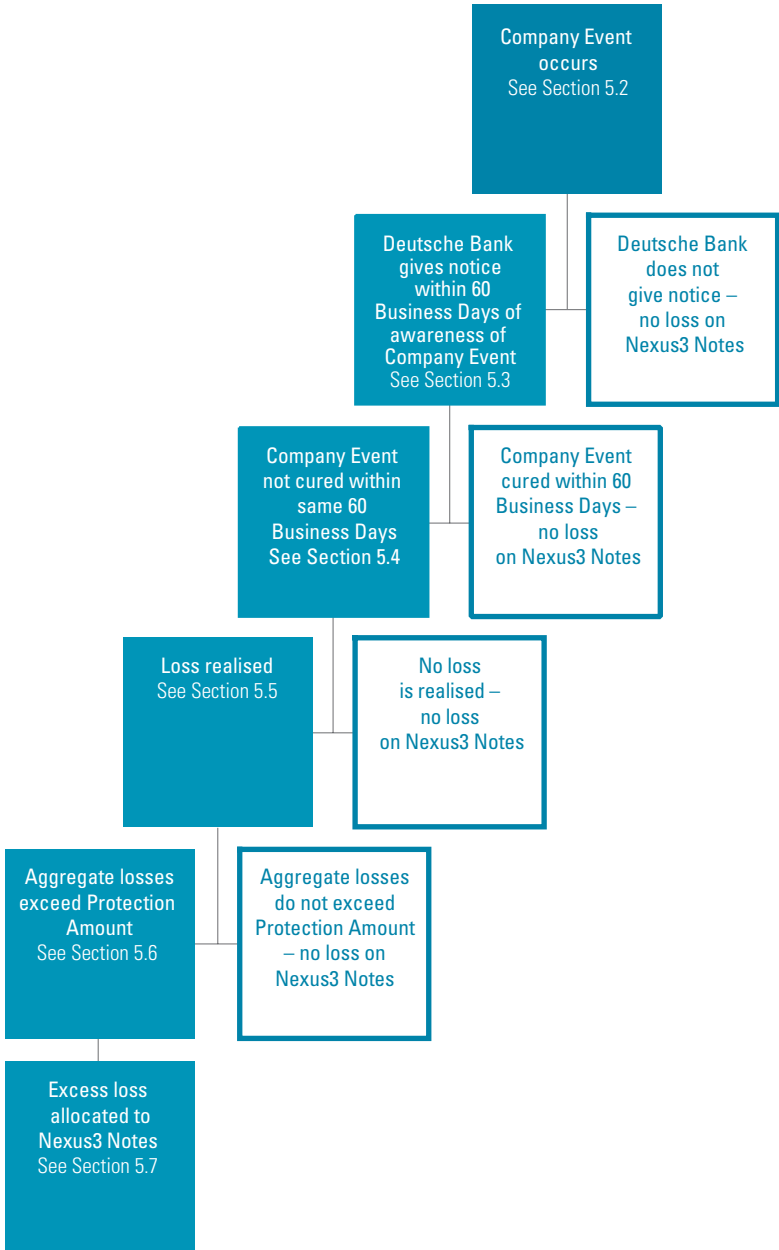
Nexus will provide these reports, certificates and estimates to ASX and make them available on Nexus' website at www.nexusbonds.com.au. Except as specifically set out in this Prospectus, Deutsche Bank is under no obligation and will not provide Nexus, Noteholders or ASX with any financial or other information concerning the Portfolio, including in relation to the Portfolio Companies, the Debt Obligations in the Portfolio, compliance with the criteria described in Section 4.1, whether or not circumstances exist under which there is a possibility of the occurrence of a Company Event or the conduct of any work out or sale process.

Section 5

Company Events and loss allocation

The steps that must be followed before losses (if any) on the Portfolio can be allocated to Noteholders and the Principal Amount repayable on Nexus3 Notes reduced are illustrated in the diagram at Section 5.1 below. These steps are expanded in more detail on the pages that follow.

5.1 Diagrammatic overview



5.2 Company Event

A Company Event occurs if a Portfolio Company:

- becomes insolvent or bankrupt; or
- fails to pay when due certain amounts in respect of borrowed money within any applicable grace period.

These amounts are \$10,000 or more for Debt Obligations in the Portfolio and US\$1 million or more for any other obligation of a Portfolio Company in respect of borrowed money. The lower amount for Debt Obligations in the Portfolio is required for Deutsche Bank to manage the amount of capital required to be held by it in order to support those Debt Obligations (see Section 2.4).

A Company Event in relation to a Portfolio Company may arise in relation to a Debt Obligation in the Portfolio, but may also arise in relation to another obligation of that Portfolio Company (including a guarantee or financial insurance policy) in respect of borrowed money.

A Company Event is not:

- a restructuring of any borrowed money of a Portfolio Company;
- a fall in the share price of a Portfolio Company;
- non-payment of a dividend by a Portfolio Company; or
- a change in the credit rating of a Portfolio Company.

See also Section 8.5.7.

5.3 Notice of Company Event

To exercise its rights under the Portfolio Agreement following a Company Event, Deutsche Bank must give notice of the Company Event to Nexus no later than 60 Business Days after Deutsche Bank becomes aware of the Company Event, specifying the Company Event and providing confirmation of its occurrence.

5.4 Cure period

If a Company Event occurs but is remedied within 60 Business Days after Deutsche Bank becomes aware of it, no loss can be allocated to Nexus3 Notes in respect of that Company Event and any notice given by Deutsche Bank is deemed to have been rescinded.

Section 5

Company Events and loss allocation

5.5 Assessment of loss and possible extension of the Term

Workout or sale process

If a Company Event occurs, a member of the Deutsche Bank Group, or a third party agent bank or financial institution, will assume responsibility for the ensuing work out or sale process in respect of the Debt Obligations in the Portfolio of the Portfolio Company affected by the Company Event.

If a third party assumes responsibility, such as under certain syndicated transactions, a member of the Deutsche Bank Group will nevertheless monitor their performance.

The work out or sale process must be conducted or monitored by the relevant DB Servicer in accordance with:

- Deutsche Bank's established procedures applicable to similar obligations (however, see Section 6.1 for more information about Debt Obligations in the Portfolio arising under syndicated transactions);
- the relevant transaction documents; and
- servicing principles that require the relevant DB Servicer to act as a reasonable creditor would in the protection of its own interests, acting reasonably and in accordance with applicable laws, regulations and regulatory requirements.

There are various other principles which Deutsche Bank has undertaken to Nexus will be complied with in calculating any loss on a Debt Obligation following the occurrence and notification of a Company Event. These are summarised in Section 8.5.11.

Provision of estimates

While the work out or sale process for a Debt Obligation is continuing, Deutsche Bank will (so long as it has a commercially reasonable basis for doing so) provide Nexus with an estimate of the anticipated loss on the Debt Obligation, such estimate to be updated quarterly. These estimates will be good faith estimates by Deutsche Bank but are not legally binding. Nexus will provide these estimates to ASX. They will also be available on Nexus' website at www.nexusbonds.com.au.

The estimates are designed to keep Noteholders aware of the likely impact of the relevant Company Event on Debt Obligations of the affected Portfolio Company in the Portfolio, but are not intended to have any legally binding effect and do not affect the amount of loss which may ultimately arise or the extent of any ultimate reduction of the Principal Amount of Nexus3 Notes.

Possible extension of Term

The work out or sale process may take some time. If:

- the recovery of the Debt Obligations of the Portfolio Company affected by the relevant Company Event is not complete by the Maturity Date or any Early Redemption Date; and
- assuming the full amount of such Debt Obligations were not recovered, a portion (or all) of the Principal Amount of Nexus3 Notes would be subject to reduction,

then, repayment of the affected portion of the Principal Amount of Nexus3 Notes will be deferred for up to 25 months pending a final determination of any losses. Any unaffected portion of the outstanding Principal Amount of Nexus3 Notes will be repaid on the Maturity Date or the Early Redemption Date.

However, if the work out or sale is not complete within 24 months of the Maturity Date or the Early Redemption Date, as applicable, full recovery will be assumed in respect of the relevant Debt Obligation, and on the last day of the Term any unpaid balance of the outstanding Principal Amount of Nexus3 Notes must be repaid without reference to any undetermined losses and Noteholders will have no further exposure to them.

Interest will be paid during any such extended period on any outstanding unpaid Principal Amount at a reduced rate equal to the 90 day Bank Bill Rate. Noteholders are not exposed to Company Events which may occur during any period of extension.

5.6 Application of Protection Amount

If there are no Portfolio losses, or if there are Portfolio losses but the sum of the determined losses does not exceed the Protection Amount, then the funds in the Deposit Account will enable Nexus to repay in full the initial Principal Amount of Nexus3 Notes.

The Portfolio Agreement does not restrict Deutsche Bank's ability to manage any exposure it may have in relation to the Portfolio or the Protection Amount.

Section 5

Company Events and loss allocation

5.7 Application of any excess loss to Nexus3 Notes

If cumulative Portfolio losses exceed the Protection Amount, then Nexus must pay this excess amount, up to a limit equal to the original Principal Amount of Nexus3 Notes, to Deutsche Bank under the Portfolio Agreement. This excess amount is called the 'Reduction Amount'. Payment by Nexus is made by reducing the balance in the Deposit Account. In the event of any such reduction, the Principal Amount of each Nexus3 Note is reduced proportionately (see Section 2.20).

The amount of excess losses on the Portfolio is only payable by Nexus and applied against the Principal Amount of Nexus3 Notes on or after the second anniversary of the Issue Date or, if earlier, any Early Redemption Date even if the excess losses occur prior to that date.

This has the effect that interest is payable at the 90 day Bank Bill Rate plus 2.75% per annum on the initial Principal Amount of Nexus3 Notes until the second anniversary of the Issue Date or, if earlier, any Early Redemption Date. Unless an Early Redemption Date occurs, after the second anniversary of the Issue Date interest is payable at the 90 day Bank Bill Rate plus 2.75% per annum on the outstanding Principal Amount from time to time.

Interest is also payable at a reduced rate equal to the 90 day Bank Bill Rate in respect of any unpaid Principal Amount during any period of late repayment after the Maturity Date or any Early Redemption Date (see Section 5.5).

If at any time after the Issue Date cumulative Portfolio losses exceed the aggregate of the Protection Amount and the original Principal Amount of Nexus3 Notes, then Nexus3 Notes will be taken to be redeemed early for zero value as of the next Interest Payment Date, with no amount becoming payable to Noteholders other than any accrued but unpaid interest.

5.8 Example

Set out below are numerical examples of the effect of four successive Company Events on principal and interest payments on Nexus3 Notes. The examples are provided by way of illustration only of the operation of the provisions of the Portfolio Agreement and the Note Trust Deed and the Company Event process described in Sections 5.1 to 5.7. The examples are not projections or forecasts of the performance of the Portfolio, Nexus or Nexus3 Notes. The assumptions in the examples are used only for the purpose of illustrating how returns may be affected by Company Events. Nexus makes no statement as to the likelihood of a Company Event occurring or the likely recovery value of relevant Debt Obligations following the occurrence and notification of any Company Event.

Prior Company Events

In this example, it is assumed that there is a Company Event in respect of a Portfolio Company owing a Debt Obligation equal to 2.00% of the Maximum Portfolio Size and the actual recovery value is 50%. This is subtracted from 100% to give a 50% loss on the principal amount of the Debt Obligation.

A Debt Obligation equal to 2.00% of the Maximum Portfolio Size represents the maximum exposure to any one BBB+ rated Portfolio Company (see Section 1.8 at page 12). The Debt Obligations of Portfolio Companies rated BBB+ constitute the largest ratings group in the initial Portfolio as at 1 November 2004 (see Section 1.8 at page 15).

The 50% loss is applied to the Debt Obligation's proportion of the Maximum Portfolio Size to calculate the loss amount for that Debt Obligation as follows:

$$\begin{aligned}\text{Loss amount} &= (100\% - \text{recovery value}) \times \text{Maximum Portfolio Size} \times \text{exposure} \\ &= 50\% \times \$1.5 \text{ billion}^{17} \times 2.00\% \\ &= \$15.0 \text{ million}\end{aligned}$$

It is then assumed that two further Portfolio Companies, whose Debt Obligations in the Portfolio are also each equal to 2.00% of the Maximum Portfolio Size, suffer Company Events and the aggregate loss amounts are \$30.0 million. The aggregate of the loss amounts in respect of the three Company Events is therefore \$45.0 million.

Since the \$45.0 million aggregate loss amount is still less than the \$59.1 million¹⁷ Protection Amount, no loss amount would have been allocated to Noteholders. However, the remaining Protection Amount would have been reduced from \$59.1 million to \$14.1 million.

¹⁷ If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

Section 5

Company Events and loss allocation

Subsequent Company Event

If it is further assumed that there is another Company Event relating to another Portfolio Company owing a Debt Obligation equal to 2.00% of the Maximum Portfolio Size (taking the total number of separate Company Events to four) and the actual recovery value on the principal amount of that Debt Obligation is also 50%, then the loss amount would be calculated as \$15.0 million (i.e. $50\% \times \$1.5 \text{ billion}^{18} \times 2.00\%$).

To calculate the Reduction Amount for Nexus3 Notes, only the losses in excess of the remaining Protection Amount (which then stands at \$14.1 million following the prior three Company Events) are allocated to Noteholders. Therefore, the Reduction Amount would be \$0.9 million (\$15.0 million minus the remaining Protection Amount of \$14.1 million).

If this occurred, the outstanding Principal Amount of Nexus3 Notes repayable at maturity would be reduced by the Reduction Amount of \$0.9 million (i.e. from \$35.0 million¹⁸ to \$34.1 million).

Were all of the four Company Events described in this example to happen, the total Principal Amount of Nexus3 Notes held by an investor who had purchased 100 Nexus3 Notes for \$10,000 would be reduced to approximately \$9,742 (being that Noteholder's proportionate share of the reduced Principal Amount of all Nexus3 Notes).

As long as the outstanding Principal Amount of Nexus3 Notes is not reduced to zero, the floating interest rate of the 90 day Bank Bill Rate plus 2.75% per annum will continue to be payable on the outstanding Principal Amount of Nexus3 Notes until the Maturity Date or any Early Redemption Date, as applicable.

This process is repeated for all unremedied Company Events (if any) that are notified to Nexus by Deutsche Bank on or before the Maturity Date or Early Redemption Date.

The Principal Amount of Nexus3 Notes may reduce to zero. At worst (i.e. assuming no recoveries) the Principal Amount will begin to be reduced after the occurrence of two Company Events (in respect of Portfolio Companies rated AAA to A- at the time their Debt Obligations are first included in the Portfolio, which can each represent up to \$37.5 million or 2.50% of the Maximum Portfolio Size) and will be reduced to zero after the occurrence of three such Company Events. If Company Events only occurred in respect of Portfolio Companies rated BB+ or BB at the time their Debt Obligations are first included in the Portfolio (which can represent up to \$15.0 million or 1.00% of the Maximum Portfolio Size), then assuming no recoveries, the Principal Amount will begin to be reduced after the occurrence of four Company Events and will be reduced to zero after the occurrence of seven such Company Events.

A reduction in the Principal Amount as described above, would be applied on or after the second anniversary of the Issue Date or, if earlier, any Early Redemption Date.

Noteholders are not required to make up losses (if any) beyond the Principal Amount of their Nexus3 Notes.

¹⁸ If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

5.9 Early redemption and late repayment

On the Maturity Date (six years after the Issue Date), unless early redemption or late repayment applies, the outstanding Principal Amount of Nexus3 Notes will be repaid. The outstanding Principal Amount on the Maturity Date will be less than the initial Principal Amount if losses on the Portfolio are allocated to Nexus3 Notes.

The following table summarises the different possibilities for early redemption or late repayment of Nexus3 Notes and the consequences of each.

Event	Consequences	More information
Early redemption due to change in law	<ul style="list-style-type: none"> □ Noteholders will have no exposure to Company Events occurring after notice of the Redemption Event. □ On the Early Redemption Date (the later of two Business Days after Nexus gives notice of the Redemption Event and the next Interest Payment Date), the Principal Amount of Nexus3 Notes (as reduced by any Reduction Amounts) will be repaid to Noteholders, less the amount of undetermined losses (if any) which could later be allocated to Nexus3 Notes (the Retained Principal Amount). □ On the Extended Payment Date (which may be up to 25 months from the Early Redemption Date), the Retained Principal Amount less any further Reduction Amounts will be repaid to Noteholders. □ Noteholders will receive interest on any outstanding Retained Principal Amount at the 90 day Bank Bill Rate quarterly in arrears until the Extended Payment Date. 	Sections 5.7 and 8.2.5
Early redemption due to occurrence of Regulatory Event	<ul style="list-style-type: none"> □ Except that notice of a Regulatory Event can only be given after the second anniversary of the Issue Date, the consequences are the same as for early redemption due to change in law (see above). This includes the repayment to Noteholders of the Principal Amount of Nexus3 Notes less any Reduction Amounts and Retained Principal Amount. □ An additional early redemption amount will also be paid to Noteholders. That amount is described in more detail in Section 8.2.5 but may be summarised as being equal to 1.375% of the outstanding Principal Amount of Nexus3 Notes repayable to Noteholders. 	Sections 6.2 and 8.2.5
Early redemption due to cumulative Portfolio losses reducing the Principal Amount of Nexus3 Notes to zero	<ul style="list-style-type: none"> □ Nexus3 Notes will be taken to be redeemed and Noteholders will receive no further payment other than accrued interest. 	Section 5.7
Late repayment due to undetermined losses at the Maturity Date which could impact on Nexus3 Notes	<ul style="list-style-type: none"> □ Noteholders will have no exposure to Company Events occurring after the Maturity Date. □ On the Maturity Date, the Principal Amount of Nexus3 Notes (as reduced by any Reduction Amounts) will be repaid to Noteholders, less any Retained Principal Amount. □ Any Retained Principal Amount of Nexus3 Notes will be repaid to Noteholders less any further Reduction Amounts on the final repayment date (which may be up to 25 months after the Maturity Date). □ Noteholders will receive interest on any outstanding Retained Principal Amount at the 90 day Bank Bill Rate quarterly in arrears until the final repayment date. 	Sections 5.5 and 5.7

Section 6

Investment risks

Before applying for Nexus3 Notes, you should consider whether Nexus3 Notes are suitable for you and we recommend that you consult your broker or licensed financial services adviser.

You should be aware that there are risks associated with investing in Nexus3 Notes. In particular, you should consider each of the following risks carefully, as well as the other information in this Prospectus. There may also be other risks that are not detailed in this Prospectus.

Some of the following risks apply generally to any investment, while others are specific to Nexus3 Notes. Many of these risks are outside the control of Nexus.

6.1 Portfolio risks associated with Nexus3 Notes

Company Events and losses on the Portfolio

Noteholders are exposed to the risk that Portfolio Companies may become insolvent or bankrupt, or fail to pay when due certain amounts (including under a guarantee or financial guaranty insurance policy) in respect of borrowed money (for further details, see Sections 5.2 and 8.5.7).

If the full amount owed to the Deutsche Bank Group in respect of the Debt Obligations in the Portfolio relating to those Portfolio Companies is not recovered, any losses will be allocated firstly to the \$59.1 million¹⁹ Protection Amount (i.e. the first 3.94% of the Maximum Portfolio Size) and after that will reduce the Principal Amount otherwise repayable to Noteholders on Nexus3 Notes, and accordingly reduce the interest amounts payable to Noteholders.

The occurrence of these events in relation to Portfolio Companies and the amount recovered will depend on a range of factors beyond the control of Nexus or Deutsche Bank.

These factors include:

- the financial performance of the relevant Portfolio Company and other factors internal to them; and
- economic conditions and other external factors and their impact on the relevant Portfolio Company.

Repayment of principal and payment of interest on Nexus3 Notes is not guaranteed by Nexus, Deutsche Bank or any other party.

Compliance with the criteria for inclusion in the Portfolio (as set out in Section 4.1), and adherence by the Deutsche Bank Group to its standard credit policies and guidelines and its servicing and collection policies, is no guarantee or assurance that losses on the Portfolio will not arise and be allocated to reduce the Principal Amount of Nexus3 Notes and interest amounts payable to Noteholders.

¹⁹ If the amount raised from the Offer is less than or greater than \$35.0 million, this amount will decrease or increase proportionately.

Deutsche Bank's roles

Noteholders are reliant on the business judgment and practices of the Deutsche Bank Group in administering, collecting and enforcing the Debt Obligations in the Portfolio, in administering the Portfolio and in accurately calculating losses on the Portfolio (if any).

Deutsche Bank is also entitled to make Replenishments to the Portfolio as described in Sections 4.2 and 8.5.14.

In performing the roles described above, and in complying with the Deutsche Bank Group's standard credit policies and guidelines and its servicing and collection policies, officers and employees of entities in the Deutsche Bank Group will exercise discretions without being obliged to consider the interests of Nexus or Noteholders. In particular, in doing so no member of the Deutsche Bank Group acts as adviser or as agent for, or owes any fiduciary duties to, Nexus or Noteholders.

Nexus has no ability to influence the exercise of discretions by members of the Deutsche Bank Group.

Further, in the case of Debt Obligations in the Portfolio arising under syndicated transactions:

- a third party agent bank or financial institution may carry out administration, collection and enforcement in accordance with the servicing principles in the documentation governing the relevant Debt Obligation and also to a material degree in accordance with its own credit and collection policies;
- the practices and decisions of the third party may be based on decisions of a majority of syndicate members with which the relevant Deutsche Bank Group entity may not have agreed and which could, therefore, be contrary to the Deutsche Bank Group's servicing and collection policies; and
- Deutsche Bank Group entities, as syndicate members, may have only limited means under the documentation governing the relevant Debt Obligation to influence the administration, collection and enforcement of that Debt Obligation by any such third party.

Section 6

Investment risks

6.2 Additional risks associated with Nexus3 Notes

Liquidity/price fluctuations on ASX

Although Nexus3 Notes are expected to be quoted on ASX, Noteholders are exposed to the risk that:

- there will not be a liquid market on ASX for Nexus3 Notes; and
- the trading price of Nexus3 Notes will fluctuate and may fall below the Issue Price or the price at which Noteholders purchased Nexus3 Notes.

Early redemption risks

Deutsche Bank is subject to banking supervision and regulation under the laws of Germany and other countries and, among other things, is required to maintain certain levels of capital to support the risks associated with its lending and credit business. The credit protection it receives under the Portfolio Agreement allows Deutsche Bank to manage the amount of capital required to be held to support the Debt Obligations included in the Portfolio (see Section 2.4).

The Basel Committee on Banking Supervision has proposed a new capital accord scheduled to be implemented in 2006.

If the introduction of the new Basel capital accord or other changes in law or compliance with regulatory requirements result in materially less regulatory capital relief being obtained by Deutsche Bank in respect of the Debt Obligations included in the Portfolio than Deutsche Bank would have obtained if it had transferred all of the credit exposure to the Debt Obligations in the Portfolio, Deutsche Bank may give notice to Nexus on any date after the second anniversary of the Issue Date, triggering a Redemption Event. Before Deutsche Bank gives any such notice, the Deutsche Bank Group must have taken reasonable measures, not requiring any material additional expenditure, to obtain such regulatory capital relief. If Nexus3 Notes are redeemed early in such circumstances, Nexus will pay Noteholders an additional early redemption amount (see Section 5.9). It is not known whether the new Basel capital accord, or other changes in law or compliance with regulatory requirements, will result in such a materially less regulatory capital relief being obtained by Deutsche Bank. See Section 8.2.5 for further information on early redemption for these reasons.

Nexus3 Notes may also be redeemed early in other circumstances relating to changes in law, directives or regulations that affect the ability of Nexus to meet its payment obligations to Noteholders, as also described in Section 8.2.5.

Late repayment risk

Noteholders are exposed to the risk that Principal Amounts repayable on Nexus3 Notes may be deferred in certain circumstances (see Section 5.5). However, if, following the occurrence of a Company Event, the amount of any losses on a Debt Obligation included in the Portfolio is not calculated within 24 months of the Maturity Date or any Early Redemption Date, each relevant defaulting Debt Obligation in the Portfolio will be treated as if it was recovered in full and will not reduce the Principal Amount to be repaid to Noteholders.

Fluctuations in 90 day Bank Bill Rate

The 90 day Bank Bill Rate is a floating rate of interest which may move up or down over the Term of Nexus3 Notes due to economic conditions and other factors beyond the control of Nexus or Deutsche Bank.

6.3 Risks associated with Nexus

Nexus is a special purpose company and has issued the Nexus3 Notes on the basis that the recourse of Noteholders and other creditors to the property of Nexus is limited.

If Nexus were to default under Nexus3 Notes (events of default are described in Section 8.4.6), then the Security Trustee can enforce the charge granted by Nexus only over the property of Nexus relating to Nexus3 Notes (primarily the rights of Nexus under the Deposit Deed and the Portfolio Agreement).

It will then use any proceeds recovered to repay Nexus3 Notes and the amounts owing by Nexus to the Note Trustee, the Security Trustee, Deutsche Bank and Computershare in the order described in Section 8.4.6.

No action can be taken against Nexus once these recovery proceeds have been paid, even if they were insufficient to repay Nexus3 Notes in full (or at all).

Any other property of Nexus (including any relating to other issues of securities by Nexus) is not available to repay Nexus3 Notes. An event of default in respect of any other series of securities issued by Nexus does not, of itself, constitute a default in respect of Nexus3 Notes.

Noteholders are not entitled to take direct action against Nexus, the Note Trustee, the Security Trustee, Deutsche Bank or Computershare. The rights against Nexus in respect of Nexus3 Notes will be exercisable by the Note Trustee on behalf of the Noteholders or the Security Trustee on behalf of all secured creditors.

6.4 Risks associated with Deutsche Bank

Although Deutsche Bank enjoys a credit rating of AA– as rated by Standard & Poor's, Aa3 as rated by Moody's Investors Service and AA– as rated by Fitch Ratings as of the date of this Prospectus, Noteholders are nevertheless exposed to Deutsche Bank credit risk.

Deutsche Bank does not guarantee the payment of principal or interest in relation to Nexus3 Notes in any way. However, Noteholders are exposed to Deutsche Bank credit risk in that, if Deutsche Bank becomes insolvent or otherwise unable to make payments under the Deposit Deed or Portfolio Agreement, Nexus is not obliged to make payment to Noteholders.

Further information on Deutsche Bank's financial position and ratings is available on its website at www.db.com.

Section 7

Taxation information

MALLESONS STEPHEN JAQUES

3 November 2004

The Directors
Nexus Bonds Limited
Level 18
Grosvenor Place
225 George Street
Sydney NSW 2000

Dear Sirs

NEXUS3 NOTES

This Opinion has been prepared for inclusion in the Prospectus to be dated on or about 3 November 2004 in respect of Nexus3 Notes (Nexus3 Notes).

The purpose of this Opinion is to summarise, in broad terms, the main income tax consequences to certain investors arising from an acquisition of Nexus3 Notes under the Prospectus. This Opinion is not provided as a basis on which a potential investor should make an investment decision. That decision requires a review of all of the materials presented in the Prospectus. This Opinion focuses primarily on the position of an Australian resident investor who subscribes for Nexus3 Notes under the Prospectus, who does not carry on the business of trading or dealing in securities and who holds Nexus3 Notes for long term investment purposes. We also comment on whether payments of interest to certain Noteholders outside Australia may be subject to Australian interest withholding tax. This Opinion is necessarily general in nature and does not take into account the specific circumstances of each individual investor.

A potential investor should not rely on this Opinion but should obtain specific tax advice in relation to his or her own circumstances prior to making an investment decision.

This Opinion is given in relation to the law prevailing, together with known administrative practice, at the date of this Opinion. Investors should note that these laws, the interpretation of them by the Courts and administrative practice can change at any time.

Interest Payments to Noteholders

Interest payments under Nexus3 Notes will be assessable income in the hands of the Noteholder.

Generally, the interest will be assessable at the time it is paid to the Noteholder. However, if a Noteholder carries on the business of lending money or a similar business, the interest income would normally be brought to account on a daily accruals basis, to the extent that Nexus3 Notes are held as part of that business.

Disposal of Nexus3 Notes

Nexus3 Notes should be treated as "traditional securities" for income tax purposes.

If a Noteholder sells a Nexus3 Note (or it is redeemed), any gain would be assessable income to the Noteholder at the time the sale (or redemption) occurs under the "traditional security" provisions. A gain would arise to the extent to which the net consideration received on the sale (or redemption) of a Nexus3 Note is greater than its cost.

In practical terms, there should be no capital gain on the disposal of a Nexus3 Note.

Generally, an allowable deduction should be available for any loss on the disposal of a Nexus3 Note in the tax year during which the disposal occurs (whether the Noteholder acquired the Nexus3 Note upon issuance or not). A loss should arise if the net consideration received is less than the cost of the Nexus3 Note. A capital loss will not arise on the disposal of a Nexus3 Note to the extent that an allowable deduction is available.

If the term of Nexus3 Notes is extended beyond the Maturity Date (or an Early Redemption Date), a gain or loss may arise as at the Maturity Date (or the Early Redemption Date), depending on the amount by which the Principal Amount is reduced, the amount (if any) of the principal repaid and the cost of Nexus3 Notes. A further gain or loss may arise upon the Extended Payment Date.

Tax File Numbers

There should be no deduction on account of tax on payments of interest to a Noteholder who is resident in Australia (or a non-resident receiving interest through a permanent establishment in Australia), provided that the Noteholder quotes its Tax File Number (TFN) or gives evidence of an appropriate exemption. (Details of whether a Noteholder falls within an exemption category, and the relevant exemption category number, are available from the Australian Taxation Office.)

The collection of TFN information is authorised, and its use and disclosure is strictly regulated, by Australian taxation and privacy laws. Noteholders need not quote a TFN (or a TFN exemption category) to Nexus if they do not wish to do so. If a Noteholder does not quote their TFN (or TFN exemption category), tax will be deducted from interest paid to the Noteholder at the appropriate rate (currently, 48.5%). If the Noteholder quotes their TFN (or TFN exemption category), no tax will be taken out of payments to the Noteholder.

If the Noteholder acquires a Nexus3 Note in the course or furtherance of an enterprise carried on by the Noteholder, the Noteholder may quote their Australian Business Number as an alternative to quoting their TFN.

Interest paid to certain Noteholders outside Australia

Interest paid to a Noteholder, who is a non-resident of Australia (other than a non-resident receiving the interest through a "permanent establishment" in Australia), should not be subject to interest withholding tax or income tax. Similarly, no interest withholding tax should be imposed on interest paid to a Noteholder who is an Australian resident and who receives the interest through a "permanent establishment" outside Australia. In each case, it is assumed that the Nexus3 Notes will be listed on the ASX and that the Noteholder will not be an "associate" of Nexus.

Disclaimer

This Opinion does not purport to give advice to any specific Noteholder, as each Noteholder's tax position will depend on his or her own particular circumstances. To the maximum extent permitted by law, neither this firm nor any partner or employee of this firm accepts any responsibility to any Noteholder for any statements, conclusions or opinion expressed in this Opinion. Noteholders should seek their own professional tax advice regarding their individual circumstances.

Yours faithfully

Mallsons Stephen Jacques

Section 8

Material contracts

This Section 8 contains a summary of the material contracts entered into by Nexus with Deutsche Bank and Permanent in relation to Nexus3 Notes. This Prospectus contains only a summary of the material contracts and their substantive terms.

The following table outlines the information provided in this Section 8.

Section	Title	Page number
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8.1 Summary of the responsibilities of the key service providers to Nexus

Service provider	Responsibility
Deutsche Bank	<p>As Operating Agent: Deutsche Bank is responsible for the day to day administration of the business of Nexus.</p> <p>As Custodian: Deutsche Bank is responsible for holding and keeping in safe custody the money and certain other property of Nexus. This does not include the amount raised from the issue of Nexus3 Notes which will be kept in the Deposit Account (which is held by Deutsche Bank as deposit bank).</p> <p>As Arranger: Deutsche Bank is responsible for arranging the initial distribution and sale of Nexus3 Notes. Deutsche Bank is making offers to arrange the issuance of Nexus3 Notes by Nexus in accordance with an agreement between these two companies that constitutes an 'intermediary authorisation' for the purposes of Section 911A(2)(b) of the Corporations Act.</p> <p>As transaction counterparties: Deutsche Bank acts as the deposit bank (all proceeds from the issue are deposited with Deutsche Bank) and the counterparty to Nexus under the Portfolio Agreement.</p>
Permanent	<p>As Note Trustee: Permanent is responsible for holding on trust for the benefit of Noteholders the right to enforce Nexus' obligations under Nexus3 Notes. The right to enforce Nexus' obligations under Nexus3 Notes is subject to the limited recourse provisions of the Master Trust Deed (see Section 8.4.3). As Note Trustee, Permanent calls meetings of Noteholders when required under the Note Trust Deed and the Corporations Act. It would represent the Noteholders at any meetings of the secured creditors of Nexus.</p> <p>As Security Trustee: Permanent also acts as trustee for all of the secured creditors of Nexus. It is the Security Trustee who is authorised to enforce the security on behalf of the secured creditors of Nexus.</p>
Computershare	<p>As Registrar: Computershare is responsible for the establishment and maintenance of the Register of Nexus3 Notes. It is the Register which ultimately determines who is the registered holder of Nexus3 Notes.</p>

8.2 Terms and conditions of Nexus3 Notes

The terms and conditions of Nexus3 Notes are contained in the Note Trust Deed (see Section 8.3 below) and the Master Trust Deed (see Section 8.4 below). They are summarised here separately for ease of reference.

8.2.1 Form of Nexus3 Notes

Nexus3 Notes are secured, limited recourse debt securities of Nexus constituted by the Note Trust Deed and take the form of entries in the Register. For the purposes of section 283BH of the Corporations Act, Nexus3 Notes are classified as 'unsecured notes'.

8.2.2 Undertaking to pay

In respect of each Nexus3 Note, Nexus has undertaken with the relevant Noteholder and the Note Trustee to pay the amounts due and payable in respect of that Nexus3 Note in accordance with the Note Trust Deed and the Master Trust Deed. The payment of an amount due under a Nexus3 Note to either the Noteholder or Note Trustee discharges the obligation of Nexus to pay that amount under the Nexus3 Note to each of the Noteholder and the Note Trustee. Nexus3 Notes rank equally amongst themselves.

8.2.3 Principal Amount

The initial Principal Amount of each Nexus3 Note is \$100.

From the earlier of the second anniversary of the Issue Date and the Early Redemption Date (if any) (see Section 8.2.5 below for a definition of this term) (the **Reduction Deferral Date**), on each day that Nexus must make a payment of an amount to Deutsche Bank under the Portfolio Agreement (see Section 8.5.6 below, each such amount is a Reduction Amount and each such date is a Reduction Date), the Principal Amount of each Nexus3 Note is reduced by the Nexus3 Note's pro-rata share of the Reduction Amount payable by Nexus on that Reduction Date.

If this reduction would cause the Principal Amount of Nexus3 Notes to be reduced to zero then, on payment of any interest which has accrued on Nexus3 Notes as at the relevant Reduction Date, Nexus3 Notes are taken to have been redeemed in full and Nexus' obligations in respect of Nexus3 Notes are discharged.

The Principal Amount of each Nexus3 Note is also reduced by any Interim Repayment Amount payable by Nexus in respect of the Nexus3 Note (see Section 8.2.4 below).

8.2.4 Interim Repayment and Redemption

In respect of each Nexus3 Note, Nexus agrees to repay an amount equal to the current Principal Amount plus any interest which has accrued under the terms of the Nexus3 Note but which has not been paid (in respect of any date, this combined amount is the **Repayment Amount**) on the Redemption Date (see below) unless the Nexus3 Note has been previously redeemed.

The **Redemption Date** will be the earlier of the sixth anniversary of the Issue Date (the **Maturity Date**) and the Early Redemption Date (if any) (see Section 8.2.5 below for a definition of this term) unless, on that date, the calculation of Reduction Amounts is not complete for all Company Events notified to Nexus under the Portfolio Agreement.

In these circumstances:

- on that date (the **Interim Repayment Date**), Nexus agrees to repay any portion of the Principal Amount which could not be affected by the undetermined Reduction Amounts (assuming that there are no recoveries on the relevant Defaulted Debt Obligations) (the **Interim Repayment Amount**). The Principal Amount of each Nexus3 Note is reduced by any Interim Repayment Amount; and

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- the Redemption Date becomes the earlier of:
 - the next Interest Payment Date after a date which is no later than 30 days after the date on which the last of the Reduction Amounts is calculated (which may be up to two years after the Interim Repayment Date); and
 - the Reduction Date that a Reduction Amount is payable which causes the reduction of the Principal Amount of Nexus3 Notes to zero.
- Deutsche Bank gives Nexus a notice on any date after the second anniversary of the Issue Date that as a result of:
 - the introduction or change in any law, rule or regulation binding on the Deutsche Bank Group relating to regulatory capital requirements, or in the interpretation, application or administration of any such law, rule or regulation by any government, supervisory or regulatory authority having jurisdiction over the Deutsche Bank Group; or
 - any request or directive relating to regulatory capital requirements of any such government, supervisory or regulatory authority, after the Issue Date,

The making of these payments when due discharges the obligations of Nexus in connection with each Nexus3 Note in full, whether or not the sum of the Interim Repayment Amount, if any, the Early Redemption Amount, if any (see Section 8.2.5 below for a definition of this term), and the Repayment Amount for a Nexus3 Note is less than its Issue Price.

8.2.5 Early Redemption Events

If either of the following events occurs (each a **Redemption Event**) then Nexus must give a notice to Deutsche Bank, the Note Trustee and the Registrar (an **Early Redemption Notice**):

- following any change in, the making of, any change in the official interpretation of, or any change in compliance with any law, official directive or request, Nexus receives an opinion from an independent expert to the effect that the return to Nexus is, or will be, reduced such that it affects the ability of Nexus to meet its payment obligations to Deutsche Bank under the Portfolio Agreement or to all Noteholders; or

the regulatory capital relief obtained by the Deutsche Bank Group in respect of the Debt Obligations in the Portfolio is materially less than it would be if the Deutsche Bank Group had transferred on commercially attainable market terms all of the credit exposure to the Debt Obligations, provided that the Deutsche Bank Group has taken reasonable measures, not requiring any material additional expenditure, to obtain such regulatory capital relief.

For the avoidance of doubt, Deutsche Bank may determine that a Regulatory Event has occurred even if, prior to the Issue Date, information in respect of any relevant change in law, rule or regulation, or any request or directive, was contained in the Basel capital accord proposed to be introduced in 2006 or which was announced or contained within any other proposal by a relevant regulatory authority.

The delivery of the Early Redemption Notice leads to redemption of the Nexus3 Notes (see Interim Repayment and Redemption above).

The **Early Redemption Date** will be the later of the date which is two Business Days after, and the next Interest Payment Date after, the date on which an Early Redemption Notice is given by Nexus unless the Early Redemption Date occurs as a result of the first of these Early Redemption Events and Deutsche Bank determines that an earlier date is the latest possible date for redemption of Nexus3 Notes permitted under any applicable law, official directive or request. In these circumstances, that earlier date will be the Early Redemption Date.

If the second of these Early Redemption Events occurs (a **Regulatory Event**), then on each of the Interim Repayment Dates (if any) and the Redemption Date, Nexus will pay in respect of each Nexus3 Note an additional amount (the **Early Redemption Amount**) calculated by Deutsche Bank under the Portfolio Agreement which is equal to 1.375% of the Principal Amount of Nexus3 Notes repayable to Noteholders on that date.

8.2.6 Interest

Interest is payable on each Nexus3 Note on the date which is three months after the Issue Date and each consecutive three monthly date until the Redemption Date (which is the last day on which interest is paid) and on the Early Redemption Date (if any) (each an **Interest Payment Date**).

Until the Reduction Deferral Date, interest is calculated at the aggregate of the 90 day Bank Bill Rate set on the first day of the relevant interest period (the **Market Rate**) and 2.75% per annum on the initial Principal Amount. From the Reduction Deferral Date until the earlier of the Maturity Date and the Early Redemption Date (if any), interest is calculated at the aggregate of the Market Rate and 2.75% per annum on the outstanding Principal Amount on the first day of each relevant Interest Period. If Nexus3 Notes are not redeemed on such a date, interest for the period until the Redemption Date is calculated at the Market Rate on the outstanding Principal Amount on the first day of each relevant interest period.

Interest accrues daily and is payable quarterly in arrears. Calculations of interest are to be made by Nexus on the basis of the provisions set out in the Note Trust Deed.

Nexus has irrevocably directed Deutsche Bank to pay into an account nominated by the Registrar amounts due to Nexus under the Portfolio Agreement and the Deposit Deed which equal the amount of interest payable on Nexus3 Notes.

Nexus will pay default interest on unpaid amounts under Nexus3 Notes which have become due and payable but only when and to the extent that it receives default interest under the Deposit Deed or the Portfolio Agreement.

8.2.7 Register of Nexus3 Notes

Nexus has agreed to keep an up-to-date register of the holdings of Nexus3 Notes which includes the details of each Noteholder and the number of Nexus3 Notes held by each Noteholder.

The persons whose names are registered as the Noteholders of a Nexus3 Note will be treated as the absolute owners of that Nexus3 Note.

A Noteholder must advise Nexus of any change to the information recorded in the Register.

The record date for each Interest Payment Date is seven calendar days before that Interest Payment Date.

Nexus is not liable for any mistake in the Register except to the extent the mistake is attributable to its own fraud, gross negligence or wilful default.

Nexus has arranged for the Registrar to maintain the Register on its behalf.

8.2.8 Transfers of and payments under Nexus3 Notes

Provisions relating to transfers of and payments under Nexus3 Notes are set out in the Master Trust Deed. Payments to Noteholders will be made according to the information recorded in the Register. Transfers and payments in respect of Nexus3 Notes registered on CHESSE will be made in accordance with the rules and regulations of CHESSE.

8.2.9 Deductions and withholdings

If a law requires Nexus to deduct an amount in respect of taxes from a payment under a Nexus3 Note such that the Noteholder or the Note Trustee would not actually receive on the due date the full amount provided for under the Nexus3 Note, then Nexus will deduct the amount for the taxes and pay it to the relevant authority. Nexus is not obliged to pay any additional amounts to the Noteholder or the Note Trustee.

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8.2.10 Events of Default

Events of Default are described in Section 8.4.6 below. If an Event of Default occurs, the Note Trustee must call a meeting of the Noteholders as soon as is reasonably practicable and the Note Trustee may, and if directed by an extraordinary resolution of Noteholders, the Note Trustee must, by notice to Nexus declare the Repayment Amount of each Nexus3 Note on the date of the declaration to be immediately due and payable, provided that the Event of Default is subsisting at that time. No Noteholder has the right to make such a declaration. The making of such a declaration does not entitle either the Note Trustee or any Noteholder to take any further action against Nexus except as permitted by the Note Trust Deed and the Master Trust Deed. The Master Trust Deed sets out the further consequences of the occurrence of an Event of Default. Payment of the amount available to Noteholders under the Master Trust Deed discharges Nexus' obligations under Nexus3 Notes.

8.2.11 Noteholders bound

Each Noteholder is bound by the Note Trust Deed and the Master Trust Deed.

8.2.12 Meetings of Noteholders

Meetings of Noteholders are to be conducted in accordance with the Master Trust Deed.

8.2.13 Calculations under Nexus3 Notes

Calculations and determinations of amounts, rates and dates under Nexus3 Notes are made by Nexus. Its determination is final and binding on the Noteholders, unless there is a manifest error. Under the Services Deed (see Section 8.7 below), the Operating Agent may make these calculations and determinations on behalf of Nexus.

8.3 Note Trust Deed

The Noteholders have the benefit of the Note Trust Deed established in relation to Nexus3 Notes. The Note Trust Deed contains the terms and conditions of Nexus3 Notes (as described in Section 8.2) as well as establishing the trust for Noteholders. The Note Trust Deed also varies some of the terms of the Master Trust Deed that apply to Nexus3 Notes, such as the order of the priority of payments. The parties to the Note Trust Deed are Nexus and Permanent.

Permanent is appointed as Note Trustee to hold the following on trust for the Noteholders:

- the right to enforce the obligations of Nexus to pay amounts payable under Nexus3 Notes. The right to enforce Nexus' obligations under Nexus3 Notes is subject to the limited recourse provisions of the Master Trust Deed (see Section 8.4.8);
- any amounts that the Note Trustee receives for the Noteholders under the documents entered into by Nexus in connection with Nexus3 Notes (the **Documents**);

- the security rights which the Note Trustee acquires under the Master Trust Deed in respect of amounts owing under Nexus3 Notes; and
- the right to enforce any other duties or obligations of Nexus under Nexus3 Notes, the Note Trust Deed or Chapter 2L of the Corporations Act or to the Noteholders under the other documents in connection with Nexus3 Notes.

Many of the provisions described in Section 8.4 are incorporated into the Note Trust Deed and apply to Permanent in its capacity as Note Trustee. These include the statutory obligations of the Note Trustee, such as the duty to call meetings of Noteholders in certain circumstances and the limitations on the Note Trustee's liability. The Note Trustee's liability under the Note Trust Deed is limited to the assets of the trust.

8.4 Master Trust Deed

The parties to the Master Trust Deed are Nexus, Permanent and Deutsche Bank.

8.4.1 Multiple series of securities

The Master Trust Deed is designed to apply to multiple issues of securities by Nexus, including the issue of Nexus1 Notes, Nexus2 Notes and Nexus3 Notes. As such, the Master Trust Deed includes terms, representations and warranties common to various issues of securities that may be made by Nexus. The application of the Master Trust Deed to Nexus3 Notes is varied by the Note Trust Deed.

The Master Trust Deed also provides for the creation of new trusts for future securities issues by Nexus by the execution of further bond or note trust deeds. There is no limit to the number of trusts that may be created nor to the number of series of securities that may be issued by Nexus.

However, Nexus and Permanent are under an obligation to ensure that all proceeds received from each issue of securities are recorded, kept and dealt with separately.

The proceeds from, and other assets of Nexus allocated to, one series of securities are not available to meet amounts owing in respect of any other series of securities (despite there being a single charge (as described in Section 8.4.2 below).

8.4.2 Security arrangements

Under the Master Trust Deed, Permanent is appointed Security Trustee. The Security Trustee is required to hold the benefit of the Master Trust Deed for the secured creditors of Nexus (including Permanent as Note Trustee).

A single fixed and floating charge over the assets of Nexus is granted to Permanent as Security Trustee under the Master Trust Deed as security for specified payments to be made by Nexus, including amounts owing under Nexus1 Notes, Nexus2 Notes and Nexus3 Notes and future issues of securities. Some assets of Nexus are excluded from the charge such as goodwill, money of Nexus not related to issues of securities and some real property (if any is acquired).

Nexus provides representations and undertakings to the Security Trustee in the Master Trust Deed.

8.4.3 Rights and obligations of Permanent

The rights and obligations of Permanent in its capacity as Note Trustee and Security Trustee are set out in the Master Trust Deed and the Note Trust Deed.

The Master Trust Deed also limits the responsibility and liability of Permanent when acting as Security Trustee and Note Trustee to the amounts available to it as trustee, except in circumstances where it (or its agents, delegates or related entities) has acted negligently or fraudulently, or where there has been a gross or wilful breach of its obligations.

Permanent as Note Trustee calls meetings of Noteholders when required under the Note Trust Deed and the Corporations Act, and will represent the Noteholders at any meetings of the secured creditors of Nexus. As Security Trustee, Permanent is authorised to enforce the security on behalf of the secured creditors of Nexus.

8.4.4 Removal and resignation of Permanent

Nexus may, by giving 30 days' notice in writing, remove Permanent as either the Security Trustee or the Note Trustee.

The secured creditors of Nexus may, by extraordinary resolution of each series of securities issued by Nexus, remove Permanent as Security Trustee.

The Noteholders may, by extraordinary resolution, remove Permanent as Note Trustee.

Permanent may retire as Security Trustee or Note Trustee by giving Nexus 30 days' notice in writing. It must immediately retire if an insolvency event has occurred in respect of it in its personal capacity.

However, Permanent's appointment will not cease until a replacement trustee has been appointed by Nexus.

8.4.5 Fees, indemnities and expenses

The Master Trust Deed provides that Nexus must pay to Permanent such fees as agreed between them.

Nexus indemnifies Permanent against liabilities, costs, charges and expenses incurred in certain circumstances, and Permanent will be indemnified out of moneys and other property it holds as trustee for all liabilities arising from the exercise or performance of its powers and obligations as Security Trustee or Note Trustee, except to the extent they were incurred directly or indirectly as a result of it (or its delegates, agents or related entities) acting negligently or fraudulently, or where there has been a gross or wilful breach of its obligations.

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8.4.6 Nexus Events of Default

A Nexus **Event of Default** occurs if:

- Nexus fails to pay any amount due under Nexus3 Notes or other amounts owing under the Documents within 10 Business Days of the due date;
- Nexus fails to perform any other obligation under any Document and that failure is not remediable and Permanent considers that the failure has a material adverse effect on the ability of Nexus to meet its payment obligations under the Documents;
- Nexus fails to perform any obligation under any Document (other than a failure as described above) and Nexus has not remedied it within 14 Business Days after being requested by Permanent to do so and the failure has, or is likely to have, a material adverse effect on the ability of Nexus to meet its obligations under the Documents;
- any of a number of defined insolvency-related events occurs in respect of Nexus;
- any Document ceases to be effective in accordance with its terms; or
- any of the representations and warranties made by Nexus in a Document is false and misleading when made or repeated and has, or is likely to have, a material adverse effect on the ability of Nexus to meet its obligations under the Documents.

An event of default in respect of any other series of securities issued by Nexus (including Nexus1 Notes and Nexus2 Notes) does not, of itself, constitute an Event of Default in respect of Nexus3 Notes.

8.4.7 Consequences of an Event of Default

If an Event of Default relating to the Nexus3 Notes occurs then the charge becomes enforceable to the extent that it applies to the property of Nexus referable to Nexus3 Notes (primarily the rights under the Deposit Deed and the Portfolio Agreement). Permanent must notify Nexus, Deutsche Bank and Computershare of the Event of Default and convene a meeting of them to determine what enforcement action is to be taken. As described in Section 8.2.10, Permanent (as Note Trustee) will also convene a meeting of Noteholders and will represent Noteholders at the meeting with Nexus, Deutsche Bank and Computershare.

As Security Trustee, Permanent also has the right (but not the obligation) to take separate enforcement action.

The Noteholders are not entitled to enforce the charge or take separate action against Nexus.

After an Event of Default relating to the Nexus3 Notes has occurred and been enforced, the Security Trustee will pay the amount recovered on enforcement in the following order:

- to pay amounts owing to the Security Trustee and the Note Trustee;
- to pay any remuneration payable to a receiver appointed to Nexus by the Security Trustee (if any);
- to pay amounts owing to Deutsche Bank under the Deposit Deed and the Portfolio Agreement;
- to pay amounts owing under Nexus3 Notes;

- to pay amounts owing to Deutsche Bank under the Services Deed or to Computershare; and
- any remaining amount is to be paid to Nexus.

This order also applies to money acquired by Nexus prior to an Event of Default relating to the Nexus3 Notes other than money paid to the Registrar under the Portfolio Agreement and the Deposit Deed (and other payments which are directed to be paid under the Documents).

If at the same time that an Event of Default relating to the Nexus3 Notes occurs, the requirements for early redemption of Nexus3 Notes described in Section 8.2.5 are not satisfied and either:

- Deutsche Bank has not paid an amount owing by it under the Deposit Deed or the Portfolio Agreement on the due date and has not remedied the failure to pay; or
- the Portfolio Agreement is terminated early because of the occurrence of any number of defined events related to the insolvency of Deutsche Bank,

then, in the order of payments made by the Security Trustee after the Event of Default, amounts owing under Nexus3 Notes will rank equally with amounts owing to Deutsche Bank under the Deposit Deed and the Portfolio Agreement.

Money or other property of Nexus which is referable to any other securities issued by Nexus is not payable to any person claiming any amount due in respect of Nexus3 Notes.

8.4.8 Limited recourse

Nexus3 Notes and other dealings with Nexus are subject to the limited recourse provisions contained in the Master Trust Deed and Note Trust Deed.

For each Noteholder, this means that if the actual amount available for distribution to the Noteholder under the Master Trust Deed is less than the nominal amount owing to the Noteholder, the payment of the amount available completely discharges Nexus' liability to the Noteholder.

The Noteholder has no further claim or entitlement to be paid the difference between the nominal amount and the available amount and the Note Trustee (on behalf of Noteholders) has waived all claims Noteholders may have against Nexus where Nexus' payment obligations have been discharged.

The terms of the Master Trust Deed and Note Trust Deed also provide that no Noteholder can apply for judgment against Nexus for the payment of money or damages, seek to wind up Nexus, appoint a receiver or administrator to Nexus, enforce against the property of Nexus, exercise rights of set-off or counterclaim against Nexus or issue a statutory demand against Nexus.

8.4.9 Amendment of the Documents

Nexus and Permanent may agree to an amendment of any Document without the consent of the Noteholders if, in the opinion of Permanent the amendment:

- is made to correct an error or it is of a formal, technical or administrative nature;
- is necessary to comply with any applicable law or regulation; or
- is not materially prejudicial to the interests of the Noteholders.

Any amendment to a Document may be agreed upon by Nexus with the authority of a resolution of Noteholders.

8.5 Portfolio Agreement

The Portfolio Agreement is an agreement between Deutsche Bank and Nexus.

8.5.1 Form of the Portfolio Agreement

The Portfolio Agreement is made up of a master agreement and a confirmation, each of which is based on international standard terms developed for use (by the International Swaps and Derivatives Association, Inc.) in transactions of a similar nature to the Portfolio Agreement.

In the master agreement, each party provides a number of standard representations, warranties and undertakings to the other. The master agreement also sets out the circumstances in which either Nexus or Deutsche Bank is entitled to terminate the Portfolio Agreement, whether Nexus or Deutsche Bank is required to make any payments if the Portfolio Agreement terminates and, if so, how those payments are calculated.

8.5.2 Term of the Portfolio Agreement

The term of the Portfolio Agreement is the same as the term of Nexus3 Notes (including when Nexus3 Notes can be redeemed early or late). The Portfolio Agreement can be terminated early in certain circumstances (see Section 8.5.17 below).

8.5.3 Debt Obligations

The Portfolio Agreement relates to the **Debt Obligations**. Each Debt Obligation in the Portfolio is a debt obligation (including a partial obligation or a contingent obligation) owed to an entity in the Deutsche Bank Group in respect of the payment of principal, interest and/or fees arising from a loan (including a syndicated loan) or a revolving credit facility or a payment obligation arising under a certificate or note or from a guarantee (including a letter of credit, performance bond, credit guarantee, credit guarantee facility, documentary letter of credit, customs guarantee or other similar instrument) by a corporate or other entity (including a financial institution).

A Debt Obligation in the Portfolio must not be a foreign exchange transaction or option. A Debt Obligation must be a senior (secured or unsecured) obligation in respect of borrowed money.

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The characteristics of the Debt Obligations included in the Portfolio at the Issue Date are described in Section 4. Additional Portfolio Criteria not set out in Section 4.1 are:

- the weighted average recovery rate for Debt Obligations in the Portfolio (using recovery rates for senior debt obligations of entities established or incorporated in the countries of incorporation of the Portfolio Companies supplied by Standard & Poor's prior to the date of this Prospectus) must be 30% or more;
- at least one Debt Obligation must not be owed to Deutsche Bank (but it may be owed to another member of the Deutsche Bank Group); and
- not more than 35% of Portfolio Companies weighted by the principal amount of their Debt Obligations included in the Portfolio have a Standard & Poor's equivalent rating of BBB-, BB+ or BB (on the Issue Date) or BBB- or below (at any time after the Issue Date).

The Debt Obligations in the Portfolio can change during the term of Nexus3 Notes. The ways in which these changes can occur are:

- by Replenishment of the Portfolio (see Section 8.5.14 below);
- by replacement with another Debt Obligation if the previous Debt Obligation was replaced by way of novation, refinancing or consolidation as a result of a debt restructuring or payment rescheduling which occurs in compliance with the Servicing Standards (see Section 8.5.13 below); and

- by replacement of a short term loan by a longer fixed term loan as contemplated by the conditions of such loan.

The last two replacements occur automatically and are not made in accordance with (or subject to) the Replenishment requirements set out in Section 8.5.14 below.

8.5.4 Reference Registry

Deutsche Bank will maintain a registry of the Debt Obligations in the Portfolio in accordance with the Portfolio Agreement (the **Reference Registry**). However, neither Nexus nor any Noteholder is entitled to a copy of the Reference Registry. The Reference Registry will be provided to an internationally recognised accounting firm to be appointed in respect of the Portfolio Agreement (the **Independent Accountant**) and Standard & Poor's each month.

One of the pieces of information recorded in the Reference Registry is the identifier for the **Portfolio Company** in respect of each Debt Obligation. The Portfolio Company is the obligor under the Debt Obligation (whether as principal, as guarantor or surety or as the provider of an irrevocable financial guaranty insurance policy or similar financial guarantee) shown in the books and records of Deutsche Bank. If there is more than one obligor, then Deutsche Bank chooses which one is the Portfolio Company for that Debt Obligation.

The identity of the Portfolio Company can change (for example as the result of a merger or demerger). In this circumstance, the Reference Registry will be changed by Deutsche Bank accordingly. Such a change does not require the satisfaction of the Replenishment requirements set out in Section 8.5.14 below.

The portion of the principal amount of each Debt Obligation which is included in the Portfolio will also be recorded in the Reference Registry.

8.5.5 Payments by Deutsche Bank

Deutsche Bank agrees to make payments to Nexus quarterly during the term of the Portfolio Agreement on the same dates that interest is payable on Nexus3 Notes until, and on, the earlier of the Redemption Date and the Interim Repayment Date (if any). Until the Reduction Deferral Date, the amount of each quarterly payment is calculated by reference to a rate of 2.85% per annum on the initial Principal Amount. Except if an Early Redemption Date has occurred, from the second anniversary of the Issue Date, the amount of each quarterly payment is calculated by reference to a rate of 2.85% per annum on the outstanding Principal Amount.

The difference between:

- the sum of these amounts and the interest on the Deposit Amount (see Section 8.6.2 below); and
- the interest on Nexus3 Notes,

is retained by Nexus to pay its costs and expenses (see also Section 8.7.3).

Deutsche Bank also agrees to pay to Nexus any Early Redemption Amount payable on Nexus3 Notes on each of the Interim Repayment Dates (if any) and the Redemption Date.

8.5.6 Payments by Nexus

If there are no Company Events, then Nexus is not required to make any payments to Deutsche Bank under the Portfolio Agreement, except if the Portfolio Agreement terminates early (see Sections 8.5.17 and 8.5.18 below). Unless the Portfolio Agreement is terminated early, Nexus agrees that, if one or more Company Events happen, then, subject to the total loss amounts exceeding the Protection Amount and the Conditions to Settlement being satisfied (see Section 8.5.8 below), it will pay an amount (the **Reduction Amount**, the manner of its calculation is described in Section 8.5.12 below) to Deutsche Bank.

A Reduction Amount is payable on the earlier of the Interest Payment Date specified by Deutsche Bank for the payment of the Reduction Amount and the Redemption Date (each such date is a **Reduction Date**).

The Interest Payment Date specified by Deutsche Bank for the payment of a Reduction Amount must be an Interest Payment Date that occurs on or after the later of the Reduction Deferral Date and the Interest Payment Date that occurs after the date on which the Reduction Amount is determined.

If Nexus receives a report from the Independent Accountant certifying that there have been sufficient Loss Amounts calculated to cause the Principal Amount of Nexus3 Notes to be reduced to zero, then the next Interest Payment Date is also the final Reduction Date. The aggregate limit of the Reduction Amount(s) is equal to the total Principal Amount of Nexus3 Notes as at the Issue Date. These amounts will be paid by reducing the balance of the Deposit Account by set-off (see Section 8.6.6 below).

8.5.7 Company Events

It is a Company Event with respect to a Portfolio Company if either of the following occurs in respect of it during the period from the Issue Date to the earlier of the Business Day before the Maturity Date and the date that an Early Redemption Notice is given:

- **Bankruptcy** – the occurrence of any one of a number of defined events related to the insolvency of the company, including administration, winding up, dissolution, institution of insolvency events, receivership or a general arrangement with creditors; or
- **Failure to Pay** – the failure by the company to make, as and when due, payments in respect of principal, interest or fees in an aggregate amount at least equal to \$10,000 (in the case of a Debt Obligation included in the Portfolio) or US\$1 million (in any other case) or an equivalent amount in another currency under one or more of its Obligations (see below for a definition of this term). This Company Event does not occur until any grace period applicable under the relevant Obligation has expired.

The **Obligations** of a Portfolio Company used for determining whether a 'Failure to Pay' has occurred are the relevant Debt Obligations and any other obligations of that Portfolio Company (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (including deposit and reimbursement obligations arising from drawings under letters of credit). An Obligation can be owed by a Portfolio Company as principal, guarantor or surety (provided the

obligation is irrevocable and in writing) or as the provider of an irrevocable financial guaranty insurance policy or similar financial guarantee.

Deutsche Bank is responsible for determining if a Company Event has occurred. In order to then exercise its rights under the Portfolio Agreement, Deutsche Bank must satisfy the Conditions to Settlement described below.

8.5.8 Conditions to Settlement

If a Company Event occurs, then Nexus may be required to make a payment to Deutsche Bank under the Portfolio Agreement only if the **Conditions to Settlement** are satisfied. These are that Deutsche Bank must give Nexus a notice no later than 60 Business Days after Deutsche Bank becomes aware of the occurrence of the Company Event containing various information, including a description of the Company Event and a notice containing either publicly available information which confirms the facts relevant to determining whether the Company Event has occurred or written confirmation from a firm of independent accountants that there are reasonable grounds for determining that the Company Event occurred.

The last day that these notices can be given is the earlier of the Business Day before the Maturity Date and the date that an Early Redemption Notice is given. If the Conditions to Settlement are satisfied for a Debt Obligation then it becomes a **Defaulted Debt Obligation**.

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8.5.9 Work out and sale process

Defaulted Debt Obligations in the Portfolio will be subject to a work out and sale process conducted or monitored by a DB Servicer or a third party agent bank or financial institution. The DB Servicer must conduct its responsibilities in accordance with the Servicing Standards (see Section 8.5.13 below) and Deutsche Bank's established procedures applicable to obligations that are similar in type to the relevant Defaulted Debt Obligation, irrespective of whether such obligations are subject to credit default protection.

The DB Servicer will continue to apply those procedures until the date when it has either approved the sale of the relevant Defaulted Debt Obligation or determined in accordance with its established procedures that the work out process for the relevant Defaulted Debt Obligation is complete (either because the relevant Defaulted Debt Obligation has been written-off or because a formal work out process for the Defaulted Debt Obligation has been completed).

Whilst the work out or sale process is being undertaken for a Defaulted Debt Obligation, Deutsche Bank will provide quarterly estimates of the Final Price (see Section 8.5.11 below) to Nexus unless Deutsche Bank reasonably believes that there is insufficient information to provide a commercially reasonable estimate. Such estimates are non-binding and there may be a significant difference between the estimate and the Final Price (as defined below) finally calculated for a Defaulted Debt Obligation.

8.5.10 Loss Allocation Conditions

If a Company Event occurs and the Conditions to Settlement are satisfied, Deutsche Bank will determine whether the following conditions (the **Loss Allocation Conditions**) have been satisfied for the relevant Defaulted Debt Obligation:

- the Defaulted Debt Obligation was either validly included in the Portfolio on the Issue Date or was otherwise validly included in the Portfolio;
- all amounts of principal that Deutsche Bank reasonably expects to be recovered under the Defaulted Debt Obligation have been received; and
- the Servicing Standards (described in Section 8.5.13 below) were complied with in relation to the Defaulted Debt Obligation.

If Deutsche Bank determines that the Loss Allocation Conditions have been satisfied, it must certify that fact to Nexus and calculate the Final Price and the Loss Amount for the relevant Defaulted Debt Obligation (see Section 8.5.11 below).

If Deutsche Bank determines that the Loss Allocation Conditions for a Defaulted Debt Obligation have not been satisfied, then Deutsche Bank will not calculate any Final Price or Loss Amount for that Defaulted Debt Obligation until the conditions are satisfied or will remove the Defaulted Debt Obligation from the Portfolio.

8.5.11 Final Price and Loss Amount

The Final Price is the percentage of the Defaulted Notional Amount (see below) which has been recovered by the time that the work out or sale of that Defaulted Debt Obligation is complete.

If the work out or sale is not complete by two years after any Interim Repayment Date, the Final Price is taken to be 100% (i.e. total recovery).

In determining the Final Price:

- any principal foregone as part of a restructuring of the Defaulted Debt Obligation after the Company Event will be taken to comprise principal outstanding that was not recovered;
- the market value of any securities or other obligations received after the Company Event pursuant to any restructuring, settlement or proceeding affecting the Defaulted Debt Obligation will be taken into account;
- no account will be taken of any accrued interest, fees, expenses, internal costs or other amounts not recovered or paid or any losses attributable to fluctuations in exchange rates nor of restructuring costs incurred prior to the Company Event;
- the proceeds of enforcement of any security with respect to the Defaulted Debt Obligation will be allocated equally to the Defaulted Debt Obligation and any other obligation which is secured by the same security (unless a different allocation has been made for regulatory purposes);

- the proceeds of repayment received in respect of the Defaulted Debt Obligation will be shared equally between the Defaulted Debt Obligation and the other obligations of the relevant Portfolio Company which rank pari passu with it (unless a different allocation is required by law); and
- to the extent that any Deutsche Bank entity has an exposure to the Defaulted Debt Obligation, the recovery value will not be affected by any rights of set-off, netting or combination of accounts (unless any such arrangement is part of a security enforced in respect of the Defaulted Debt Obligation).

The **Loss Amount** for a Defaulted Debt Obligation is the Defaulted Notional Amount multiplied by the difference between 100% and the Final Price for that Defaulted Debt Obligation (which cannot be more than 100%).

The **Defaulted Notional Amount** for a Defaulted Debt Obligation is equal to the lesser of:

- the portion of its Australian dollar principal amount which is included in the Portfolio as at the date that the relevant Company Event occurred; and
- the Australian dollar equivalent (converted at the relevant foreign exchange rate recorded in the Reference Registry) of the drawn amount under the Defaulted Debt Obligation, as shown in Deutsche Bank's books and records as at the date the relevant Company Event occurred, together with any letter of credit drawings thereafter.

The calculations of the Loss Amount are made separately for each Defaulted Debt Obligation. Once a Loss Amount is calculated, no further events in respect of that Defaulted Debt Obligation affect any payments made between Deutsche Bank and Nexus under the Portfolio Agreement.

8.5.12 Reduction Amounts

If one or more Company Events have occurred in respect of Portfolio Companies, the Conditions to Settlement have been satisfied, the Loss Allocation Conditions have been satisfied and Final Prices and Loss Amounts have been calculated, then a Reduction Amount can become payable on the Reduction Date.

The Reduction Amount payable on a Reduction Date, is calculated by adding together all of the Loss Amounts for each Debt Obligation for which the date is the specified Reduction Date plus the sum of all Reduction Amounts paid prior to that date, minus the Protection Amount, provided that:

- if the sum of the Loss Amounts for each Reference Obligation for which this date is the specified Reduction Date is a lesser amount, then that lesser amount is the Reduction Amount; and
- the Reduction Amount is not greater than the outstanding Principal Amount of Nexus3 Notes on the date immediately before the Reduction Date.

8.5.13 Servicing

It is a Loss Allocation Condition in relation to a Defaulted Debt Obligation that Deutsche Bank has complied with the **Servicing Standards** in dealing with that Debt Obligation. The Servicing Standards are satisfied in relation to a Debt Obligation if:

- to the extent that the Debt Obligation is serviced by a DB Servicer, that DB Servicer services that Debt Obligation in accordance with the standard credit and collection policies adopted by Deutsche Bank from time to time for corporate and institutional lending (subject to the servicing conditions under the relevant transaction documentation); and
- to the extent that the Debt Obligation is serviced by a third party, a DB Servicer monitors in accordance with the standard credit and collection policies adopted by Deutsche Bank from time to time for corporate and institutional lending that the Debt Obligation is serviced in accordance with the relevant transaction documentation,

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in each case subject to the following principles:

- in administering, collecting and enforcing the Debt Obligations in the Portfolio, each DB Servicer will at all times act (to the extent permissible under the relevant transaction documentation) as a reasonable creditor in the protection of its own interests, acting reasonably in accordance with its general business practices;
- each DB Servicer will take all measures it deems necessary or appropriate in its professional judgment to service the relevant Debt Obligations which are necessary to comply with supervisory requirements and will refrain from acting when so required by applicable law, regulations or a competent regulator; and
- each DB Servicer may delegate any of its duties to other persons provided that it remains responsible for the performance of those duties. Each DB Servicer may retain outside consultants and experts as it thinks fit provided that the DB Servicer monitors the performance of the consultants and experts with the care of a prudent bank.

8.5.14 Replenishment

A Replenishment to increase the principal amount of a Debt Obligation already in the Portfolio, or to add a Debt Obligation to the Portfolio, may be made only during the period from and including the Issue Date to and including the earlier of the date which is one month before the Maturity Date and the date that an Early Redemption Notice is given. Each month during this period, Deutsche Bank will take the following steps which may or may not result in Replenishment:

- calculate the relevant Australian dollar foreign exchange rate for each foreign currency in which a Debt Obligation is denominated. This rate will be determined on the basis of mid-market foreign exchange rates as set by Deutsche Bank for its own foreign exchange transactions pursuant to its standard internal procedures;
- choose whether to reset any of the foreign exchange rates recorded in the Reference Registry to reflect any difference between the previously recorded foreign exchange rate and the newly calculated foreign exchange rate. If Deutsche Bank chooses to do so and the change reflects a depreciation in the foreign currency, then it may reduce the principal amount in the Portfolio of each Debt Obligation (other than a Defaulted Debt Obligation) denominated in that foreign currency;

- choose whether to reduce the amount of the principal amount of any Debt Obligation included in the Portfolio:
 - which has become a Defaulted Debt Obligation during the last month, to the Australian dollar equivalent of the amount of principal owing under that Debt Obligation if it is less than the current amount of the principal amount of the Debt Obligation included in the Portfolio;
 - which has been included in the Portfolio in a manner that does not comply with the requirements for inclusion but only to the extent of non-compliance with the requirements for inclusion; or
 - as the result of any reduction in principal amount of the Debt Obligation, irrevocable reduction in the undrawn commitment, assignment of the Debt Obligation to a third party which is not a member of the Deutsche Bank Group or entry into any arrangement which transfers the credit risk of the Debt Obligation to a third party which is not a member of the Deutsche Bank Group;
- remove any Debt Obligations in the Portfolio in respect of which a Loss Amount has been calculated (each a **Liquidated Debt Obligation**) and any Debt Obligations in the Portfolio in respect of which it determines that the Loss Allocation Conditions cannot be satisfied;

- choose whether to reduce the amount of the principal amount included in the Portfolio of, or remove the undrawn portion of, any Debt Obligation which is a credit facility which had an original maturity of less than 365 days;
- recalculate the total principal amount of Debt Obligations in the Portfolio (the **Portfolio Amount**) and the amount equal to the Maximum Portfolio Size less losses on the Portfolio (the **Reduced Maximum Portfolio Size**);
- elect whether to replenish the Portfolio to the extent that the Reduced Maximum Portfolio Size is more than the Portfolio Amount by either:
 - increasing the principal amount of any Debt Obligation already in the Portfolio; or
 - adding an obligation as a new Debt Obligation to the Portfolio; and
- amend the Reference Registry to reflect any changes made.

In Replenishing the Portfolio, Deutsche Bank will exercise discretions without being obliged to consider the interests of Nexus or Noteholders. In particular, in doing so Deutsche Bank does not act as adviser or as agent for, or owe any fiduciary duties to, Nexus or Noteholders. Nexus has no ability to influence the exercise of discretions by Deutsche Bank.

In order for a Replenishment to be validly made to the Portfolio by the addition of a new Debt Obligation or an increase in the weighting of an existing Debt Obligation:

- the relevant Debt Obligation must satisfy the Debt Obligation Eligibility Criteria; and
- the addition or increase must:
 - not cause the Portfolio to not satisfy the Portfolio Criteria; or
 - if the Portfolio did not satisfy the Portfolio Criteria following the reduction of the principal amount, or removal of the undrawn portion of, any Debt Obligation which is a credit facility which had an original maturity of less than 365 days (as specified above), not worsen the extent of that existing non-compliance (provided that, in all circumstances, the Portfolio contains at least 100 Portfolio Company Groups).

These two requirements are the **Replenishment Conditions**. A purported Replenishment which does not comply with these conditions is void but only to the extent of the principal amount of the Debt Obligation associated with such non-compliance. Deutsche Bank will correct the Reference Registry on it becoming aware of such non-compliance so that it does not record the effect of the purported Replenishment to the extent it is void. However, if such a correction would also retroactively cause subsequent Replenishments not to comply with the Replenishment Conditions, then these subsequent Replenishments need not be corrected in the same manner and remain effective.

In addition Deutsche Bank must not replenish the Portfolio unless the implied credit rating applicable to Nexus3 Notes determined by Deutsche Bank in accordance with Standard & Poor's rating model following the Replenishment (calculated in accordance with the trading model developed by Standard & Poor's to estimate the default frequency of debt) is not lower than it was immediately before the Replenishment.

8.5.15 Independent Accountant's Reports

The Independent Accountant will provide the following reports to Nexus throughout the term of the Portfolio Agreement:

- **Initial Reference Portfolio Report:** This report is required to be provided within 60 days of the Issue Date and:
 - attaches a report of the stratification of the Portfolio and confirms whether it is consistent with the Independent Accountant's recalculations;
 - confirms whether, relevant information in the Reference Registry is consistent with information sourced from Standard & Poor's;

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- confirms whether, on the basis of the information in the Reference Registry, as of the Issue Date:
 - each Debt Obligation, if it is rated by Standard & Poor's, has a Standard & Poor's rating of BB or better, or if not rated by Standard & Poor's, an internal Deutsche Bank rating equivalent to a Standard & Poor's Rating of BB or better;
 - each Portfolio Company was incorporated in a country having a Standard & Poor's sovereign long term foreign currency rating of at least A-;
 - the weighting by principal amount of each Debt Obligation in the Portfolio, when added to the weighting by principal amount of each other Debt Obligation in the Portfolio which has a Portfolio Company in the same corporate group is not more than:
 - 2.50% of the Maximum Portfolio Size, if the Standard & Poor's rating (or the Deutsche Bank equivalent rating) of the Portfolio Company with the largest weighting by principal amount is at least A-; or
 - 2.00% of the Maximum Portfolio Size, if the Standard & Poor's rating (or the Deutsche Bank equivalent rating) of the Portfolio Company with the largest weighting by principal amount is BBB+ or BBB; or
 - 1.75% of the Maximum Portfolio Size, if the Standard & Poor's rating (or the Deutsche Bank equivalent rating) of the Portfolio Company with the largest weighting by principal amount is BBB-; or
 - 1.00% of the Maximum Portfolio Size, if the Standard & Poor's rating (or the Deutsche Bank equivalent rating) of the Portfolio Company with the largest weighting by principal amount is BB+ or BB; and
 - confirms whether the Portfolio satisfied the Portfolio Criteria.
- **Semi-annual Report:** This report is required to be provided within 30 days of the end of each semi-annual period (each a **Semi-annual Period**). The report is based on the information in the Reference Registry and information sourced from Standard & Poor's and:
 - attaches a report of the stratification of the Portfolio and confirms whether it is consistent with the Independent Accountant's recalculations;
 - contains certain information on any Defaulted Debt Obligations and any Liquidated Debt Obligations in the Portfolio;
- confirms, in relation to each Debt Obligation which was subject to a Replenishment or became a Defaulted Debt Obligation during that Semi-annual Period, whether, at the time that the Debt Obligation was included in the Portfolio or its weighting was increased:
 - each Debt Obligation, if it is rated by Standard & Poor's, had a Standard & Poor's rating of BB or better at the time of inclusion, or if not rated by Standard & Poor's, an internal Deutsche Bank rating equivalent to a Standard & Poor's Rating of BB or better at the time of inclusion;
 - the Portfolio Company was incorporated in a country having a Standard & Poor's sovereign long term foreign currency rating of at least A-;
 - the weighting by principal amount of the Debt Obligation in the Portfolio, when added to the weighting by principal amount of each other Debt Obligation in the Portfolio which has a Portfolio Company in the same corporate group is not more than:
 - 2.50% of the Maximum Portfolio Size, if the Standard & Poor's rating (or the Deutsche Bank equivalent rating) of the Portfolio Company with the largest weighting by principal amount is at least A-; or

- 2.00% of the Maximum Portfolio Size, if the Standard & Poor's rating (or the Deutsche Bank equivalent rating) of the Portfolio Company with the largest weighting by principal amount is BBB+ or BBB; or
- 1.75% of the Maximum Portfolio Size, if the Standard & Poor's rating (or the Deutsche Bank equivalent rating) of the Portfolio Company with the largest weighting by principal amount is BBB-; or
- 1.00% of the Maximum Portfolio Size, if the Standard & Poor's rating (or the Deutsche Bank equivalent rating) of the Portfolio Company with the largest weighting by principal amount is BB+ or BB;
- it did not cause the Portfolio to not comply with the Portfolio Criteria or, if the Portfolio already did not comply, worsen the extent of the non-compliance; and
- confirms whether each Loss Amount and Reduction Amount calculation made during that Semi-annual Period has been calculated in accordance with their definitions in the Portfolio Agreement.

- **Quarterly Report:** This report is required to be produced within 30 days of the end of the first quarter of each Semi-annual Period. It confirms some, but not all, of the matters as in the Semi-annual report, but on the basis of the information in the Reference Registry only.
- **Final Report:** This report is required to be produced within 15 days of the Redemption Date and confirms whether each Loss Amount and Reduction Amount calculation made during the period since the previous Semi-annual or Quarterly Report (as applicable) has been calculated in accordance with their definitions in the Portfolio Agreement.

If a report described above states that:

- the inclusion of, or increase in the weighting of, a Debt Obligation in the Portfolio was not in compliance with the terms of the Portfolio Agreement then the inclusion or relevant part of the weighting of the Debt Obligation is taken to have never occurred and Deutsche Bank will amend the Reference Registry accordingly; and

- the calculation of a Loss Amount or a Reduction Amount has been incorrectly made, then Deutsche Bank will recalculate those amounts, make any adjustments to other amounts which are necessary following the recalculation, and pay to Nexus an amount equal to any overpayment by Nexus or underpayment by Deutsche Bank which has occurred as a result of the miscalculation.

Certain of the Debt Obligation Eligibility Criteria are not covered by the above Independent Accountant's reports as they are not susceptible to verification by them. The criteria not covered are those relating to the obligations being Debt Obligations which are senior obligations approved under Deutsche Bank's standard credit policies and guidelines at the time the Debt Obligation was originated or acquired by the Deutsche Bank Group, legal enforceability and validity and the absence of a Company Event.

8.5.16 Deutsche Bank certificate

Deutsche Bank will also provide Nexus with a semi-annual certificate as to the correlation between the information in the Reference Registry and the information in Deutsche Bank's loan booking and credit administration systems.

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8.5.17 Early termination of the Portfolio Agreement

If certain events happen, either Deutsche Bank or Nexus is entitled to terminate the Portfolio Agreement before its scheduled maturity. Deutsche Bank is entitled to terminate the Portfolio Agreement if:

- a Nexus Event of Default happens (see Section 8.4.6 above) and is continuing; or
- the Master Trust Deed ceases to be enforceable.

Nexus is entitled to terminate the Portfolio Agreement if:

- Deutsche Bank fails to make payment when due and payable under the Portfolio Agreement and such failure is not remedied within 10 Business Days; or
- any of a number of defined events related to the insolvency of Deutsche Bank occurs.

Either Nexus or Deutsche Bank can terminate the Portfolio Agreement if the performance of any obligation of either party under the Portfolio Agreement, the Master Trust Deed or the Deposit Deed would be unlawful (after certain efforts have been made to avoid the illegality).

Deutsche Bank may terminate the Portfolio Agreement if it receives a payment under the Portfolio Agreement from which an amount is required to be deducted or withheld on account of any tax. However, Deutsche Bank may not exercise this right unless Nexus or the Operating Agent is satisfied that Noteholders will be repaid in full the then current Principal Amount of Nexus3 Notes and outstanding interest.

8.5.18 Payments on early termination

If the Portfolio Agreement is terminated early, then the payments required to be made by Deutsche Bank and Nexus under the Portfolio Agreement are replaced with an obligation by one of them to pay to the other a termination amount.

The termination amount is calculated in accordance with the terms of the Portfolio Agreement by reference to the loss (or gain) suffered by the party who terminated the Portfolio Agreement as a result of the termination. If a loss is calculated, then the other party pays this amount to the terminating party. If a gain is calculated, then the terminating party pays this amount to the other party.

The amount payable by one party to the other following the early termination of the Portfolio Agreement may be more or less than the amounts which would have otherwise been payable under the Portfolio Agreement. It could also lead to an Event of Default (if one has not already occurred). If an Event of Default has not occurred and the termination amount is payable to Deutsche Bank, it is paid to Deutsche Bank by way of set-off against the Deposit Account (see Section 8.6.7). This right to payment under the Portfolio Agreement on its early termination is in addition to other rights the parties may have.

A defaulting party must also indemnify the other for the other's expenses.

8.5.19 Other matters

Although it is necessary that there be a shortfall in recoveries under a Defaulted Debt Obligation in the Portfolio for a Reduction Amount to arise, in order for Deutsche Bank to be paid a Reduction Amount, it need not provide any evidence of any loss actually suffered by the Deutsche Bank Group as a result of the occurrence of a Company Event other than as expressly stated in the Prospectus.

The Portfolio Agreement does not create a direct or indirect interest in any obligations of any Portfolio Company in the Portfolio. Each of Nexus and Deutsche Bank may deal with any Portfolio Company and may engage in any kind of commercial or investment banking or other business with a Portfolio Company.

When making calculations under the Portfolio Agreement, Deutsche Bank is required to act in good faith and in a commercially reasonable manner. However, in making these calculations, Deutsche Bank does not act as an adviser or as agent for, or owe any fiduciary duties to, Nexus or Noteholders.

Deutsche Bank's obligations described in this Section 8 are to Nexus and it provides no service to, and undertakes to perform no obligations in favour of, the Noteholders.

Neither Nexus nor any Noteholder has any right to inspect any of the books or records of Deutsche Bank.

8.6 Deposit Deed

The Deposit Deed is between Nexus and Deutsche Bank. It contains the provisions relating to the establishment, operation and use of the Deposit Account.

8.6.1 Deposit Account

After the issue of Nexus3 Notes, Nexus will deposit the proceeds from the issue into a Deposit Account held with Deutsche Bank.

8.6.2 Interest

Deutsche Bank agrees to pay Nexus interest on the balance of the Deposit Account at the Market Rate on each Interest Payment Date.

Interest will not be credited to the Deposit Account and will be paid to Nexus or the Registrar at the direction of Nexus.

Interest accrues daily and is calculated in the same manner as that used for the calculation of interest under Nexus3 Notes.

8.6.3 Withdrawals from the Deposit Account

As a general matter, Nexus may not withdraw, and Deutsche Bank will not repay, any money deposited in the Deposit Account until all the present and future amounts which are or may become payable by Nexus to Deutsche Bank in connection with the Portfolio Agreement (the **Portfolio Agreement Amounts**) have been paid in full.

8.6.4 Interim Repayment Amount

If Nexus is required to pay an Interim Repayment Amount under Nexus3 Notes (and an Event of Default has not occurred), then Deutsche Bank agrees to pay from the balance of the Deposit Account to Nexus on the Interim Repayment Date an amount sufficient to pay the Interim Repayment Amount of all of the Nexus3 Notes.

8.6.5 Excess amounts

If an Event of Default has not occurred, then on the Redemption Date or the date that a termination amount is payable if the Portfolio Agreement is terminated early, Deutsche Bank agrees to pay to Nexus an amount being the balance of the Deposit Account less the amount which Deutsche Bank has, or is entitled to, set off against it as described below. The remainder of the Deposit Account (if any) remains subject to the terms of the Deposit Deed.

8.6.6 Right of set-off – Reduction Amounts

If an Event of Default has not occurred and the Portfolio Agreement has not been terminated early, then on each Reduction Date an amount of money in the Deposit Account equal to the lesser of the relevant Reduction Amount and the balance of the Deposit Account will be set off against the relevant Reduction Amount owing under the Portfolio Agreement. Deutsche Bank is irrevocably released from its obligation to repay the deposit to the extent of the set-off.

8.6.7 Right of set-off – Redemption

If an Event of Default has not occurred, then on the Redemption Date or the date that a termination amount is payable if the Portfolio Agreement is terminated early, an amount of money in the Deposit Account equal to the lesser of the Portfolio Agreement Amounts and the balance of the Deposit Account will be set off against the Portfolio Agreement Amounts. Deutsche Bank is irrevocably released from its obligation to repay the deposit to the extent of the set-off.

8.6.8 Application of Deposit Account – Event of Default

If an Event of Default occurs, then Deutsche Bank can, but does not have to, notify Nexus that money in the Deposit Account has become due and payable. If Deutsche Bank gives this notice to Nexus, any money in the Deposit Account will be paid by Deutsche Bank to Nexus to be allocated by the Security Trustee in the manner described in Section 8.4.7.

8.6.9 Undertakings and indemnities

Nexus has made representations and given undertakings to Deutsche Bank in connection with the Deposit Account (including an undertaking not to deal with the Deposit Account except as permitted under the Documents).

Nexus indemnifies Deutsche Bank against any costs, loss or liability arising in connection with the Deposit Account or the Deposit Deed.

Recourse by Deutsche Bank to Nexus in respect of this indemnity is limited to the amounts available to pay it in accordance with the limited recourse provisions of the Master Trust Deed.

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8.7 Services Deed

The Services Deed is between Nexus, Permanent and Deutsche Bank. It contains the provisions relating to the appointment and function of Deutsche Bank as Custodian and Operating Agent.

8.7.1 Appointment of Custodian

Deutsche Bank is appointed as the Custodian of the authorised investments and money of Nexus.

This does not include the Deposit Account, which is held by Deutsche Bank as deposit bank under the Deposit Deed (see Section 8.6 above). As Custodian, Deutsche Bank must keep records which show to which series of securities the authorised investments and money of Nexus which it holds are referable.

8.7.2 Appointment of Operating Agent

Deutsche Bank is appointed as Operating Agent by Nexus to carry on Nexus' day to day administration.

Despite the appointment of Deutsche Bank as Operating Agent, the directors of Nexus retain the power to make decisions and direct how the business affairs of Nexus will be conducted.

8.7.3 Payment of Nexus' expenses

As Operating Agent, Deutsche Bank agrees to pay, on behalf of Nexus, any establishment expenses and the general operating expenses of Nexus and the fees of the Note Trustee, Security Trustee and Registrar (until an Event of Default happens). Nexus will reimburse Deutsche Bank if excess funds are available to it in respect of the Nexus3 Notes.

8.7.4 Delegation of responsibility

Deutsche Bank may discharge its obligations as Custodian or Operating Agent by acting through delegates.

8.7.5 Interested dealings

Deutsche Bank, or any of its related parties or associates, may enter into transactions with a Noteholder, another secured creditor of Nexus, Nexus or any other person.

8.7.6 Liability of Operating Agent

In acting as Operating Agent, Deutsche Bank is not liable for any loss or liability of Nexus in connection with the credit performance, market value or recovery value of any assets or obligations in connection with the Portfolio Agreement.

8.7.7 Custodian as agent for the Security Trustee

In certain circumstances, the Custodian may act on behalf of the Security Trustee instead of Nexus.

In these circumstances the Security Trustee is not liable for any act or omission of the Custodian.

8.7.8 Removal and resignation

Nexus may remove Deutsche Bank as Operating Agent by 12 months' notice and as Custodian by 30 days' notice.

If Deutsche Bank fails to perform its obligations it may be removed by Nexus after 14 days' notice of the failure has been given.

Deutsche Bank may retire as either Operating Agent or Custodian by giving at least 30 days' notice. Deutsche Bank will retire if it becomes subject to specified insolvency related events.

The removal or retirement of Deutsche Bank is not effective until a replacement has been appointed by Nexus.

8.7.9 No fees

There are no fees payable by Nexus to Deutsche Bank for acting as Custodian and Operating Agent in relation to Nexus3 Notes, although Nexus may pay fees to Deutsche Bank for acting as Custodian and Operating Agent under the Services Deed in relation to other securities issued by Nexus (including Nexus1 Notes and Nexus2 Notes).

8.7.10 Indemnity for costs and expenses

Nexus agrees to pay or reimburse Deutsche Bank for its reasonable costs and expenses in connection with the execution and enforcement of the Documents and any duties and registration fees payable in respect of the Documents. Nexus also indemnifies Deutsche Bank against its losses, costs and liabilities if Nexus breaches its obligations or representations to Deutsche Bank.

Recourse by Deutsche Bank to Nexus in respect of this indemnity is limited to the amounts available to pay it in accordance with the limited recourse provisions of the Master Trust Deed.

8.8 Distribution Deed

The Distribution Deed is between Nexus and Deutsche Bank and under it Deutsche Bank is appointed as Arranger to the Offer.

As Arranger, Deutsche Bank may:

- determine the timetable for the Offer;
- determine whether and to what extent the right to accept over-subscriptions will be exercised;
- determine the manner of distribution of this Prospectus and other material in connection with the Offer;
- decide on the allocation of Nexus3 Notes amongst applicants under the Offer; and
- direct Nexus not to proceed with the Offer or withdraw the Offer.

Deutsche Bank may enter into sub-distribution agreements to nominate sub-distributors to lead manage or co-manage, or be a broker to, the Offer and enter into firm commitments with other persons (including Deutsche Bank acting in a capacity other than as Arranger and related entities of Deutsche Bank) in relation to subscriptions for Nexus3 Notes.

Deutsche Bank as Arranger, and the sub-distributors nominated by the Arranger, are authorised to make offers to arrange for the issue of Nexus3 Notes by Nexus in accordance with this Prospectus.

Nexus and Deutsche Bank each give indemnities in connection with the performance of their obligations under the Distribution Deed.

Deutsche Bank receives no fees under the Distribution Deed.

Deutsche Bank may at any time, at its absolute discretion, terminate its obligations under the Distribution Deed.

8.9 Other

If a date referred to in this Section 8 (with limited exceptions) is not a Business Day then it will be adjusted to be the next following Business Day.

Words used and not defined in this Section 8 can be found in the Glossary.

8.10 Incorporation of documents by reference

The Note Trust Deed and Master Trust Deed described in Sections 8.3 and 8.4 are incorporated by reference in accordance with the Corporations Act.

Copies of the Note Trust Deed and the Master Trust Deed will be provided free of charge to any person who asks for it during the Offer Period by calling the information line on 1800 101 185 (Monday to Friday 8:30am to 5:00pm Sydney time).

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Additional information

9.1 Business and financial position of Nexus

The share capital of Nexus is held on trust for the benefit of certain charitable organisations. Nexus is not a member of the Deutsche Bank Group.

As of the date of this Prospectus, Nexus has no business or operations other than in connection with Nexus1 Notes, Nexus2 Notes and Nexus3 Notes. Nexus may issue other securities in the future. The assets relating to each issue of securities by Nexus will be segregated from the assets relating to other issues of securities by Nexus. See Section 8.4.1 for a description of the segregation of the assets of Nexus in connection with each issue of securities.

Immediately following the Issue Date, the statement of financial position of Nexus (assuming that \$35.0 million is raised by the issue of Nexus3 Notes and taking into account that all costs relating to the issue will be paid by Deutsche Bank) will be as set out below.

It is not expected that Nexus will earn anything other than nominal profits after payment of operating expenses and fees to Deutsche Bank. Deutsche Bank has agreed with Nexus to pay the operating expenses of Nexus including directors' fees and fees payable to Permanent and Computershare, subject to limited conditions if an event of default occurs in respect of Nexus3 Notes. Nexus agrees to reimburse Deutsche Bank for these payments if it has sufficient funds available to it in respect of Nexus3 Notes.

The deposits for each series of debt securities issued by Nexus relate only to those issues of debt securities and no deposit in relation to one series is available to meet the obligations of Nexus in connection with another series.

The 'Nexus' trademark is registered in the name of Deutsche Bank and licensed to Nexus.

9.2 ASX waiver

In connection with the issue of Nexus1 Notes in December 2002, Nexus obtained a waiver from condition 3 of Listing Rule 1.8 so that Nexus did not need to have net tangible assets of at least \$10 million at the time of admission to the official list of ASX.

9.3 The Board

The individuals on the Board of Nexus are:

Richard J Nettleton

Richard Nettleton is a solicitor. He was a partner at Mallesons Stephen Jaques until 1994, where he now is a consultant. He is a director of a number of companies, mainly in the financial services industry, including J.P. Morgan Trust Australia Limited.

Assets	\$
Nexus1 Notes Deposit	60,000,000
Nexus2 Notes Deposit	70,000,000
Nexus3 Notes Deposit ²⁰	35,000,000
Cash	1
Total ²⁰	165,000,001

Liabilities and share capital	\$
Nexus1 Notes	60,000,000
Nexus2 Notes	70,000,000
Nexus3 Notes ²⁰	35,000,000
Issued share capital	1
Total ²⁰	165,000,001

²⁰ If the amount raised from the Offer is less than or greater than \$35.0 million, the Nexus3 Notes Deposit and the amount of Nexus3 Notes will decrease or increase proportionately and the total assets and liabilities of Nexus will vary accordingly.

Douglas W (Bill) O’Neill

Bill O’Neill is a corporate finance specialist with over 35 years’ industry experience and has been involved in over 150 stock market takeovers. He has acted as a consultant to KPMG Corporate Finance and uses his extensive industry experience to provide guidance on transactions. His previous roles included senior corporate finance positions at HSBC Investment Banking Group and Morgan Grenfell.

Stephen J Treanor

Stephen Treanor is a credit risk specialist who has advised corporates on financing and securitisation as well as risk management through insurance-based capital structures since 1993. From 1986 to 1993 he worked for Moody’s Investors Service where he held various roles including Managing Director of its Australasian offices, and had global responsibility for credit ratings and research for metals and mining companies. He is director of a number of securitisation companies.

9.4 Interests of directors of Nexus

Directors of Nexus are not required to hold Nexus3 Notes. No director of Nexus is, as of the date of this Prospectus, a beneficial holder of any Nexus3 Notes. However, directors of Nexus may acquire Nexus3 Notes under this Prospectus and may acquire other securities issued by Nexus.

The fees paid or payable to each of the three directors, Richard Nettleton, Douglas William O’Neill and Stephen Treanor, for acting as a director of Nexus are \$25,000 per annum plus:

- \$10,000 per issue of securities by Nexus (excluding Nexus1 Notes) at the time of issue; and
- \$5,000 per annum for each issue of securities by Nexus for the life of the issue (excluding Nexus1 Notes).

Richard Nettleton is a consultant to, and former partner of, Mallesons Stephen Jaques. He receives some payments out of profits as a retired partner and as a consultant receives remuneration at normal commercial rates.

Each of the directors will have the benefit of an indemnity insurance policy for liabilities incurred as a director of Nexus.

9.5 Interests and fees

No director of Nexus has, and no person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has:

- had any interest at any time during the past two years in the formation or promotion of Nexus, or in the transactions entered into by Nexus or in the Offer; or
- been paid or agreed to be paid, or received or agreed to receive any benefit either to induce the director to become, or to qualify as a director, of Nexus or for services provided in connection with the formation or promotion of Nexus or the Offer,

except as set out in this Prospectus.

Mallesons Stephen Jaques has acted as legal advisers to Nexus and Deutsche Bank in connection with the Offer and is entitled to receive approximately \$400,000 (exclusive of GST) for these services up to the date of this Prospectus.

Section 9

Additional information

Deutsche Bank has performed the roles in relation to the Prospectus as described in Section 8. It has received, or is entitled to receive to the extent of available funds, payments from Nexus under the Portfolio Agreement (which include any payments resulting from the occurrence of a Company Event as described elsewhere in this Prospectus) and the Deposit Deed as described in Sections 8.5.6, 8.6.1 and 8.7.9.

Deutsche Bank is also entitled to receive payments from Nexus in relation to the issue of Nexus1 Notes and Nexus2 Notes.

The Joint Lead Managers and Standard & Poor's are entitled to be paid fees by Deutsche Bank out of Deutsche Bank's own funds.

9.6 Consents to be named

Each of the parties named below (referred to as **Consenting Parties**):

- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based other than as specified in Section 9.7 below;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions from this Prospectus, other than the reference to its name and/or as specified in Section 9.7 below; and
- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus.

Role	Consenting Party
Arranger	Deutsche Bank AG
Security Trustee and Note Trustee	Permanent Nominees (Aust.) Ltd
Registrar	Computershare Investor Services Pty Limited
Auditor	KPMG
Legal Advisers	Mallesons Stephen Jaques
Standard & Poor's	Standard & Poor's (Australia) Pty Limited
Joint Lead Manager	ABN AMRO Morgans Limited
Joint Lead Manager	Grange Securities Limited

9.7 Consents to the inclusion of information

Mallesons Stephen Jaques has given, and has not before the lodgement of this Prospectus with ASIC withdrawn, its written consent for the inclusion in this Prospectus of its taxation opinion in Section 7 in the form and context in which it is included. Except with respect to its taxation opinion, Mallesons Stephen Jaques has made no statement included in this Prospectus or on which a statement made in this Prospectus is based.

Deutsche Bank has given, and has not before the lodgement of this Prospectus with ASIC withdrawn, its written consent for the inclusion in this Prospectus of the information on the Front cover, in the 'Important information' section, the 'Letter to investors' section, the 'Nexus3 Notes at a glance' section, and in Sections 1.5, 1.7, 1.8, 2.3, 2.4, 2.5, 2.9, 2.13, 2.21, 2.25, 4.3, 4.4, 6.2, 6.4, and 9.1 concerning Deutsche Bank and the Deutsche Bank Group, each in the form and context in which they are included. Except with respect to the information referred to above, Deutsche Bank has made no statement included in this Prospectus or on which a statement made in this Prospectus is based.

Standard & Poor's has given, and has not before the lodgement of this Prospectus with ASIC withdrawn, its written consent for the inclusion in this Prospectus of references to its ratings in the 'Important information' section, the 'Letter to investors' section, the 'Nexus3 Notes at a glance' section, and in Sections 1.1, 1.7, 1.8, 2.2, 2.3, 2.5, 2.13, 2.14, 2.15, 2.16, 2.17, 2.18, 2.21, 4.2, 4.4, 4.5, 6.4, 8.5.3, 8.5.4, 8.5.14, 8.5.15, 9.5 and the Glossary, and statements about the rating assigned to Nexus3 Notes and the rating of Portfolio Companies, each in the form and context in which they are included. Except with respect to its ratings, Standard & Poor's has made no statement included in this Prospectus or on which a statement made in this Prospectus is based.

9.8 Consents of directors

Each director of Nexus has given, and not withdrawn as of the date of this Prospectus, their consent to the lodgement of this Prospectus.

Glossary

If a date referred to in this Glossary is not a Business Day then it will be adjusted to be the next following Business Day.

Additional defined terms which are used in Section 8 of this Prospectus (but not other sections) are defined within that Section 8.

Term	Definition
Affiliate	<p>In relation to a person, any entity:</p> <ul style="list-style-type: none"><input type="checkbox"/> controlled, directly or indirectly, by the person;<input type="checkbox"/> that controls, directly or indirectly, the person; or<input type="checkbox"/> directly or indirectly under common control with the person. <p>For this purpose 'control' of an entity or person means ownership of a majority of the voting power of the entity or person.</p>
AFS Licence	<p>Australian financial services licence granted by ASIC under the Corporations Act.</p>
Application	<p>A valid application made on the conditions set out in this Prospectus by using an Application Form to apply for a specified number of Nexus3 Notes.</p>
Application Form	<p>The application form which is attached to, or accompanies, this Prospectus on which an offer to subscribe for Nexus3 Notes is made.</p>
Arranger	<p>Deutsche Bank.</p>
ASIC	<p>Australian Securities and Investments Commission.</p>
ASX	<p>Australian Stock Exchange Limited (ABN 98 008 624 691).</p>
Bank Bill Rate	<p>The average mid rate for bank bills of exchange, as shown on Reuters' 'BBSW' page, rounded to four decimal places (with 0.00005 being rounded up). If no such rate is displayed or there is an obvious error in it, the rate will be the equivalent mid rate set by Deutsche Bank in good faith. The 90 day Bank Bill Rate is regularly quoted in the financial data section of The Australian Financial Review under the heading 'Money & Bond Markets' where it is described as the 90 day Bank Bill Swap Reference Rate (this quotation may be rounded to less than four decimal places). Details of the 90 day Bank Bill Rate will also be accessible from Nexus' website at www.nexusbonds.com.au.</p>

Term	Definition
Business Day	A day on which commercial banks and foreign exchange markets are generally open to settle payments in Sydney.
CDO	Collateralised debt obligation.
CHESS	Clearing House Electronic Subregister System operated by an associate of ASX.
Closing Date	The last day on which Application Forms will be accepted.
Company Event	The events described in Section 8.5.7, being 'Bankruptcy' and 'Failure to Pay' in respect of a Portfolio Company.
Computershare	Computershare Investor Services Pty Limited (ABN 48 078 279 277).
Corporations Act	Corporations Act 2001 (Cwlth).
Custodian	Deutsche Bank or such other person appointed by Nexus from time to time to act as custodian.
DB Servicer	A member of the Deutsche Bank Group appointed to conduct or monitor a work out or sale of a Debt Obligation in the Portfolio (see Section 5.5).
Debt Obligation	A debt obligation (including a partial obligation or a contingent obligation) owed to an entity in the Deutsche Bank Group in respect of the payment of principal, interest and/or fees arising from a loan (including a syndicated loan) or a revolving credit facility or a payment obligation arising under a certificate or note or from a guarantee (including a letter of credit, performance bond, credit guarantee, credit guarantee facility, documentary letter of credit, customs guarantee or other similar investment) by a corporate or other entity (including a financial institution).
Debt Obligation Eligibility Criteria	The criteria described in Sections 4.1 and 8.5.3.
Deposit Account	The account opened with Deutsche Bank in Nexus' name into which the proceeds from the issue of Nexus3 Notes are deposited.
Deposit Bank	Deutsche Bank.
Deposit Deed	The contract between Nexus and Deutsche Bank relating to the Deposit Account, and which is summarised in Section 8.6.
Deutsche Bank	Deutsche Bank AG (ABN 13 064 165 162) (AFS Licence 238153).

Glossary

Term	Definition
Deutsche Bank Group	Deutsche Bank and its Affiliates.
Early Redemption Date	The date which is the later of the date which is two Business Days after, and the next Interest Payment Date after, Nexus gives notice of a Redemption Event, as described in more detail in Section 8.2.5.
Extended Payment Date	The date on which the last payment of Principal Amount of Nexus3 Notes is made if repayment of Nexus3 Notes is extended beyond the Maturity Date or the Early Redemption Date (if any) (see Section 5.9).
GST	Goods and Services Tax, a tax levied by the Australian Federal Government.
Interest Payment Date	The date which is three months after the Issue Date and each consecutive three monthly date until (and including) the Redemption Date and the Early Redemption Date (if any).
Interim Repayment Date	The earlier of the Maturity Date and the Early Redemption Date (if any) if repayment of Nexus3 Notes is extended beyond that date, as described in Section 8.2.4.
Investment Grade	A credit rating equivalent to a Standard & Poor's credit rating of BBB– or higher as indicated in the table set out in Section 2.13.
Issue Date	The date on which Nexus3 Notes are allotted to successful applicants.
Issue Price	\$100 per Nexus3 Note.
Joint Lead Managers	ABN AMRO Morgans Limited (ABN 49 010 669 726 and AFS Licence 235410) and Grange Securities Limited (ABN 12 066 797 760 and AFS Licence 246572).
Listing Rules	The Listing Rules of ASX.
Master Trust Deed	The master trust deed between Nexus, Permanent and Deutsche Bank dated 29 October 2002, which is summarised in Section 8.4.
Maturity Date	The date which is six years after the Issue Date. The Term can be extended beyond the Maturity Date in certain circumstances (see Sections 5.5, 5.9 and 8.2.4).
Maximum Portfolio Size	\$1.5 billion. If the amount raised from the Offer is more or less than \$35.0 million then the Maximum Portfolio Size will increase or decrease proportionately.

Term

Definition

Nexus

Nexus Bonds Limited (ABN 23 101 744 389).

Nexus1 Notes or Nexus Yield Bonds

The debt securities which were issued by Nexus under a Prospectus dated 31 October 2002 and which are quoted on ASX (Listing Code NXBHA). These debt securities are unrated notes, paying interest of 10.25% per annum, for a five year term and are linked to a static diversified portfolio of debt issued by 40 well-known Australian and international companies. They are classified as unsecured notes for the purposes of section 283BH of the Corporations Act.

Nexus2 Notes or Nexus Portfolio Linked Floating Rate Notes

The debt securities which were issued by Nexus under a Prospectus dated 12 November 2003 and which are quoted on ASX (Listing Code NXBHB). These debt securities were rated at the time of issue, and as of the date of this Prospectus, remain rated BBB by Standard & Poor's and pay interest at a floating rate equal to the 90 day Bank Bill Rate plus 3.25% per annum for a six year term. They are linked to a portfolio of senior debt obligations arising from Deutsche Bank's lending and credit business and are classified as unsecured notes for the purposes of section 283BH of the Corporations Act.

Nexus3 or Nexus3 Notes

The debt securities to be issued on the terms set out in the Note Trust Deed and the Master Trust Deed as described in this Prospectus. They are classified as unsecured notes for the purposes of section 283BH of the Corporations Act.

Noteholder

A person whose name is for the time being registered in the Register as the holder of a Nexus3 Note.

Note Trust Deed

The note trust deed between Permanent and Nexus dated 3 November 2004 which is summarised in Section 8.3.

Note Trustee

Permanent or any other person appointed as note trustee in accordance with the Note Trust Deed.

Offer

The offer of Nexus3 Notes under this Prospectus.

Offer Period

The period commencing on the date the Offer opens and ending on the Closing Date.

Glossary

Term	Definition
Operating Agent	Deutsche Bank or such other person appointed by Nexus from time to time to act as operating agent.
Permanent	Permanent Nominees (Aust.) Ltd (ACN 000 154 441).
Portfolio	The replenishable portfolio of Debt Obligations described in Section 4.1.
Portfolio Agreement	The contract between Nexus and Deutsche Bank relating to the Portfolio, which is summarised in Section 8.5.
Portfolio Company	A company whose Debt Obligations are included in the Portfolio.
Portfolio Company Group	A Portfolio Company together with each of its Affiliates that is a debtor, as determined in good faith by Deutsche Bank for the purpose of applying the Portfolio Criteria and the Debt Obligations Eligibility Criteria.
Portfolio Criteria	The criteria described in Section 4.1.
Portfolio Term	The period from the Issue Date until the earlier of the Maturity Date and any Early Redemption Date.
Principal Amount	\$100 per Nexus3 Note. This amount may be reduced in certain circumstances (see Sections 5.7 and 5.8).
Protection Amount	The first \$59.1 million of losses on the Portfolio (see Sections 2.20 and 5.6). If the amount raised from the Offer is more or less than \$35.0 million, the Protection Amount will increase or decrease proportionately.
Prospectus	This Prospectus which is dated 3 November 2004.
Redemption Date	The date on which Nexus3 Notes are fully redeemed by the making of the last payment of Principal Amount of Nexus3 Notes, as described in Section 8.2.4.
Redemption Event	An event causing early redemption of Nexus3 Notes (see Sections 2.27, 5.9 and 8.2.5).
Reduction Amount	Any amount that Nexus must pay to Deutsche Bank under the Portfolio Agreement and by which the Principal Amount of Nexus3 Notes is to be reduced (see Sections 5.7, 5.8, 8.2.3 and 8.5.6).

Term	Definition
Regulatory Event	The giving of a notice by Deutsche Bank as to certain events which result in the Deutsche Bank Group obtaining materially less regulatory capital relief in respect of the Debt Obligations in the Portfolio, as described in more detail in Section 8.2.5.
Register	The register of persons who hold Nexus3 Notes established and maintained in accordance with the Master Trust Deed and the Note Trust Deed and including any sub-register established and maintained under CHESS.
Registrar	Computershare and any other person appointed by Nexus from time to time to act as registrar of the Register.
Replenishment	An increase in the principal amount of a Debt Obligation already in the Portfolio or the addition of a Debt Obligation to the Portfolio. The process that may result in a Replenishment is described in Section 8.5.14. Replenish has a corresponding meaning.
Retained Principal Amount	The amount of undetermined losses (if any), as at the Maturity Date or Early Redemption Date which could later be allocated to Nexus3 Notes.
Security Trustee	Permanent or any other person appointed as security trustee in accordance with the Master Trust Deed.
Standard & Poor's or S&P	Standard & Poor's Rating Services, a leading international credit rating agency and a division of the McGraw-Hill Companies Inc. acting through its wholly owned Australian subsidiary Standard & Poor's (Australia) Pty Ltd (ABN 62 007 324 852).
Term	The period of six years from the Issue Date, subject to early redemption or late repayment described in Section 8.2.4.

Application Forms

Important notice – Application Forms will only be accepted if they have been stamped by a Joint Lead Manager or your broker or licensed financial services adviser. Photocopied Application Forms will not be accepted.

- A Application Amount** You must apply for at least \$10,000 of Nexus3 Notes (100 x \$100 per Nexus3 Note). You can apply for additional Nexus3 Notes in multiples of \$1,000 (10 x \$100 per Nexus3 Note).
- B Name** Please see the back of the Application Form for details on how to correctly set out names.
- C Address Details** You need to write down the postal address to which you want us to send all communications regarding your Nexus3 Notes.
If there is more than one applicant, please use only one address.
- D Tax File Number Information** If you are not an Australian resident for tax purposes you will not be able to provide a TFN.
If you are an Australian resident for tax purposes then you are not required to provide your TFN or (if applicable) your corporate Australian Business Number (ABN). However, if you do not, Nexus is required by law to deduct Australian tax from all interest payments at the highest marginal tax rate plus the Medicare Levy.
If you are exempt, please write in your exemption category.
- E CHESS HIN** If you are sponsored in CHESS by a stockbroker (or other CHESS participant) please provide your Holder Identification Number (HIN).
- F Contact Details** We need your contact details in case we need to contact you or your representative about your application.
- G Application Payment Details** Do not send cash. If you do, your application will not be processed. We accept no responsibility for any cash sent to us or returned by us.
You must pay by cheque or money order.
- If you are a **broker firm** applicant and require information about submitting an Application Form and payment instructions you should contact one of the Joint Lead Managers or the organisation you received your firm allocation of Nexus3 Notes from.
 - If you did not receive a broker firm allocation of Nexus3 Notes, you must make your cheque payable to 'Nexus3 Notes Application Account' and crossed 'Not Negotiable' and return it with your completed Application Form to one of the Joint Lead Managers or your broker or licensed financial services adviser. Do not return the Application Form or payment to Nexus, the Arranger or Computershare.
- Your cheque or money order must be in Australian dollars and must be drawn on an Australian branch of a financial institution.
- H Privacy Act** Please tick this box if you do not want to receive communications related to Other Matters (as defined on the back of the Application Form).

Directory

Issuer

Nexus Bonds Limited

Level 18
Grosvenor Place
225 George Street
Sydney NSW 2000

Note Trustee and Security Trustee

Permanent Nominees

(Aust.) Ltd

35 Clarence Street
Sydney NSW 2000

Auditor

KPMG

10 Shelley Street
Sydney NSW 2000

Legal Advisers

Mallesons Stephen Jaques

Level 60
Governor Philip Tower
1 Farrer Place
Sydney NSW 2000

Registrar

Computershare Investor Services Pty Limited

Level 3
60 Carrington Street
Sydney NSW 2000

Arranger

Deutsche Bank AG

Level 18
Grosvenor Place
225 George Street
Sydney NSW 2000
Tel: +61 2 9258 1234

Joint Lead Managers

ABN AMRO Morgans Limited

Level 29
Riverside Centre
123 Eagle Street
Brisbane QLD 4000
Tel: 1800 777 946

Grange Securities Limited

Level 33
264 George Street
Sydney NSW 2000
Tel: 1800 634 636

Nexus3 Notes information line

Australia 1800 101 185

Monday to Friday 8.30am – 5.00pm (Sydney time)