

GUARANTEE OF STATE AND TERRITORY BORROWING

GUIDANCE NOTE

MEANING OF 'COMPLEX' FOR THE PURPOSES OF THE DEFINITION OF NEW AND EXISTING BOND LINES

The definitions of 'Existing Bond Line' and 'New Bond Line' exclude securities that are 'complex'. The purpose of this note is to provide guidance as to what would be considered to be 'complex' in that context.

Liabilities with one or more of the following features in their terms and conditions are likely to be regarded by the Guarantor as complex:

- A. a liability where the principal amount of the liability is not a fixed sum but varies by reference to, or is derived from, the value of an asset, an index (other than for inflation) or a commodity or is linked to the credit standing of any person;
- B. a liability where the principal and interest payments are required to be made in different currencies;
- C. a liability where interest payable in respect of the liability is neither fixed nor determined by reference to a market interest rate with a fixed margin, other than where the variation is for inflation;
- D. a liability where amounts other than principal and interest are payable (other than additional amounts by way of a gross up for taxes, late fees, break fees and make-whole payments or similar amounts);
- E. a liability that may be converted to equity or may be subordinated (other than by operation of law);
- F. a liability that requires the Issuing Entity to grant security, other than where such a requirement is triggered only in the event that the Issuing Entity grants a security in respect of other liabilities; or
- G. a liability that includes any right to demand prepayment of principal or permits redemption prior to the maturity date, except where such rights become operative as a result of any of the following or substantially similar circumstances:
 - operation of a cross-default clause;
 - interest withholding taxes or other taxes that have, or will become, payable due to a change in laws relating to taxation or in the application, or interpretation, of laws relating to taxation;
 - the non payment of principal or interest by the Issuing Entity;
 - the Issuing Entity entering into any arrangement or composition, suffering execution against its assets, having its undertaking or assets, in whole or in part, taken into possession by an encumbrancer, being placed under external administration, dissolved or becoming the subject of an application for those or similar procedures or otherwise being insolvent;

- the liability becoming illegal;
- the Issuing Entity ceasing to carry on a business; or
- a breach by the Issuing Entity of its obligations set out in the liability where the breach is not remedied or is unable to be remedied.

The issue of an Eligibility Certificate will be conclusive evidence that the liability the subject of an Eligibility Certificate has been accepted by the Guarantor as 'not complex'.