



**Equity First**

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# Optimiser III

Product Disclosure Statement

Linked to 3 Multi-Asset Investment  
Profiles (Series 2006 - 03)

6 June 2006

## Important Information

**Product Disclosure Statement:** This Product Disclosure Statement ("PDS") is dated 6 June 2006 and has been prepared by the Issuer. This PDS has not been lodged with the Australian Securities and Investments Commission ("ASIC") and is not required by the Corporations Act to be lodged with ASIC. ASIC takes no responsibility for the contents of this PDS.

**Purpose:** The Market Linked Investment (the "Optimiser") is issued by Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832 and AFSL 240992) ("Citigroup Australia", "Issuer", "we" or "us") a Participant of ASX Group and the Sydney Futures Exchange Limited. The Optimiser is an agreement between the Investor and the Issuer governed by the terms set out in the terms and conditions ("Terms") which are contained in section 9 of this PDS. It is important that Investors and potential Investors read the Terms in full as these set out an Investor's rights and obligations in relation to the Optimiser. Capitalised words used in this PDS have the meaning given to them in clause 15 of the Terms, unless the context requires otherwise.

**Disclaimer:** The Optimiser and any securities recommended, offered, or sold by the Issuer: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations or liabilities of any insured depository institution (including Citibank, N.A.); and (iii) are subject to investment risks, including the possible loss of the principal amount invested in the event of an Early Maturity. The Optimiser does not represent a deposit or other liability of Citigroup Pty Limited or Citibank, N.A. (Sydney Branch) and these entities do not stand in any way behind the capital value and/or performance of the Optimiser. The Issuer is not subject to regulatory supervision by APRA.

**Variation of Offer Times:** The Issuer reserves the right to vary the dates and times of the offer. This means that the Issuer has a discretion to extend or reduce the length of the offer period by changing any of the relevant dates in the Issuer's absolute discretion. The Issuer may exercise its rights where, for example, the demand for the Optimiser has been very high and a significant number of customers have requested that the period be extended. However, in exercising its discretion the Issuer would act reasonably and would not leave the offer period open for too long having regard to standard market practice. The Issuer may also vary the Maturity Date if an Early Maturity Event occurs. The term "Early Maturity Event" is defined in clause 4.1 of section 9 of this PDS. The risks associated with an Early Maturity Event are more fully discussed in section 5 of this PDS.

**Investment Decisions:** It is impossible in a document of this type to take into account the investment objectives, financial situation and particular needs of each reader. Accordingly, nothing in this PDS should be construed as a recommendation

by the Issuer, or any associate of the Issuer or any other person concerning an investment in the Optimiser, the Delivery Assets or any other financial product. Readers should not rely on this PDS as the sole or principal basis of a decision to invest in the Optimiser, Delivery Assets or any other financial product and should seek independent financial, legal and taxation advice before making a decision whether to invest. No person is authorised by the Issuer to give any information or to make any representation not contained in this PDS. Any information or representation not contained in this PDS must not be relied upon as having been authorised by or on behalf of the Issuer. Nothing in this PDS is, or may be relied upon as, a representation as to the future performance of the Optimiser, the Reference Assets or the Delivery Assets.

**Jurisdiction and selling restrictions:** This PDS is not an offer or invitation in relation to the Optimiser in any place in which, or to any person to whom, it would not be lawful to make that offer or invitation. The distribution of this PDS outside Australia may be restricted by the laws of those places where it is distributed. Persons into whose possession this document comes should therefore seek advice on and observe those restrictions. The Optimiser is not available to US persons. Failure to comply with relevant restrictions may violate those laws of the places where the PDS is distributed.

**Updates relating to this PDS:** The Issuer may make available updated information relating to this PDS. Investors may access this information at <http://www.citiwarrants.com.au/> or alternatively may request a paper copy of this information free of charge from their financial adviser or by contacting the Issuer on 1300 30 70 70. The information that the Issuer will make available by way of these updates is subject to change from time to time and will not be information which is materially adverse to Investors.

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**Cooling off:** Please note that no cooling-off rights apply in respect of the purchase of an Optimiser.

**Social or Ethical Considerations:** The Optimiser does not take into account labour standards or environmental, social or ethical standards.

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## Key Dates

Event	Date
Offer Opens	12 June 2006
Offer Closes	31 July 2006 at 5:00 pm
Issue Date	3 August 2006
Maturity Date	3 February 2010

The key dates are indicative only and may be changed by the Issuer. All times are Australian Eastern Standard Time, unless otherwise stated.

**If you have any questions concerning the information contained in this PDS please contact Citigroup Australia on 1300 30 70 70 or email [equityfirst.au@citigroup.com](mailto:equityfirst.au@citigroup.com)**

## Investment Overview

### Term Sheet

Series	Optimiser III (Series 2006-03)		
Issuer	Citigroup Global Markets Australia Pty Limited ("Citigroup Australia" or "Issuer")		
Asset Classes and Reference Assets	<b>Equities</b> 1. EURO STOXX 50 2. Hang Seng 3. Nikkei 225 4. S&P 500	<b>Bonds/Currencies</b> 1. Citigroup World Government Bond Index 2. Australian Dollar Exchange Rate	<b>Commodities</b> 1. Aluminium 2. Gold 3. Zinc 4. Crude Oil
Offer Closes	31 July 2006 at 5:00 pm		
Issue Date	3 August 2006		
Maturity Date	3 February 2010		
Term of Investment	3.5 years		
Denomination	Australian Dollars		
Issue Price	A\$1.00 per Optimiser		
Minimum Investment Amount	A\$5,000 and in multiples of A\$1,000 above that amount		
Capital Protection	The value of each Optimiser on the Maturity Date will be at least equal to the Issue Price* (refer to <b>Capital Protection and Early Maturity</b> contained in section 1 for further details on when this capital protection may not apply)		
Coupon	1.0% per annum based on the Issue Price**		
Investment Profiles and Asset Allocations	The allocations to each Asset Class within the 3 multi-asset Investment Profiles are: <b>Equities-biased</b> = 60% Equities + 20% Bonds/Currencies + 20% Commodities <b>Balanced</b> = 1/3 Equities + 1/3 Bonds/Currencies + 1/3 Commodities <b>Commodities-biased</b> = 20% Equities + 20% Bonds/Currencies + 60% Commodities		
Best Performing Investment Profile	The Investment Profile with the highest <b>Investment Profile Return</b> on the Maturity Date		
Participation Rate	Expected to range between 70% and 100%, the minimum Participation Rate will be 70%*** (refer to <b>What factors affect the Participation Rate</b> contained in section 1 for further details)		
Final Return	The Final Return on the Maturity Date will be the greater of: (a) zero; and (b) the Best Performing Investment Profile Return x Participation Rate		
Delivery Asset	Share in BHP Billiton Ltd (an ASX listed share, ASX Code BHP)		
Fees and Commissions	<b>Upfront fee</b> - an upfront fee of up to 2.00% (including GST) of the Investment Amount. <b>Trailing fee</b> - a trailing fee of up to 0.33% per annum (including GST) based on the Investment Amount, payable annually in arrears on the anniversary of the Issue Date, conditional on the Investor continuing to hold the Optimiser.  These fees will be paid by Citigroup Australia at no additional cost to Investors. Citigroup Australia may also pay advisers, out of its own funds, an additional volume-based upfront fee of up to 0.50% (including GST) of the Investment Amount.		

\* This capital protection only applies to investments held until the scheduled Maturity Date and provided no Early Maturity Events occur. Capital protection is also subject to the creditworthiness of the Issuer. Please refer to the paragraph headed "Capital Protection and Early Maturity" contained in section 1 of this PDS for further details.

\*\* The Coupon of 1.0% p.a. is based on the Issue Price and is payable semi-annually in arrears.

\*\*\* The Participation Rate is indicative only. The actual level of the Participation Rate will be fixed on the Issue Date and is expected to range between 70% and 100% (the minimum will be 70%). Please refer to the paragraph headed "What Factors Affect the Participation Rate?" contained in section 1 of this PDS for further details.

## Optimiser III

### Market-Linked Investment

This 3.5-year AUD denominated market-linked investment (the “Optimiser”) is linked to the performance of three (3) multi-asset “Investment Profiles”, each of which has a specific allocation to Equities, Bonds/Currencies and Commodities:

Investment Profile	Equities Allocation	Bonds/Currencies Allocation	Commodities Allocation
Equities-biased	60%	20%	20%
Balanced	1/3	1/3	1/3
Commodities-biased	20%	20%	60%

The Optimiser offers Investors the potential for capital growth linked to the Best Performing Investment Profile, along with the safety of 100% capital protection on the Maturity Date\*. The Optimiser also pays a coupon of 1.0% per annum\*\* based on the Issue Price (the “**Coupon**”).

At Maturity Investors will receive 100% of their initial investment plus participation in the performance of the Best Performing Investment Profile.\*\*\* The performance of each Investment Profile (the “**Investment Profile Return**”) is calculated with reference to the specific weighting of each Asset Class within the Investment Profiles, the Best Performing Investment Profile is then selected as the Investment Profile with the highest return.

### Asset Classes

The multi-asset Investment Profiles provide exposure to three (3) asset classes representing Equities, Bonds/Currencies and Commodities (the “**Asset Classes**”). The performance of each Asset Class will be based on an equally-weighted basket of Reference Assets:

Equities	Bonds/Currencies	Commodities
EURO STOXX 50	Citigroup World Government Bond Index	Aluminium
Hang Seng	Australian Dollar Exchange Rate	Gold
Nikkei 225		Zinc
S&P 500		Crude Oil

On the Maturity Date the return of each Asset Class is calculated as the weighted average performance of the constituent Reference Assets relative to their Official Level on the Issue Date, the constituents being equally weighted for the purpose of calculating the return of the Asset Class. The exact formula for calculating the Asset Class Return is contained in clause 15 of the Terms.

\* This capital protection only applies to investments held until the scheduled Maturity Date and provided no Early Maturity Events occur. Capital protection is also subject to the creditworthiness of the Issuer. Please refer to the paragraph headed “Capital Protection and Early Maturity” contained in section 1 of this PDS for further details.

\*\* The Coupon of 1.0% p.a. is based on the Issue Price and is payable semi-annually in arrears.

\*\*\* The participation will depend on the Participation Rate, this is the degree to which Investors participate in the performance of the Best Performing Investment Profile. The actual Participation Rate will be fixed on the Issue Date and is expected to range between 70% and 100% (the minimum will be 70%). Please refer to the paragraph headed “What factors affect the Participation Rate?” in section 1 of this PDS for further details.

## Investment Objectives

The Optimiser is likely to be suitable for Investors who seek to benefit from the out-performance of the best performing asset class and who understand but do not have a particular sector view on Equities, Bonds/Currencies or Commodities. The following points are key considerations an Investor should take into account in relation to an investment in the Optimiser.

### You seek

- Diversified exposure to global markets including Equities, Bonds/Currencies and Commodities
- 100% capital protection at Maturity\*
- Potential for capital growth
- Coupon of 1.0% p.a.\*\*
- A medium-term market-linked investment
- No entry, exit, management or brokerage fees payable on investments held until the Maturity Date.

### You can accept

- A holding period of 3.5 years
- The possibility of losing part of the initial Investment Amount if the Optimiser is not held to Maturity
- The risks associated with investing in Equities, Bonds/Currencies and Commodities
- The risks associated with investing in medium-term financial products
- The possibility that returns could be less than the return you could earn on other investments including the actual return on the Reference Assets

## Investment Profile

Time Horizon - Years	1 or Less	2	3	4	5+
Risk	Very Low	Low	Moderate	High	Very High
Investment Objective	Full Protection	Partial Protection	No Protection	Income	Growth

## Investment Strategy

The Optimiser offers exposure to a well-diversified asset portfolio without the need to make specific asset class allocations. Investors in the Optimiser may have a positive view of the Reference Assets over the next 3.5 years but no preference on the proportion of each asset class allocation within the Investment Profiles.

\* The capital protection only applies to investments held until the scheduled Maturity Date and provided no Early Maturity Events occur. Capital protection is also subject to the creditworthiness of the Issuer. Please refer to the "Risk Factors" contained in section 5 of this PDS for further details.

\*\* The Coupon figure of 1.0% p.a. is based on the Issue Price and is payable semi-annually in arrears.

## Section 1 - Details of the Investment

### What is the Optimiser?

The Optimiser is a 3.5-year financial product issued by Citigroup Australia that offers Investors the potential for capital growth linked to the Best Performing Investment Profile on the Maturity Date. The Optimiser is classified as a “security” under the Corporations Act because it gives Investors an equitable interest (a “Beneficial Interest”) in a Portion of the Delivery Assets for the duration of the investment. The Portion is a 1/1000<sup>th</sup> interest in a Delivery Asset, held by the Issuer or its nominee for an Investor for the Term of Investment. It cannot be dealt with separately to the rest of the Optimiser.

### How is the Optimiser Structured?

The Optimiser is structured as a deferred purchase agreement. Under a deferred purchase, an Investor agrees to purchase the Delivery Assets (including the Portion) and either:

- elect to accept physical delivery of the Delivery Assets on the Maturity Date; or
- elect to take advantage of the Agency Sale Arrangement and receive the Sale Proceeds.

### What income will the Optimiser generate?

In consideration for agreeing to the deferred delivery of the Delivery Assets, including the Portion, or receiving the Sale Proceeds under the Agency Sale Agreement, the Investor will receive a semi-annual Coupon. The Optimiser will pay a Coupon of 1.0% per annum based on the Issue Price, payable semi-annually in arrears. Investors are not entitled to receive any other dividends or distributions in respect of the Optimiser or the Delivery Assets during the Term of Investment.

\* The participation will depend on the Participation Rate. This is the degree to which Investors participate in the performance of the Best Performing Investment Profile. The actual Participation Rate will be fixed on the Issue Date and is expected to range between 70% and 100% (the minimum will be 70%). Please refer to the section “What factors affect the Participation Rate?” for further details.

### What are the Delivery Assets?

On the Settlement Date the Issuer will be required to deliver to the Investor shares in BHP Billiton. The value of these shares will be equal to the Final Value of the investment in the Optimiser on the Maturity Date (as explained below) multiplied by the number of Optimisers held by an Investor. If any Costs and Taxes are payable, these will be deducted from the Final Value.

The Issuer will only deliver a whole number of Delivery Assets (which will include the Portion). If any fractional unit would be transferable by the Issuer to the Investor, the Issuer will pay an amount equal to the value of the fraction of the unit foregone, based on the Closing Price, provided that the amount exceeds A\$20. If the amount does not exceed A\$20, the Issuer is under no obligation to the Investor to make any payment for the fraction.

### How is the Final Value determined?

At Maturity the Final Value per Optimiser will equal 100% of the Issue Price plus participation\* in the positive performance of the Best Performing Investment Profile. The performance of each Investment Profile is calculated with reference to the specific weighting of each Asset Class within the Investment Profiles. The Best Performing Investment Profile is then selected as the Investment Profile with the highest return.

On the Maturity Date the Final Value will be the greater of:

- the Issue Price; or
- the sum of (i) the Issue Price, and (ii) the product of the Issue Price, the Participation Rate and the Best Performing Investment Profile Return.

Please refer to the examples “How is the Best Performing Investment Profile calculated?” below and the “Scenario Analysis” contained in section 2 of this PDS for an illustration of the calculation of the Final Value.

## How is the Best Performing Investment Profile calculated?

The following examples are provided for illustrative purposes only and are intended to explain how the Best Performing Investment Profile and Final Value are calculated. Any levels, including starting levels and closing levels, which are used in the following examples are hypothetical only and are not an indication of the current, future or past performance, nor a guarantee of the future performance, of the Reference Assets, Asset Classes or the Optimiser.

### Step 1: Calculate the Asset Class Return

The return for each Asset Class is calculated on the Maturity Date as the weighted average performance of the respective Reference Assets relative to their Official Level on the Issue Date, the constituent Reference Assets being equally weighted for the purpose of calculating the return of each Asset Class.

Reference Assets	Asset Class	Starting Level	Closing Level	% Return
Dow Jones EURO STOXX 50	Equities	3,606.33	4,309.56	19.5%
Hang Seng	Equities	16,155.77	21,487.17	33.0%
Nikkei 225	Equities	15,925.69	21,181.17	33.0%
S&P 500	Equities	1,261.81	1,545.72	22.5%
Citigroup World Government Bond Index	Bonds/Currencies	644.61	687.80	6.70%
Australian Dollar Exchange Rate	Bonds/Currencies	0.7680	0.8153	6.16%
Aluminum	Commodities	2,850.0	3,291.75	15.5%
Gold	Commodities	688.00	846.24	23.0%
Zinc	Commodities	69.85	78.65	12.6%
Crude Oil	Commodities	3,495.0	3,977.31	13.8%

### Equities Return (EqyRetn)

$$= \frac{1}{4} \times \left( \frac{4,309.56}{3,606.33} + \frac{21,487.17}{16,155.77} + \frac{21,181.17}{15,925.69} + \frac{1,545.72}{1,261.81} \right) - 1$$

$$= 27.00\%$$

### Bonds/Currencies Return (BondRetn)

$$= \frac{1}{2} \times \left( \frac{687.80}{644.61} + \frac{0.8153}{0.7680} \right) - 1$$

$$= 6.43\%$$

### Commodities Return (ComdtyRetn)

$$= \frac{1}{4} \times \left( \frac{3,291.75}{2,850.00} + \frac{846.24}{688.00} + \frac{78.65}{69.85} + \frac{3,977.31}{3,495.00} \right) - 1$$

$$= 16.23\%$$

### Step 2: Calculate the Investment Profile Return

The performance of each Investment Profile is then calculated with reference to the specific weighting of each Asset Class within each of the Investment Profiles:

#### Equities-biased Investment Profile Return

$$= 60\% \times \text{EqyRetn} + 20\% \times \text{BondRetn} + 20\% \times \text{ComdtyRetn}$$

$$= 60\% \times 27.00\% + 20\% \times 6.43\% + 20\% \times 16.23\%$$

$$= 20.74\%$$

**Balanced Investment Profile Return**

$$\begin{aligned}
 &= 33.3\% \times \text{EqtyRetn} + 33.3\% \times \text{BondRetn} + 33.3\% \times \text{ComdtyRetn} \\
 &= 33.3\% \times 27.00\% + 33.3\% \times 6.43\% + 33.3\% \times 16.23\% \\
 &= 16.53\%
 \end{aligned}$$

**Commodities-biased Investment Profile Return**

$$\begin{aligned}
 &= 20\% \times \text{EqtyRetn} + 20\% \times \text{BondRetn} + 60\% \times \text{ComdtyRetn} \\
 &= 20\% \times 27.00\% + 20\% \times 6.43\% + 60\% \times 16.23\% \\
 &= 16.43\%
 \end{aligned}$$

**Step 3: Calculate the Best Performing Investment Profile**

The Best Performing Investment Profile is then selected as the Investment Profile with the highest return, in this case the Equities-biased Investment Profile.

Investment Profile	Investment Profile Return
<b>Equities-biased</b>	<b>20.74%</b>
<b>Balanced</b>	16.53%
<b>Commodities-biased</b>	16.43%

**Step 4: Calculate the Final Value per Optimiser**

Assuming a Participation Rate of 80% (indicative as at 19 May 2006), the Final Value will be calculated with reference to the greater of:

$$\begin{aligned}
 \text{(a)} &= \text{Issue Price} \\
 &= \$1.00
 \end{aligned}$$

and

$$\begin{aligned}
 \text{(b)} &= \text{Issue Price} \times [1 + (\text{Participation Rate} \times \text{Best Performing Investment Profile Return})] \\
 &= \$1.00 \times [1 + (80\% \times 20.74\%)] \\
 &= \$1.166
 \end{aligned}$$

In this example the Final Value of the Optimiser would be \$1.166 per Optimiser. Assuming the Minimum Investment Amount of \$10,000 or 10,000 Optimisers, the value of the Delivery Assets that an Investor would be entitled to receive would be calculated as:

**Value of Delivery Assets**

$$\begin{aligned}
 &= \text{Final Value} \times \text{Number of Optimisers} \\
 &= 10,000 \times \$1.166 \\
 &= \$11,660
 \end{aligned}$$

### How does the Participation Rate impact on the return on investment?

The Participation Rate represents the degree to which Investors participate in the performance of the Best Performing Investment Profile. The return on the Optimiser that an Investor receives at Maturity is calculated as the return of the Best Performing Investment Profile multiplied by the Participation Rate. The greater the Participation Rate, the greater the exposure to the Best Performing Investment Profile. The level of the Participation Rate will depend on a range of market variables, such as interest rates, exchange rates, implied volatility and correlation between constituents of the Reference Assets, on or around the Issue Date.

The actual Participation Rate will be determined by the Issuer on the Issue Date and will be the same for all Investors. The Participation Rate it is expected to range between 70% and 100% (the minimum will be 70%). As at 19 May 2006, the Participation Rate would have been 80% (based on then current market levels), however the Issuer cannot guarantee that the Participation Rate on the Issue Date will be the same as the indicative level set out above. For more information please refer to “Factors Affecting the Participation Rate” below.

### What factors affect the Participation Rate?

The actual calculation that takes place to determine the Participation Rate on the Issue Date is a complex exercise and is influenced by a number of market variables that change daily. The calculation of the actual Participation Rate is independent of the Issuer's potential profit margin. The reasons why the Participation Rate will vary from the Participation Rate calculated as at 19 May 2006 are market-driven. These reasons include:

- Australian Dollar interest rates;
- volatility of the Reference Assets;
- correlations between the Asset Classes and each of the Reference Assets; and
- the forward price of Commodities relative to the spot price of the respective Commodity.

In terms of relative importance in determining the Participation Rate, the Issuer has identified what it considers the four most important variables and their effect, all other things being equal, on the Participation Rate the Issuer may be able to obtain on the Issue Date:

Variable	Change in Variable	Effect on Participation Rate
Australian dollar interest rates	▲	▲
Volatility of the Reference Assets	▲	▼
Correlations between the Reference Asset Classes	▲	▼
Forward price of Commodities relative to spot	▲	▼

Each of the variables mentioned is subject to continuous market movement. Hence the Participation Rate cannot be determined until all Investment Amounts have been received and are available for investment on the Issue Date. Once this has occurred, the Issuer will set the Participation Rate at the same level for all Investors in the Optimiser and will not change the Participation Rate once it has been set. The Participation Rate will then be communicated to all Investors in the notice sent under clause 1.3(c) of the Terms and Conditions contained in section 9 of this PDS.

The Issuer will set the Participation Rate on the Issue Date, subject to the prevailing market-driven variables set out above. Please note that if the Issuer is unable to achieve an actual Participation Rate of 70% or more on the Issue Date, the Issuer will return all Investment Amounts (without interest) to the Investors and the Optimiser will not proceed.

### Can the Reference Assets change?

The Reference Assets are intended to be fixed for the Term of Investment. However, if any of the Reference Assets which are an Index are closed or suspended or if any of the Reference Assets which are not an index cease to be traded in a liquid and accessible fashion (for 24 hours or more) the relevant Reference Asset may be substituted in whole or in part with another asset at the discretion of the Issuer. The new Reference Asset will be chosen by the Issuer to match the old Reference Asset as closely as possible. Substitution of a Reference Asset may only occur where the Issuer believes that not doing so would cause, or allow, the investment exposure to diverge from that described in this PDS, or where failing to make such a variation would otherwise result in an Early Maturity Event.

More information on the Reference Assets can be found in section 3 of this PDS.

### What are the significant benefits of investing in the Optimiser?

The following is a summary of some of the significant benefits of investing in the Optimiser:

- The Optimiser offers Investors the potential for capital growth linked to the Best Performing Investment Profile;
- 100% capital protection at Maturity\*;
- A Coupon rate of 1.0% per annum based on the Issue Price, paid semi-annually in arrears\*\*;
- Any return on the investment reflects the performance of the diversified global markets including Equities, Bonds, Currencies and Commodities, avoiding the need for an Investor to analyse each individual market.

### What are the significant risks of investing in the Optimiser?

The following is a summary of the significant risks of investing in the Optimiser.

- The value of the Optimiser will be affected by a number of market variables. Prior to the Maturity Date the value of the Optimiser may be greater than or less than the Issue Price;
- The Issuer only provides capital protection for investments held for the full Term of Investment. In the event that the Issuer nominates an Early Maturity Event, the Optimiser will be terminated early. Investors will no longer be exposed to the Reference Assets and will only be entitled to receive the Early Maturity Value. This amount may be less than an Investor's initial Investment Amount;
- If an Optimiser is not held for the full Term of Investment, Break Costs may apply;
- If you elect the Agency Sale Arrangement, the Closing Price may not be achievable and you may therefore receive less than the Final Value of the Delivery Parcel;
- The value of the Optimiser depends on the ability of the Issuer to perform its obligation under the Terms and therefore depends on its creditworthiness;

\* The capital protection only applies to investments held until the scheduled Maturity Date and provided no Early Maturity Events occur. Capital protection is also subject to the creditworthiness of the Issuer. Please refer to the "Risk Factors" contained in section 5 of this PDS for further details.

\*\* The Coupon of 1.0% p.a. is based on the Issue Price and is payable semi-annually in arrears.

- The value of the Optimiser will be affected by political and economic stability within the region.

Refer to the “Risk Factors” contained in section 5 of this PDS for a more detailed description of the risks relating to an investment in the Optimiser.

### What are the currency risks associated with an investment in the Optimiser?

There will be no currency risks associated with an investment in the Optimiser as the performance of the constituents that make up the Reference Assets will be measured with reference to their starting level in absolute terms. Notwithstanding the above, in determining the Best Performing Investment Profile, the Asset Class Return of the Bonds/Currencies Asset Class will be derived in part by the change in the Official Level of the Australian Dollar relative to the U.S. Dollar.

### Is the Optimiser transferable?

The Optimiser is unlisted, however, it is transferable with the prior consent of the Issuer (for more details please refer to clause 14.9 of the Terms). It cannot be traded on any financial market. Investors must not create any charges or encumbrances over their Optimisers without Citigroup Australia’s prior written consent.

### What are the tax implications associated with an investment in the Optimiser?

If an Investor is an individual who takes physical delivery and holds their Optimisers and Delivery Assets to derive dividends, any appreciation in value of the Investor's Optimisers should generally be taxable on the eventual disposal of their Delivery Assets. If investment returns are capital gains rather than income, those Investors could benefit from the 50% discount for capital gains made in respect of Optimisers. Please refer to the Tax Considerations contained in section 6 of this PDS for further details of Investors who take delivery of the Delivery Assets for the purpose of deriving assessable dividends. If this is not your intention, you should seek taxation advice, noting these matters.

### What happens at Maturity?

Approximately 20 Business Days before the Maturity Date, the Issuer will notify Investors of the upcoming Maturity by sending them a Maturity Notice.

At Maturity there are two options available to Investors:

**Option 1:** Elect to accept physical delivery of shares in BHP Billiton; or

**Option 2:** Elect to take advantage of the Agency Sale Arrangement that lets an Investor sell their shares in BHP Billiton and receive the Sale Proceeds.

If Investors do not choose either option, the Optimiser will automatically default to physical delivery of shares in BHP Billiton. However, please note that Costs and Taxes, including brokerage, will be deducted from the Final Value before delivery of the Delivery Parcel. The option that is likely to be best for each individual Investor depends on the Investor's own personal and financial circumstances. Therefore, we suggest you consult your financial adviser in this regard.

#### Option 1 - Taking physical delivery of the Delivery Parcel

If an Investor wishes to take physical delivery of the Delivery Parcel, they do not need to do anything when they receive the Maturity Notice. By doing nothing, physical delivery will automatically apply.

If an Investor takes physical delivery, the Issuer or its nominee will purchase the Delivery Assets specified in the Delivery Parcel (less any Costs and Taxes) and register those Delivery Assets in the Investor's name on the Settlement Date in accordance with the CHES details on the Maturity Notice returned by the Investor. If the Investor is not CHES sponsored or does not return the Maturity Notice, the Issuer or its nominee will register the Delivery Assets as an issuer-sponsored holding in the Investor's name.

If the Delivery Parcel includes any fractional shares in BHP Billiton which are valued at more than A\$20.00, the Issuer will transfer the relevant amount of dollars into the Investor's nominated Settlement Account or pay it to the Investor by cheque within 10 Business Days after the Settlement Date or as soon as reasonably practicable thereafter. (In effect this is a reimbursement of a portion of the Investment Amount).

### Option 2 - The Agency Sale Arrangement

To take advantage of the Agency Sale Arrangement to receive the Sale Proceeds of the Delivery Parcel, an Investor must:

- elect the Agency Sale Arrangement option on the Maturity Notice; and
- return the Maturity Notice to the Issuer by the Closing Time.

Under the Agency Sale Arrangement the Issuer will accept physical delivery of the Delivery Parcel on the Maturity Date on the Investor's behalf and will then sell the Investor's Delivery Parcel on the Investor's behalf. The Issuer will pay the Investor the Sale Proceeds, which will equal the number of Delivery Assets sold multiplied by the Closing Price (see "Calculating the Price of Delivery Assets" below) less any Costs and Taxes. Payment will be made by cheque or directly into the Investor's nominated Settlement Account. Payment will be made within 10 Business Days after the Settlement Date or as soon as reasonably practicable thereafter.

If the Delivery Parcel includes any fractions of shares in BHP Billiton, the Issuer will transfer the equivalent value of the fraction into the Investor's nominated Settlement Account or pay it to the Investor by cheque within 10 Business Days after the Settlement Date or as soon as reasonably practicable thereafter. (In effect this is a reimbursement of a portion of the Investment Amount).

### How is the price of the Delivery Assets calculated?

The Issuer will calculate the price of the Delivery Assets (i.e. the Closing Price) as either the price paid by the Issuer to acquire the Delivery Assets or the last-traded price of the Delivery Assets at or around 4:05 pm Sydney time on the Trading Day following the Maturity Date, unless it is not possible to determine the price of the Delivery Asset at that time, in which case the Issuer may either:

- nominate another time to determine the Closing Price; or

- determine the Closing Price to be the price determined by the Issuer as its best estimate of the Delivery Asset value at or around 4:05 pm Sydney time on the Trading Day immediately following the Maturity Date (or in the case of an Early Maturity, the Early Maturity Date).

### What happens if an Investor does not make an election or fails to return the Maturity Notice?

Physical delivery will apply if:

- an Investor does not elect the Agency Sale Arrangement option on the Maturity Notice; or
- the Issuer does not receive an Investor's Maturity Notice by the Closing Time.

### Can Investors terminate their investment in the Optimiser early?

An Investor may terminate an investment in the Optimiser before the Maturity Date by contacting the Issuer in writing and requesting an Early Maturity for the full amount of the Investor's Optimiser investments. (An indicative price per Optimiser can be found at <http://www.citiwarrants.com.au/>). The Issuer may, in its absolute discretion, accept or reject the Investor's request. If the Issuer accepts, then the Issuer will send the Investor an Early Maturity Notice specifying an Early Maturity Date. Investors should allow 10 Business Days following the last Business Day of the month for the Issuer to process their Early Maturity request.

In the Early Maturity Notice, the Issuer will specify whether:

- the normal Maturity process will apply (as set out in the section titled "What happens at Maturity?" above); or
- it will pay a Refund.

If the normal Maturity process applies, then the Investor will take physical delivery of the Delivery Assets. Such Investors will receive the Early Maturity Value which means the fair economic value of the Optimiser at or around 5:00 pm Sydney time on the

Early Maturity Date as determined by the Issuer in its absolute discretion, unless it is not possible to determine the fair economic value of the Optimiser at that time, in which case the Issuer may nominate another time to determine the Early Maturity Value. Without limiting the above, in determining the "Early Maturity Value" the Issuer may deduct any costs, losses or expenses that it incurs in relation to the Early Maturity, including without limitation, Costs and Taxes, Break Costs, administrative costs, costs of unwinding any hedge put in place for the purposes of meeting its obligations under the Terms, and any cost of funding or any loss of bargain.

If the Issuer elects to pay a Refund, then the Investor will receive the amount determined by the Issuer in its absolute discretion and by whatever means the Issuer deems appropriate. Without limiting the foregoing, in determining the Refund, the Issuer may adjust the Refund for any costs, losses or expenses that it incurs in relation to the Early Maturity, including without limitation, Costs and Taxes, Break Costs, administrative costs, costs of unwinding any hedge put in place for the purposes of meeting its obligations under these Terms, and any cost of funding or any loss of bargain. Please note that if an Investor receives a cash Refund, the Investor will not qualify for the concessional CGT tax rules and any gain should be recognised as assessable income. Please refer to the Tax Considerations contained in section 6 of this PDS for more details.

**It is important to note that the Issuer only provides capital protection of an Investor's initial Investment Amount if they hold the Optimiser until the scheduled Maturity Date.** If an Investor requests Early Maturity they may well receive an amount less than their initial Investment Amount. Investors should read clause 4 of the Terms to fully understand their rights and obligations if they request an Early Maturity.

### Can the Issuer terminate the Optimiser early without Investor approval?

The Optimiser may be terminated early if an Early Maturity Event occurs. An example of an Early Maturity Event is if a Reference Asset which is an index is closed or suspended, or if a Reference Asset which is not an index ceases to be traded in a liquid and accessible fashion (for 24 hours or more). Another Early Maturity Event is if the Issuer is unable to hedge its risks with respect to Optimisers. Investors should refer to the Risk Factors contained in section 5 of this PDS which discusses the risks associated with Early Maturity. Investors should also read clauses 4 and 5.2 of the Terms to fully understand their rights and obligations if an Early Maturity Event occurs and to understand what events constitute an Early Maturity Event.

If an Early Maturity Event occurs, the capital protection feature of the Optimiser will not operate so the number of Delivery Assets or Sales Proceeds from the Agency Sale Arrangement will be determined by reference to the fair economic value of the Optimiser or the Refund at around 5:00 pm Sydney time on the Early Maturity Date as determined by the Issuer at its discretion. The Issuer may also deduct Break Costs in relation to the Early Maturity.

### Can the Issuer change the Terms of the Optimiser?

The Terms may be amended or varied if an Adjustment Event or Early Maturity Event occurs, or in certain other limited situations such as to comply with the law, or to correct an error or inconsistency in the Terms. Investors will be notified of any such changes. Investors should refer to the Risk Factors contained in section 5 of this PDS where the risks associated with Early Maturity Events or Adjustment Events are discussed. Investors should also read clause 5 of the Terms to fully understand their rights and obligations if an Adjustment Event occurs.

### Capital Protection and Early Maturity

The obligation to deliver to an Investor the Delivery Assets with a value equal to the Investment Amount and any return on the Optimiser is an obligation of the Issuer. The ability of the Issuer to perform its obligations in respect of the Optimiser will depend on its overall credit-worthiness. This risk has been disclosed in section 5 of this PDS and explains that an Investor in the Optimiser will not be a secured creditor of the Issuer. Information about the Issuer is provided in section 7 of this PDS and it is recommended that Investors have regard to that information before making an investment decision.

Investors should be aware that the obligation to repay their initial Investment Amount does not apply if the Optimiser is terminated prior to the Maturity Date. The Issuer may, in limited circumstances, terminate the Optimiser prior to the Maturity Date if an Early Maturity Event occurs. However, Early Maturity Events are generally beyond the Issuer's control and the Issuer will only call for Early Maturity if, in its opinion, such an event has a material impact on the continued viability of the Optimiser. Clause 4 of the Terms (in section 9 of this PDS) describes the events that constitute an Early Maturity Event.

The Optimiser may also be terminated early at the Investor's request. Investors should read clause 4 of the Terms and the section titled "Can Investors terminate their investment in the Optimiser Early?" to understand their rights and obligations if an Early Maturity occurs.

### What is the issue size?

The Issuer aims to raise at least A\$10 million. If less than \$10 million is raised, the Issuer may, in its absolute discretion, issue Optimisers regardless of the final issue size. However, the Issuer retains the discretion to reject any Applications. If the Issuer rejects Applications, the Investment Amounts will be returned to Applicants either by bank transfer or by cheque at the risk of the Applicant (without interest) within 14 Business Days after the Offer Closes.

### What happens if there is a dispute concerning the Optimiser?

The Corporations Act requires the Issuer to have procedures in place for dispute resolution. The Issuer's process for dispute resolution is available to Investors free of charge. Investors may make a complaint relating to the Optimiser directly to the Issuer in writing. The Issuer will always acknowledge any complaint in writing and respond within 45 days. The Issuer will take all steps necessary to investigate any complaint and seek a resolution. If the outcome is unsatisfactory, Investors may refer their complaint to the Financial Industry Complaints Service Limited ("FICS") at:

Financial Industry Complaints Service Limited  
PO Box 579  
Collins Street West  
Melbourne, Victoria, 3001  
Toll Free: 1300 78 08 08  
Facsimile: (03) 9621 2291  
Email: [fics@fics.asn.au](mailto:fics@fics.asn.au)

FICS is an independent dispute resolution scheme. In order for a complaint to be considered by FICS, the claim involved must be under A\$100,000 (unless the Issuer and the Investor agree otherwise in writing).

## Section 2 - Scenario Analysis

The following tables and performances are hypothetical examples and are only intended to explain how the Optimiser might perform under various market conditions and do not take into consideration tax implications or any Costs and Taxes associated with the Optimiser. Any performance levels which are used in the following examples are hypothetical only and are not an indication of the current, future or past performance nor a guarantee of the future performance of the Reference Assets, Asset Classes or the Optimiser. The scenario analysis is not a simulation of the actual performance of the Optimiser or an indication of the actual future return on the Optimiser.

### Assumptions

Asset Class	Asset Class Return			
	Scenario 1	Scenario 2	Scenario 3	Scenario 4
<b>Equities</b>	41.05%	21.25%	20.67%	2.18%
<b>Bonds/Currencies</b>	13.32%	28.38%	12.36%	-1.09%
<b>Commodities</b>	20.35%	15.64%	22.98%	-15.12%

The table above contains hypothetical performance levels for the Equities, Bonds/Currencies and Commodities Asset Classes used in the scenario analysis below. For the purpose of illustrating the various scenarios the asset class allocations for each Investment Profile are as detailed in the Term Sheet and the Participation Rate is 80%.

### Scenario 1: The Equities Asset Class outperforms Bonds/Currencies and Commodities

Investment Profile	Investment Profile Return
<b>Equities-biased</b>	31.36%
<b>Balanced</b>	24.91%
<b>Commodities-biased</b>	23.08%

  

Best Performing Investment Profile:	<b>Equities-biased Profile</b>
Final Value is greater of (a) and (b):	(a) = \$1.00 x [1+ (80% x 31.36%)] (b) = \$1.00 = \$1.25
Total Return:	= Return per Optimiser + Semi-Annual Coupons = 25.09% + 3.5% = 28.59%
Average Annual Return:	= 8.17% p.a.

Information is illustrative only. No figures represent past performance nor a prediction or forecast of actual performance and the ultimate results may differ materially from those set out in this Scenario 1.

**Scenario 2: The Bonds/Currencies Asset Class outperforms Equities and Commodities**

Investment Profile	Investment Profile Return
<b>Equities-biased</b>	<b>21.55%</b>
<b>Balanced</b>	<b>21.76%</b>
<b>Commodities-biased</b>	<b>19.31%</b>

  

Best Performing Investment Profile:	<b>Balanced Profile</b>
Final Value is greater of (a) and (b):	<b>(a) = \$1.00 x [1+ (80% x 21.76%)]</b> (b) = \$1.00 <b>= \$1.17</b>
Total Return:	<b>= Return per Optimiser + Semi-Annual Coupons</b> <b>= 17.41% + 3.5%</b> <b>= 20.91%</b>
Average Annual Return:	<b>= 5.97% p.a.</b>

Information is illustrative only. No figures represent past performance nor a prediction or forecast of actual performance and the ultimate results may differ materially from those set out in this Scenario 2.

**Scenario 3: The Commodities Asset Class outperforms Bonds/Currencies and Equities**

Investment Profile	Investment Profile Return
<b>Equities-biased</b>	<b>19.47%</b>
<b>Balanced</b>	<b>18.67%</b>
<b>Commodities-biased</b>	<b>20.39%</b>

  

Best Performing Investment Profile:	<b>Commodities-biased Profile</b>
Final Value is greater of (a) and (b):	<b>(a) = \$1.00 x [1+ (80% x 20.39%)]</b> (b) = \$1.00 <b>= \$1.16</b>
Total Return:	<b>= Return per Optimiser + Semi-Annual Coupons</b> <b>= 16.31% + 3.5%</b> <b>= 19.81%</b>
Average Annual Return:	<b>= 5.66% p.a.</b>

Information is illustrative only. No figures represent past performance nor a prediction or forecast of actual performance and the ultimate results may differ materially from those set out in this Scenario 3.

## Scenario 4: Negative Performance Scenario - Best Performing Investment Profile Return is negative

Investment Profile	Investment Profile Return
<b>Equities-biased</b>	<b>-1.93%</b>
<b>Balanced</b>	<b>-4.68%</b>
<b>Commodities-biased</b>	<b>-8.85%</b>

  

Best Performing Investment Profile:	<b>Equities-biased Profile</b>
Final Value is greater of (a) and (b):	(a) = \$1.00 x [1+ (80% x -1.93%)] = \$0.98
	<b>(b) = \$1.00</b>
Total Return:	<b>= Return per Unit + Semi-Annual Coupons</b> <b>= 0% + 3.5%</b> <b>= 3.5%</b>
Average Annual Return:	<b>= 1.0% p.a.</b>

Information is illustrative only. No figures represent past performance nor a prediction or forecast of actual performance and the ultimate results may differ materially from those set out in this Scenario 4.

## Section 3 - Information about the Reference Assets and the Delivery Assets

The Optimiser is linked to the performance of the Reference Assets. At Maturity, the Issuer is required to deliver to Investors the Final Value of their Optimisers. The Issuer has agreed to deliver the Final Value to the Investor in the form of shares in BHP Billiton (the "Delivery Assets") on the Settlement Date. This section of the PDS provides some further information about the Reference Assets and the Delivery Assets.

### Information about the Reference Assets

#### Equities

##### Dow Jones EURO STOXX 50

Established in 1998, the Dow Jones Stoxx and Dow Jones Euro Stoxx indexes and the respective sector indexes provide a benchmark for stock market performance, while the European and the EURO blue-chip indexes are designed for derivative products. The indexes are capitalisation-weighted and are computed on both a price and total-return basis.

The representation of the largest and most liquid stocks in the market, and the economic sector breakdown of the market are the selection principle for constituent shares in the Dow Jones Stoxx indexes. The index aims at presenting 80% of each industry group in each market, and consequently 80% of the investable securities of each market. The European and Euro sector indexes are comprised of the same components as the respective broad indexes. The Dow Jones Euro Stoxx 50 is a subgroup of 50 companies of Dow Jones Euro Stoxx with the same goal. Please refer to <http://www.djindexes.com/> for further details.

##### Hang Seng Index

The Hang Seng index is a capitalisation-weighted index of 33 companies that represent approximately 70% of the total market capitalisation of the Stock Exchange of Hong Kong. Launched on 24 November 1969, the index is one of the most widely quoted indicators of the performance of the Hong Kong stock market. To be eligible for selection companies must have a primary listing on the main board of the Stock

Exchange of Hong Kong. Please refer to <http://www.hsi.com.hk/> for further details.

##### Nikkei 225 Index

The Nikkei 225 index is published by Nihon Keizai Shimbun, Inc., Osaka, and is a price-weighted index of 225 top-rated Japanese companies listed on the First Section of the Tokyo Stock Exchange. The 225 companies on which the Index is based have been selected on the basis of high liquidity and market capitalisation, and are intended to be representative of the development of the Japanese equity market as a whole. Please refer to [http://www.nni.nikkei.co.jp/FR/SERV/nikkei\\_indexes/](http://www.nni.nikkei.co.jp/FR/SERV/nikkei_indexes/) for further details.

##### S&P 500 Index

The S&P 500 is a stock index designed to measure the price performance of a diverse portfolio of securities, the majority of which are quoted on the NYSE. The index consists of 500 listed securities chosen for market size, liquidity, capitalisation and industry group representation. The S&P 500 does not contain the largest 500 companies operating in the United States, but rather a cross-section of companies from specific industries. The S&P 500 is one of the most widely used benchmarks of US equity performance. The S&P 500 is a market-value weighted index (share price times number of shares outstanding), with each security's weight in the index proportionate to its market value. The securities that make up the S&P 500 are listed on NYSE, NASDAQ and AMEX. Please refer to <http://www.standardandpoors.com/> for further details.

#### Bonds/Currencies

##### Citigroup World Government Bond Index

The Citigroup World Government Bond Index (the "WGBI") includes the 22 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, Norway, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, the United

Kingdom, and the United States. Market eligibility is determined by market capitalisation and investability criteria. A market's eligible issues must total at least U.S.\$20 billion, €15 billion, and ¥2.5 trillion for three consecutive months for the market to be considered eligible for inclusion. Once a market satisfies these criteria, it is added to the WGBI beginning with the next month's profile.

A market is considered for exclusion from the WGBI when the market capitalization of eligible issues falls below half of all entry-level criteria for three consecutive months. If this is the case, the market will be removed from the next month's profile. Similarly, barriers to entry are considered a reason for exclusion. In addition, there is now a minimum credit quality requirement of BBB-rating by S&P and Baa3 by Moody's for all issuers to ensure that the WGBI remains an investment-grade benchmark. The WGBI is quoted under Bloomberg code "SBWGU Index".

#### Australian Dollar Exchange Rate

The Australian dollar, AUD or A\$, is the official currency of the Commonwealth of Australia, including the Australian Antarctic Territory, Christmas Island, Cocos (Keeling) Islands, Heard Island and McDonald Islands and Norfolk Island, as well as the independent Pacific island states of Kiribati, Nauru and Tuvalu. The Australian Dollar Exchange Rate or AUD/USD is quoted as the number of U.S. Dollars that may be purchased for one Australian Dollar.

The Australian dollar is popular with currency traders due to the relative lack of government intervention in the foreign exchange market, the general stability of the economy and government, and views that it offers diversification benefits in a portfolio containing the major world currencies (for example because of greater exposure to Asian economies and the commodities cycle). It is currently the sixth most-traded currency in world foreign exchange markets (behind the US dollar, yen, euro, British pound and Canadian dollar) accounting for approximately 4-5% of worldwide foreign exchange transactions. Please refer to [http://www.rba.gov.au/Statistics/exchange\\_rates.html](http://www.rba.gov.au/Statistics/exchange_rates.html) for an indication of the Australian Dollar Exchange Rate.

## Commodities

### Aluminium

Aluminium is the most heavily produced and consumed non-ferrous metal in the world. Its low density and malleability has been recognised and championed by the industrial world. Aluminium has many diverse application, ranging from beverage cans to cars. In 2001, world primary refined production alone totalled over 24 million tonnes. The total turnover for LME primary aluminium futures and options in 2001 was over 25 million lots (625 million tonnes). The underlying assumption of physical delivery is acknowledged as a major factor in the credibility of the official price set on the LME. Consequently trading of LME aluminium has increased steadily since its introduction in 1987 so that the LME has the most liquid aluminium contracts in the world. Please refer to <http://www.lme.co.uk/> for further details.

### Gold

The Gold price observed is the London Gold Fixing, A.M. This is an internationally published benchmark for Gold. Because the fixing is an open transparent process, the London Gold Fixing A.M. is used when dealing in large amounts or to achieve an acceptable average price for gold. For the same reasons, the London Gold Fixing, A.M. is also used as a benchmark. For more information regarding the London Gold Fixing, A.M., please refer to <http://www.goldfixing.com/home.htm>.

### Zinc

Zinc is the London Metal Exchange's (the "LME") third largest traded contract. Zinc is the fourth most widely used metal in the world. The main market for zinc is galvanising. Zinc galvanising is used to prolong the life of buildings, ships, steel goods and other structures. Zinc was officially traded on the LME in 1915. The LME is the only international exchange to trade zinc. Because of the large volume of zinc contracts traded on the LME by the 1980s, the international zinc industry recognised the LME as the reference point for pricing physical zinc contracts. Please refer to <http://www.lme.co.uk/zinc.asp> for further information.

### Crude Oil

Crude oil is the world's most actively traded commodity, and the NYMEX Division light, sweet crude oil futures contract is the world's most liquid forum for crude oil trading, as well as the world's largest-volume futures contract trading on a physical commodity. Because of its excellent liquidity and price transparency, the contract is used as a principal international pricing benchmark. The contract trades in units of 1,000 barrels, and the delivery point is Cushing, Oklahoma, which is also accessible to the international spot markets via pipelines. The contract provides for delivery of several grades of domestic and internationally traded foreign crudes, and serves the diverse needs of the physical market. Light, sweet crudes are preferred by refiners because of their low sulfur content and relatively high yields of high-value products such as gasoline, diesel fuel, heating oil, and jet fuel. Please refer to <http://www.nymex.com/> for further details.

### Information about the Delivery Assets

BHP Billiton Limited (BHP Billiton) is the world's largest diversified resources company with a diversified asset base. BHP Billiton's core activities include the production and/or distribution of aluminium, base metals, carbon steel materials, diamonds and specialty products, energy coal petroleum and stainless steel materials. BHP Billiton is dual-listed on the Australian Stock Exchange ("ASX") and on the London Stock Exchange, any reference to BHP Billiton contained in this PDS is a reference to those securities issued by BHP Billiton that are trading on the ASX only.

The performance of the Optimiser and the Final Value are not affected by the performance of the Delivery Assets over the investment period. However, Investors who elect to receive the Delivery Assets at Maturity should be aware that following delivery of the Delivery Assets the value of their Delivery Assets will be affected by changes in the price of BHP Billiton as traded on ASX.

BHP Billiton is subject to continuous disclosure obligations and makes regular releases to the ASX that are publicly available.

Investors can also obtain more exhaustive information from the BHP Billiton website including pricing and company information.

Citigroup makes no recommendation, representation or assurance about the performance or prospects of BHP Billiton.

### Changes to the Delivery Assets or the Reference Assets

If an Adjustment Event occurs the Issuer may:

- (a) substitute the Delivery Asset with any other security quoted and trading on ASX; and/or
- (b) adjust or amend the definition of Delivery Asset or Reference Asset; and/or
- (c) substitute an Index or Commodity Future comprising the Reference Assets with any index, futures contract or other security quoted and trading on the Relevant Exchange or any other exchange as similar as possible to the original Index or Commodity Future.

The Issuer will notify Investors of any such changes and it will carry out the adjustment so as to put both the Investor and the Issuer in substantially the same economic position as if the Adjustment Event had not occurred. If this is not possible then there may be an Early Maturity. Investors should read clause 5 of the Terms to understand fully their rights and obligations if an Adjustment Event occurs.

## Disclaimers

### BHP Billiton

References in this PDS to BHP Billiton are included solely for the purpose of identification of the shares that comprise the Delivery Parcel. These references are not an express or implied endorsement by BHP Billiton, or any of its related entities, of the Optimiser. No member of the BHP Billiton group of entities has had any involvement in the preparation of any part of this PDS, accepts responsibility for any statement in this PDS, or has been involved in or consented to the issue of this PDS.

### EURO STOXX 50

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Neither STOXX nor Dow Jones gives any assurance regarding any modification or change in any methodology used in calculating the Dow Jones EURO STOXX 50<sup>SM</sup> and neither STOXX nor Dow Jones is under any obligation to continue the calculation, publication and dissemination of the Dow Jones EURO STOXX 50<sup>SM</sup>.

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determined, composed and calculated by the Sponsor without regard to the Issuer or the Optimiser. The Sponsor has no obligation to take the needs of the Issuer or any holder into consideration in determining, composing or calculating the S&P 500 Index. The Sponsor is not responsible for and has not participated in the determination of the timing of the issue of the Optimiser, prices at which the Optimiser is issued or the number of the units to be issued or in the determination or calculation of the amount deliverable or payable on redemption of the units. The Sponsor has no obligation or liability in connection with the administration, marketing or trading of the Optimiser.

THE SPONSOR DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE S&P 500 INDEX OR ANY DATA INCLUDED THEREIN AND THE SPONSOR SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS OR INTERRUPTIONS THEREIN. THE SPONSOR MAKES NO WARRANTY, EXPRESSLY OR IMPLIEDLY, AS TO THE RESULTS TO BE OBTAINED BY THE ISSUER, THE CALCULATION AGENT, OR THE HOLDERS (AS DEFINED HEREIN) OR ANY PERSON OR ENTITY FROM THE USE OF THE S&P 500 INDEX OR ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P 500 INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL THE SPONSOR HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

#### Hang Seng

Neither the Optimiser nor the Issuer are in any way sponsored, endorsed, approved, licensed or affiliated by or with, and the Optimiser is not sold or promoted by HSI Services Limited (“HSI”) or by Hang Seng Data Services Limited (“HSDS”) or by The Stock Exchange of Hong Kong Limited (the “Exchange”). Neither HSI nor HSDS or the Exchange makes any warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the references to the Hang Seng Index and/or the figure at which the said index stands at any particular time on any particular day or otherwise. The index is compiled and calculated solely by HSI. However, neither HSI or HSDS or the Exchange shall be liable (whether in negligence or otherwise) to any person for any error in the index and neither HSI or HSDS or the Exchange shall be under any obligation to advise any person of any error therein. The Hang Seng Index is published and compiled by HSI pursuant to a licence from HSDS. The mark and name “Hang Seng Index” is proprietary to HSDS.

#### Nikkei

The Nikkei Stock Average is the intellectual property of Nihon Keizai Shimbun Inc. (the “Sponsor”). “Nikkei Stock Average”, “Nikkei Average” and “Nikkei 225” are the service marks of the Sponsor. The Sponsor reserves all rights, including copyright, to the index.

The Sponsor gives no assurance regarding any modification or change in any methodology used in calculating the index and is under no obligation to continue the calculation and dissemination of the index. The Optimiser is not sponsored, endorsed, sold or promoted by the Sponsor. No inference should be drawn from the information contained in this PDS that the Sponsor makes any representation or warranty, implied or express, to the Issuer, the holders of the Optimiser or any member of the public regarding the advisability of investing in securities generally or in the Optimiser in particular or the ability of the index to track general stock market performance. The Sponsor has no obligation to take the needs of the Issuer or the holders of the Optimiser into consideration in determining, composing or calculating the index. The Sponsor is not responsible for, and has not participated in the determination of, the timing of, prices for, or quantities of, the Optimiser to be issued or any other amount payable with respect to the Optimiser is set. The Sponsor has no obligation or liability in connection with the administration, marketing or trading of the Optimiser.

Neither the Issuer nor any agent accepts any responsibility for the calculation, maintenance or publication of the index or any successor index. In addition, the Sponsor disclaims all responsibility for any errors or omissions in the calculation and dissemination of the index or the manner in which the index is applied in determining any amount payable in respect of the Optimiser.

#### **Bond Index**

“World Government Bond Index (WGBI)” and “Citigroup US Government Bond Index” are service marks of Citigroup Index LLC (the “Licensor”) and have been licensed for use for certain purposes by the Issuer. The Optimiser is not sponsored, endorsed, sold or promoted by the Licensor, and the Licensor makes no representation regarding the advisability of investing in such product(s).

## Section 4 - Fees associated with the Optimiser

In some product disclosure documents for other financial products, Investors might see a table disclosing all fees and charges payable by Investors in those products. The Issuer has not used such a table to disclose the fees and charges associated with the Optimiser as Investors do not pay any direct fees to the Issuer.

There will be no commission, establishment fee or ongoing management fee payable to the Issuer in respect of the Optimiser. However, the Issuer reserves the right to pass on to Investors any unforeseen Costs and Taxes (including GST). The Issuer will notify the Investor of any such Costs and Taxes (including GST) in the Maturity Notice. At the date of this PDS the Issuer is not aware of any Costs and Taxes payable.

Should the Optimiser terminate early, the Issuer may charge the Investor any Break Costs associated with the early termination. The Break Costs may include all costs, expenses and losses incurred by the Issuer and notified by the Issuer as payable by the Investor as a result of the early termination, unwinding of a hedge position or any loss of profits that the Issuer may suffer as a result of the early termination. The Break Costs may be substantial. The Issuer will notify the Investor of such Break Costs in the Early Maturity Notice and will also provide indicative Break Costs prior to Early Maturity if requested and where possible.

The Issuer may profit from its ability to manage the underlying risk associated with the investment of the Optimiser funds and its responsibilities as Issuer of the Optimiser. However, the calculation of the Final Value of the Optimiser is as set out in this PDS and is independent of any income or profits earned by the Issuer.

The Issuer may pay distributors, brokers and financial advisers (including Citibank, N.A. and Citigroup Pty Limited) a placement fee and/or an annual fee (including GST) in connection with the sale and distribution of the Optimiser. These fees may be paid by the Issuer to its related bodies corporate. These fees will be paid by the Issuer at no additional cost to Investors. As at the date of this PDS, the Issuer will pay distributors a placement fee of 2.0 % (including GST) and a trailing fee of 0.33% pa (including GST), based on the initial Investment Amount.

For more details on commission and benefits paid to financial advisers, Investors should refer to the financial services guide or statement of advice prepared by their financial adviser. Financial advisers should follow ASIC guidelines in relation to disclosure of all fees. Investors should always discuss fees and other benefits with an adviser.

## Section 5 - Risk Factors

### Early Maturity Risk

In certain circumstances the Optimiser may be terminated early where an Investor requests Early Maturity or an Early Maturity Event occurs. Investors will always be given 30 days' notice of any proposed Early Maturity by the Issuer unless it is otherwise impracticable to do so. The Issuer only guarantees to provide capital protection for investments held for the full term of the Optimiser. Prior to the Maturity Date Investors will receive the fair economic value of the Optimiser or the Refund (as determined by the Issuer). This amount may be less than the initial Investment Amount. In determining the fair economic value or the Refund the Issuer may deduct Break Costs or Taxes in relation to the Early Maturity.

### General Market Risk

During the term of the investment the value of the Optimiser will be affected by a number of market variables that change daily, such as performance of the Reference Assets, interest rates, volatility and the trading liquidity of the futures contracts, foreign exchange contracts and/or indices, time remaining to Maturity, prevailing and anticipated economic conditions, technological, legal or political conditions, other inter-related factors which affect the performance of markets generally.

There is no guarantee that any or all of the Reference Assets will have increased in value at the Maturity Date so there is a risk that Investors in the Optimiser will only return the Issue Price plus the Coupons. Further, the value of the Reference Assets may fluctuate over the life of the Optimiser such that an increase in the value of the Reference Assets in the early part of the term of the Optimiser will be off-set by a corresponding decrease in the value of the Reference Assets later in the term and Investors will only receive the Issue Price plus the Coupons.

There will be no currency risks associated with an investment in the Optimiser as the performance of the constituents that make up the Reference Assets will be measured with reference to their starting level in absolute terms. Notwithstanding the above, in determining the Best Performing Investment Profile, the Asset Class Return of the Bonds/Currencies Asset Class will be derived in part by the change in the Official Level of the Australian Dollar relative to the U.S. Dollar.

### Performance of Obligations by the Issuer

The value of the Optimiser depends on the ability of the Issuer to perform its obligations under the Terms. These obligations are unsecured contractual obligations of the Issuer and will rank equally with the Issuer's other unsecured obligations and debts other than liabilities mandatorily preferred by law. The Issuer also has the right to transfer its obligations by giving notice to Investors in accordance with the Terms in section 9 of the PDS.

The Issuer is a wholly owned subsidiary of Citigroup Inc., a diversified global financial services holding company whose businesses provide a broad range of financial services to consumer and corporate customers with more than 200 million customer accounts doing business in more than 100 countries.

Copies of financial statements of the Issuer can be found on:  
<http://www.citiwarrants.com.au/library/financials/index.html>

Hard copies of those financial statements can be obtained by calling Citigroup Australia on 1300 30 70 70.

### Liquidity Risk

The Optimiser is not listed and there is no guaranteed ability to sell an Optimiser before Maturity. It is at the Issuer's absolute discretion to permit Early Maturity once a month. However, the Optimiser obtains exposure to the Reference Assets using OTC transactions. These OTC transactions must be unwound to allow for Early Maturity and consequently the Optimiser may be illiquid and Break costs and Taxes may be significant.

### Event Risk

There may be adjustments to the Terms of the Optimiser due to Adjustment Events such as (but not limited to) mergers and disposals, price source disruption, trading suspension, material change in the calculation and/or composition of the Reference Assets and changes in Corporations Act or taxation laws as set out in the Terms.

### Exercise of Discretion by the Issuer

Investors should note that a number of provisions of the Terms confer discretions on the Issuer and its associates that could affect the value of the Optimiser. These include the powers to nominate Adjustment Events and Early Maturity Events, to substitute the Reference Assets and/or the Delivery Assets, to adjust or modify the method of any calculation as set out or used in the Terms and to make adjustments to the terms of the Optimiser as contemplated in the Terms.

### Tax Risk

We recommend that Investors seek independent tax advice before making an investment in the Optimiser. The Issuer is not in the business of providing tax advice and therefore cannot be relied upon to advise upon, nor take any responsibility for, the taxation implications in respect of an investment in the Optimiser. In particular, Investors should note that section 6 of this PDS assumes that Investors will take physical delivery of, and hold, the Delivery Assets for the purposes of deriving assessable dividends.

### Factors affecting the Reference Assets

The value of the Reference Assets will vary over time. The individual performance of each of the Reference Assets will have a direct effect on the value of Optimisers and on the Final Value at Maturity.

An Investor in the Optimiser should be familiar with stocks, bonds, commodities, foreign exchange contracts and with investments in the financial markets generally, even if the Investor does not have a particular sector view on equities, bonds/currencies or commodities. In particular, Investors should be familiar with the financial markets on which the Reference Assets are based, economic, political and other aspects relevant to investments in the countries where the Reference Assets are issued or traded and where the relevant commodities are sourced or consumed. Investors should understand that economic, financial and political developments in those countries, among other things, may have a material effect on investments in those countries.

### Interest Rates

Fluctuations in interest rates can indirectly affect the value of Optimisers during the Term of Investment. If long-term interest rates increase then, all other things being equal, the relative value of an Optimiser is expected to fall because an Investor could have obtained a better investment return by investing in other financial products, such as variable interest rate deposits. Conversely, if long-term interest rates decrease then, all other things being equal, the relative value of an Optimiser is expected to increase.

In addition, interest rates movements that affect the Asset Class Return of the Bonds/Currencies Asset Class will directly impact the value of the Optimiser. The level of the Citigroup World Government Bond Index (the "Citi WGBI") would generally be expected to fall if the yield of an included country's government fixed-rate issues increases and vice versa. As the Asset Class Return will be derived in part by the performance of the Citi WGBI, changes in the level of the Citi WGBI will have a direct impact on the Final Value of an Optimiser.

### Investment Decisions

The information in this PDS is intended to provide Investors and their professional advisers information they would reasonably require and reasonably expect to find for the purpose of making an informed assessment of the capacity of the Issuer to fulfil its obligations under the Optimiser and the risks, rights and obligations associated with the Optimiser. It is impossible in a document of this type to take into account the investment objectives, financial situation and particular needs of each Investor. Accordingly, nothing in this PDS should be construed as a recommendation by the Issuer or any associate of the Issuer or any other person concerning investment in the Optimiser.

Readers should not rely on this PDS other than in respect of those matters referred to above, and should not rely on it as the sole basis for any investment decision in relation to the Optimiser, or any other security.

### Performance of the Optimiser is likely to be different to the performance of the Reference Assets.

Investors should be aware that the return they receive from investing in the Optimiser may be less than or greater than the return they would have achieved by investing directly in each of the Reference Assets themselves.

### Capital protection

The capital protection under the Terms is an unsecured obligation of the Issuer. The capital protection will not apply if there is an Early Maturity Event, or if the Investor does not hold the investment until the Maturity Date. The minimum price received on Maturity of \$1 per Optimiser is unlikely to have the same real value as it would on the date of investment due to the likely effect of inflation and the time-value of money over the 3.5-year term of the Optimiser.

### Potential Conflicts of Interest

The Issuer and other Citigroup companies may have material price sensitive information relating to securities that make up the Reference Assets or conduct transactions as principal and as agent in various financial instruments, including the Delivery Assets and the Reference Assets. These trading activities may affect (positively or negatively) the price at which the Delivery Assets trade or the level of the Reference Assets at any point in time.

Citigroup may have a potential conflict of interest of which you are not aware and which we are unable to disclose to you.

### No Proprietary or Interest in the Reference Assets

The Issuer and the Investors will not have any proprietary interest or entitlement in or to any obligation or asset relating to any Reference Asset.

### Change of Law Risk

Changes to laws or their interpretation in Australia and other international jurisdictions, including taxation and corporate regulatory laws could have a negative impact on the return of Investors.

## Section 6 - Tax Considerations

### Greenwoods & Freehills

6 June 2006

The Directors  
Citigroup Global Markets Australia Pty Limited  
Level 21  
Citigroup Centre  
2 Park Street  
SYDNEY NSW 2000

Dear Directors

**Optimiser III Linked to 3 Multi-Asset Investment Profiles  
(Series 2006-03)**

**Australian taxation opinion**

We have been asked by Citigroup Global Markets Australia Pty Limited ("**Issuer**") to prepare a tax opinion for inclusion in a Product Disclosure Statement ("**PDS**") to be dated on or about 6 June 2006, in relation to a market linked investment (the "**Optimiser**").

This opinion is based on Australian tax laws and practices applicable as at the date of this letter. Investors should be aware that such laws and practices may change during the term of the Optimiser.

All references in this letter to legislative provisions are references to provisions of the *Income Tax Assessment Act 1936* or the *Income Tax Assessment Act 1997* (each the "**Act**"), as applicable. Capitalised terms not defined in this letter have the same meanings as in the PDS.

**1 Scope**

In this letter we provide an analysis of the main Australian income tax, goods and services tax ("**GST**"), and stamp duty implications arising for persons ("**Investors**") who acquire interests in the Optimiser product, in accordance with the terms of the PDS.

It is important for Investors to note that this opinion is limited to a consideration of the indicative tax position of Investors who are residents of Australia for tax purposes including individuals, companies and complying superannuation entities and;

- who do not carry on the business of trading or dealing in securities; and
- who hold their Optimiser investment for the purpose of realising a long term return (i.e. hold their investment on capital account for tax).

In particular, it is assumed that Investors will take physical delivery of their Delivery Assets (i.e. shares in BHP Billiton Limited) on the Settlement Date and hold such Delivery Assets for the purpose of deriving assessable dividends. Investors who do not have such an intention are not considered in this opinion. In such situations, Investors may be subject to other provisions of tax law, including the possible recognition of gains and losses under the ordinary assessing provisions, rather than by reference to the capital gains tax ("**CGT**") and related discounting rules discussed further below.

The information contained in this letter is of a general nature only and does not attempt to address all of the tax implications that may be relevant. Prospective Investors should not

rely on the information contained in this opinion and should seek independent taxation advice in light of their own particular facts and circumstances.

This opinion does not consider the deductibility of funding costs in relation to Investors who borrow money in order to make their investments in the Optimiser. Such Investors should seek their own advice on this issue.

The representatives of Greenwood & Freehills Pty Limited involved in preparing this opinion are not licensed to provide financial product advice in relation to dealing in securities. Accordingly, Greenwood & Freehills Pty Limited does not seek to recommend, promote or otherwise encourage any party to participate in the Transaction.

Applicants should consider seeking advice from a suitably qualified Australian Financial Services Licence holder before making any investment decision. Applicants should also note that taxation is only one of the matters that may need to be considered.

## **2 Characterisation of the Optimiser for tax purposes**

The legal nature of the Optimiser as an investment product is explained in the PDS under the heading "How is the Optimiser Structured?". In particular, the Optimiser is structured as a deferred purchase agreement ("DPA"). Under a DPA, an Investor agrees to purchase the Delivery Assets (including the Portion) and elect to either accept physical delivery of the Delivery Assets on the Settlement Date or to take advantage of the Agency Sale Arrangement and receive the Sale Proceeds.

On the Settlement Date the Issuer will be required to deliver the Delivery Assets to the Investor. The value of the Delivery Assets will be equal to the Final Value of the investment in the Optimiser on the Maturity Date multiplied by the number of Optimisers held by an Investor.

No "CGT event" should arise for the purposes of the CGT rules in the Act when the Delivery Assets are delivered on the Settlement Date, given the provisions in section 112-25 of the Act.

However, upon the eventual disposal of the Delivery Assets, including under the Agency Sale Arrangement, an Investor may make a capital gain to the extent that the sale proceeds exceed the tax cost of these units, or a capital loss (refer below).

## **3 Tax treatment of Coupons**

Coupons which are paid to Investors will constitute assessable income. Accordingly, such amounts will need to be taken into consideration by an Investor in preparing the income tax return for the financial year in which such amounts are received.

## **4 Dividends on Delivery Assets**

An Australian Investor's assessable income will include any dividends and the amount of any franking credits attached to dividends paid on the Delivery Assets (i.e. shares in BHP Billiton Limited). Franking credits will be included in an Investor's assessable income, and the Investor will generally be entitled to a corresponding tax offset (rebate).

Where franking credits are attached to dividends paid on the Delivery Assets, to be generally eligible for the franking credit and tax offset, the Investor must have held the Delivery Assets "at risk" for at least 45 days (not including the date of acquisition or the date of disposal). This rule should not apply to an Investor if the Investor is an individual whose tax offset entitlement (on all shares and interests in shares held) does not exceed \$5,000 for the income year in which the franked dividend is paid. If an Investor enters into put or call options (or other derivatives) in relation to their Delivery Assets, this may affect whether the shares are sufficiently held "at risk" for the purposes of the franking rules, and specific advice should be sought.

Where the Investor is an individual, a complying superannuation entity or a registered charity (in certain circumstances), the Investor will generally be entitled to a refund to the extent that the franking credits attached to the Investor's dividends exceed the Investor's tax liability for the income year.

Where the Investor is a company, any franked dividends the Investor receives will generally give rise to a franking credit in the Investor's franking account.

## **5 Disposal of Delivery Assets**

Having regard to the comments above as to the scope of this opinion, i.e. we are assuming that an Investor holds their investment in the Optimiser and the Delivery Assets as capital assets, the eventual disposal of the Delivery Assets will be subject to taxation under the CGT rules of the Act.

### **5.1 Gain on disposal**

An Investor will be required to include in their assessable income, as a capital gain, any excess of the sale proceeds of their Delivery Assets over the tax cost of these assets. The tax cost base of the Delivery Assets will be determined as at the date on which the investment in the Optimiser is made, rather than the date on which physical delivery of the Delivery Assets occurs. That is, the cost base will be the Investment Amount paid upon Application (together with any applicable brokerage costs and professional advisory fees). The total cost should be attributed on a pro-rata basis to each Delivery Asset. The value of the Delivery Assets on the Maturity and Settlement Dates has no bearing on the tax cost base of the Delivery Assets.

### **5.2 CGT discount concession**

An Investor who is a natural person, a trust, or a complying superannuation entity may be entitled to the CGT discount concession on any capital gain realised on the disposal of each Delivery Asset. Individuals and trustees are entitled to a discount of 50%, while complying superannuation entities are entitled to a discount of 33.33% of the net gain.

Investors should note that the CGT discount concession only applies to reduce the net capital gain made in relation to CGT assets which are held for a continuous period of not less than 12 months. This requirement should be met by all Investors, with the exception of those Investors who are permitted to make an Early Maturity shortly after making an investment in the Optimiser, given that the 12 month period will be measured from the inception of the Investment (i.e. upon entry into the DPA) and not from the Settlement Date.

### **5.3 Loss on disposal**

Any capital loss realised by an Investor upon the disposal of a Delivery Asset may be applied to offset capital gains realised in the same year of income or may be carried forward to future years. Capital losses are not able to be applied against ordinary income.

## **6 Qualifying and traditional securities**

### **6.1 Qualifying securities and proposed tax reform**

The Act currently contains provisions, in Division 16E of Part III, that impose tax on an accruals basis on holders of "qualifying securities", being certain debt-like securities where some or all of the income under that security is deferred. For example, securities issued at a large discount to face value, or where income is otherwise deferred, often bring those rules into operation. Where Division 16E applies, the discount or deferred income is taxed to the holder over the term of the security so as to prevent the deferral of tax.

Division 16E only applies to a "qualifying security", as that term is defined in the Act. In our view, an investment in the Optimiser should not be regarded as comprising a "qualifying security" for this

purpose, and accordingly we believe that Division 16E should have no application to an Investor. Draft legislation in relation to the taxation of financial arrangements (“**TOFA**”) has recently been released which proposes the introduction of a broader based accruals regime applying to financial instruments. If enacted in its current form, this legislation could potentially operate to cause accruals taxation for a wider range of interests than is the case under Division 16E and other aspects of current law.

The Government has indicated that the proposed TOFA changes are intended to operate prospectively, i.e. to transactions undertaken on or after a future (as yet unspecified) commencement date. Accordingly, the TOFA measures should not apply to Investors with an investment in the Optimiser, however, the full impact of any such legislation will not be known until it is finalised.

#### **6.2 Traditional securities**

The Act also contains rules, in sections 26BB and 70B, that deem gains and most losses on the acquisition and disposal of “traditional securities” to be of an ordinary rather than a capital nature for tax purposes. The Optimiser will not be a “traditional security” for the purposes of these rules.

#### **7 Foreign Investment Fund rules**

The Foreign Investment Fund (“**FIF**”) regime has potential application to all interests held by Australian taxpayers in foreign companies and foreign trusts. Broadly speaking, this regime operates to require Australian taxpayers to include in their assessable income an amount of attributed income which is a proxy for the taxpayer’s share of the undistributed profits of the foreign entity. There are a variety of exceptions which may apply to certain taxpayers meeting specifically articulated criteria.

An Investor holding an investment in the Optimiser will not be subject to FIF attribution. This is because Investors will only acquire Australian assets; being the rights under the DPA and the Delivery Assets. At no stage will an Investor have any right, entitlement, or expectation in relation to any interests in a foreign company or foreign trust. The fact that the value of the Delivery Assets is calculated on the basis of foreign Asset Classes and Reference Assets is not relevant for these purposes.

#### **8 The general anti-avoidance rule: Part IVA**

The general anti-avoidance rule, contained in Part IVA of the Act, gives the Commissioner of Taxation (“**Commissioner**”) the power to issue a determination which, generally speaking, cancels a “tax benefit” obtained by a taxpayer in connection with a scheme entered into or carried out by a person where a party to the scheme has a sole or dominant purpose, objectively determined, of obtaining the tax benefit for the taxpayer. An example of a tax benefit is an amount that is not included in the assessable income of a taxpayer, which would have been, or could reasonably be expected to have been, included if the scheme did not take place.

Whether Part IVA is capable of applying to a given Investor in relation to their acquisition, ownership and disposal of an investment in the Optimiser will depend to a significant extent on the particular circumstances surrounding the Investor.

However, given the structure of the Optimiser, in our view it is unlikely that Part IVA would have any application to an Investor within the scope of this opinion, as set out earlier.

#### **9 Pay-As-You-Go withholding obligations**

Investors may, if they choose, notify the Issuer of their tax file number (“**TFN**”), Australian business number (“**ABN**”) or a relevant exemption from the disclosure regulations.

In the event that the Issuer is not so notified, tax will be automatically deducted from any Coupons paid by the Issuer, currently at the rate of 48.5% of the gross payment, but reducing to 46.5% from 1 July 2006. This requirement to withhold will continue until such time as the relevant TFN, ABN or exemption notification is given.

Investors will be entitled to claim an income tax credit or refund (as applicable) in their income tax returns in respect of the tax withheld.

**10 GST and stamp duty**

Investors should not be liable to GST or stamp duty by reason of their acquisition, ownership and disposal of an investment in the Optimiser and the Delivery Assets.

Yours faithfully

GREENWOODS & FREEHILLS PTY LIMITED

per:



Director

## Section 7 - Information about the Issuer

The Issuer of the Optimiser is Citigroup Global Markets Australia Pty Limited (“Citigroup Australia”). Citigroup Australia is a wholly owned subsidiary of Citigroup Inc., and a member of Citigroup. Citigroup Inc. does not guarantee the capital value and/or performance of the Optimiser.

The group has been in the Asia Pacific region for more than 100 years and today provides more services in more markets for more clients than any other financial institution. The group counts as valued clients 10 million customers across 18 countries and territories.

### Citigroup in Australia and New Zealand

The group established a presence in Australia in 1971 and in New Zealand in 1982. In 1984, the group’s securities and investment banking business commenced operations and in 1985 Citibank Pty Limited (now Citigroup Pty Limited) became the first foreign bank to be granted an Australian banking licence. The Optimiser does not represent a deposit or other liability of Citigroup Pty Limited and it does not stand in any way behind the capital value and/or performance of the Optimiser.

Today, the group provides financial services to more than 1 million consumers and over 900 corporate clients in Australia and New Zealand.

Copies of financial statements of the Issuer can be found on:

[www.citiwarrants.com.au/library/financials/index.html](http://www.citiwarrants.com.au/library/financials/index.html)

Hard copies of those financial statements can be obtained by calling Citigroup Australia on 1300 30 70 70.

**No Citigroup company other than Citigroup Australia makes any statements or representations in this PDS.**

### General Information about Citigroup Inc.

Citigroup Inc. (together with its subsidiaries, the “Company”) is a diversified global financial services holding company whose businesses provide a broad range of financial services to consumer and corporate customers with more than 200 million customer accounts doing business in more than 100 countries. Major brand names under Citigroup’s trademark red umbrella include Citibank, CitiFinancial, Primerica, Smith Barney, and Banamex.

The Company’s activities are conducted through the Global Consumer, Corporate and Investment Bank, Global Wealth Management, Global Investment Management and Proprietary Investment Activities business segments. The Company was incorporated in 1988 under the laws of the State of Delaware and is a bank holding company within the meaning of the U.S. Bank Holding Company Act of 1956 registered with, and subject to examination by, the Board of Governors of the Federal Reserve System. At December 31, 2005, the Company had approximately 140,000 full-time and 8,000 part-time employees in the United States and approximately 159,000 full-time employees outside the United States.

The principal executive offices of the Company are located at 399 Park Avenue, New York, New York 10043, U.S.A.

Citigroup Inc. does not guarantee the capital value and/or performance of the Optimiser.

## Section 8 - Additional Information

### Consents

Freehills has given, and not withdrawn, its written consent to being named as having acted as solicitors to the Issuer advising on Australian law in connection with the issue of the Optimiser pursuant to this PDS in the form and context in which it is included. It has, in that capacity, advised and assisted with the drafting of this PDS, particularly the Terms of Issue, but not the drafting of the Tax Considerations and all other comments on taxation matters. Freehills otherwise takes no responsibility for this PDS. Freehills does not make any statement in this PDS nor does any statement in this PDS purport to be based on a statement made by Freehills.

Freehills has not authorised or caused the issue of this PDS.

Greenwood & Freehills Pty Limited has given, and not withdrawn, its written consent to being named as having acted as tax adviser to the Issuer in connection with the issue of the Optimiser III pursuant to this PDS in the form and context in which it is included. It has, in that capacity, provided the tax opinion in the Tax Considerations section. Greenwood & Freehills Pty Limited otherwise takes no responsibility for this PDS. Greenwood & Freehills Pty Limited does not make any statement in this PDS nor does any statement in this PDS purport to be based on a statement made by Greenwood & Freehills Pty Limited except for the Tax Considerations section.

### Experts' and advisers' interests

Except as set out in this paragraph, no expert and no firm in which an expert is a partner, has, at the date of this PDS, any material interest in connection with the formation or promotion of either the Issuer or the Optimiser.

Freehills and Greenwood & Freehills Pty Limited will receive fees for their professional services in connection with this PDS as advisers to the Issuer. Some partners or directors of those firms may from time to time have an interest in the Optimiser, the Delivery Assets or shares in a related entity of the Issuer.

### Directors' and related entity interests

Except as set out in this paragraph, the Issuer and its related bodies corporate are not associated with, and have no access to information concerning the Delivery Assets or the Reference Assets other than that which is in the public domain. Neither the Issuer nor its related bodies corporate, nor any director or proposed director of the Issuer, nor any firm in which a director or proposed director of the Issuer is a partner, has, at the date of this PDS, any material interest in connection with the formation or promotion of either the Issuer, the Optimiser, the Reference Assets or the Delivery Assets except that:

- the Issuer earns brokerage at normal commercial rates on transactions in relation to the Optimiser which it undertakes. This is at no additional cost to the Investor;
- Citigroup companies, as part of their employee remuneration arrangements, conduct an incentive system based on the success of their activities. The directors and senior executive officers of the Issuer, being also employees of a Citigroup company, participate in these incentive remuneration arrangements;
- the Issuer and its related bodies corporate, as part of its investment banking and stockbroking business, has in the past and may from time to time advise or act for the issuer of the Delivery Asset, or advise or act for other clients in relation to the issuer of the Delivery Asset, or publish research reports on the issuer of the Delivery Asset. Investors will not be notified of these activities, or the content of such reports; and
- the Issuer or an associate or related body corporate may from time to time hold Delivery Assets for trading purposes, or to hedge the Optimiser. Related bodies corporate of the Issuer may deal in Delivery Assets, options and other derivative contracts in respect of them

## Privacy Statement

We will only collect personal information necessary for the products or services you request. The information we collect from you on the Application Form and which we acquire from you or other people during the course of managing the Optimiser is required to process each Optimiser Application, manage your investment and comply with relevant laws.

We may use this information to send you information about other investment products. If at any time you receive information from us about our products and do not wish to receive further correspondence, please let us know. You can also tell us if you do not wish to receive this information from the outset on the Application Form. We may also disclose information about you to third party service providers who assist us in our business operations and service provision.

We store information about you in databases which may be maintained outside Australia by other Citigroup companies. On request, we will provide you with a copy of any personal information that we hold about you. We will inform you beforehand if there is any charge associated with providing this information to you. If you do not provide us with the personal information which we request, we may not be able to provide a service, or may be required by law to take particular actions such as deducting taxation at the top marginal rate, plus the Medicare Levy.

Further information about our privacy practices can be found by requesting a copy of our privacy policy.

If you have any queries please contact the Citigroup Privacy Officer:

Citigroup Privacy Officer  
GPO Box 204  
Sydney NSW 2001  
Telephone: 13 24 84  
E-mail: [privacy.officer@citigroup.com.au](mailto:privacy.officer@citigroup.com.au)

## Section 9 - Terms and Conditions

### Market-Linked Investment ("Optimiser")

These Terms (including those set out in the Term Sheet) form the terms and conditions on which the person named in the Application Form (the "Investor" or "Applicant") agrees to acquire in the future the Delivery Parcel from the Issuer under the Optimiser. Capitalised words are defined in clause 15 of these Terms.

#### 1. Applications and Acceptance

##### 1.1 Offer by the Applicant

An Applicant may make an offer to the Issuer to acquire the Delivery Parcel from the Issuer on a deferred basis in accordance with these Terms:

- (a) by completing and returning to the Issuer a valid Application Form before the Offer Close time; and
- (b) by ensuring that an amount equal to the Investment Amount is received by the Issuer in cleared funds by the Offer Close time.

##### 1.2 Investor bound by Terms

By signing the Application Form and lodging it with the Issuer, the Investor agrees to be bound by these Terms.

##### 1.3 Acceptance of the offer by the Issuer

- (a) The Issuer may decide in its absolute discretion whether or not it will accept the Applicant's offer to acquire the Delivery Parcel from the Issuer.
- (b) If the Issuer decides that it will accept an Application and provided that the Issuer has received the Investment Amount in cleared funds by the Offer Close time (or such other time if otherwise accepted by the Issuer in its discretion), acceptance of the Applicant's offer will take place on, and the parties' rights and obligations under these Terms will commence on, the Issue Date. For each A\$1.00 of Investment Amount paid the Applicant will be entitled to one Optimiser.

- (c) Within 10 Business Days of the Issue Date, the Issuer will send to the Investor a notice acknowledging either the acceptance or rejection of the Applicant's offer.

#### 2. Deferred purchase of Delivery Assets

##### 2.1 Purchase of Delivery Assets

The Investor agrees to purchase from the Issuer on the Maturity Date the Delivery Parcel for the Investment Amount (which will be paid by the Investor in accordance with clause 2.2). Following Maturity, the Issuer will deliver the Delivery Parcel to the Investor in accordance with clause 3.

##### 2.2 Payment of the Investment Amount

- (a) The Investor must pay the Investment Amount to the Issuer in cleared funds by the Offer Close time.
- (b) The minimum Investment Amount that will be accepted by the Issuer under these Terms is the minimum amount set out in the Term Sheet.

#### 3. Maturity and Settlement of deferred purchase

##### 3.1 Notice of Maturity

The Issuer will give a Maturity Notice to the Investor approximately twenty (20) Business Days before the Maturity Date.

##### 3.2 Effecting Maturity

- (a) The Investor must complete the deferred purchase of the Delivery Parcel by returning the Maturity Notice to the Issuer on or before the Closing Time, specifying in the Maturity Notice that the Investor will accept physical delivery of the Delivery Parcel or that the Investor will use the Agency Sale Arrangement.
- (b) If the Investor:
  - (i) does not lodge a Maturity Notice with the Issuer by the Closing Time; or
  - (ii) returns the Maturity Notice to the Issuer by the Closing Time and the Investor has

not elected in the Maturity Notice to accept either physical delivery of the Delivery Parcel or to use the Agency Sale Arrangement,

the Investor will be deemed to have elected physical delivery of the Delivery Parcel and the deferred purchase will complete.

### 3.3 Physical delivery of the Delivery Assets to the Investor

If the Investor has elected on the Maturity Notice to accept physical delivery of the Delivery Parcel or the Investor is deemed to have so elected under clause 3.2(b):

- (a) the Issuer (either itself or through a nominee) will procure the performance of all acts required of a transferor of marketable securities under the ASTC Settlement Rules to enable the Delivery Parcel to be transferred to the Investor on the Settlement Date or as soon as possible thereafter, free from any security interest or third party interest or restriction on transfer (other than one that has been accepted by the ASX for the purposes of quotation of the property comprising the Delivery Assets); and
- (b) the Investor irrevocably authorises the Issuer and any of its nominees, at the option of the Issuer, to act as the Investor's agent to do all things required to be done, including but not limited to supplying the Investor's HIN, to effect the delivery of the Delivery Parcel to the Investor.

### 3.4 Delivery through the Agency Sale Arrangement

If the Investor has elected to use the Agency Sale Arrangement, the Issuer (either itself or through a nominee) will procure the delivery of the Delivery Parcel as follows:

- (a) the Issuer or its nominees are irrevocably authorised to accept physical delivery of the Delivery Parcel for and on behalf of the Investor on the Settlement Date;
- (b) the Investor irrevocably authorises the Issuer or its nominees to sell, and irrevocably directs and authorises the Issuer or any of its nominees to take all actions necessary or desirable to effect the

sale by the Issuer or its nominees of, the Delivery Parcel;

- (c) the Issuer or its nominees on behalf of the Issuer will deliver to the Investor's Settlement Account (or pay by cheque to the Investor if no Settlement Account is nominated) the Sale Proceeds, within 10 Business Days of the Settlement Date or as soon as reasonably practicable thereafter; and
- (d) the Investor acknowledges and agrees that:
  - (i) the Issuer or its nominees agree to sell the Delivery Parcel on behalf of the Investor for an amount per Delivery Asset equal to the Closing Price; and
  - (ii) to the maximum extent permitted by law, the Issuer and its nominees are not responsible for any loss, costs or expense incurred by the Investor as a result of using the Agency Sale Arrangement (whether from negligence or otherwise), except to the extent that such loss, cost or expense arises as a result of the Issuer's or the nominee's default, fraud or dishonesty.

The Investor agrees and acknowledges that the Issuer or its nominees will use its best endeavours to sell the relevant Delivery Parcel in accordance with clause 3.4(d)(i). If, for any reason whatsoever, the Issuer is unable to sell the relevant Delivery Parcel at the Closing Price, the Investor irrevocably authorises the Issuer to use its best endeavours to sell the relevant Delivery Parcel as soon as practicable at the best price the Issuer can obtain.

### 3.5 Satisfaction of obligations

Upon delivery of the Delivery Parcel to the Investor in accordance with this clause 3 or payment by the Issuer or its nominee (on behalf of the Issuer) to the Investor of the relevant amount in respect of the Delivery Parcel under clause 3.4(c), the Issuer's obligations to the Investor under these Terms are satisfied and discharged.

### 3.6 Delivery of a whole number of Delivery Assets only

The Issuer or its nominee will not transfer a fractional Delivery Asset or parts of a Delivery Asset. If any fractional unit would be transferable by the Issuer on the Settlement Date, the Issuer will cause to be paid to the Investor (within 10 Business Days of the Settlement Date or as soon as reasonably practicable thereafter) an amount equal to the value of the fraction of the unit forgone based on the Closing Price provided that such amount exceeds twenty Australian Dollars (A\$20.00). If the amount does not exceed A\$20.00, the Issuer is under no obligation to the Investor to make any payment for the fractional unit. Upon payment of the amount under this clause, the Issuer is discharged of its obligation to deliver the fraction of the unit forgone.

## 4. Early Maturity

### 4.1 Early Maturity by the Issuer

The Issuer may at any time (in its absolute discretion) nominate any of the following events as an Early Maturity Event:

- (a) an event considered to be an Early Maturity Event as described in the PDS;
- (b) an Adjustment Event occurs or is proposed to occur where, in the Issuer's reasonable opinion, it is not possible or desirable to deal with the occurrence of that event in accordance with clause 5;
- (c) where a Reference Asset is an Index, the Index is suspended or ceases to be published for a period of 24 hours or more;
- (d) where there is a suspension or a material limitation of trading in securities which together comprise a material percentage weight of an Index for a period of 24 hours or more;
- (e) where there is a suspension or material limitation of trading in financial products generally on the exchange to which a Reference Asset corresponds or relates or which a Reference Asset represents for a period of 24 hours or more;
- (f) where there is a suspension or material limitation of trading in an Index or Commodity (or any equivalent contract) traded on a Relevant Exchange (or any successor) for a period of 24

hours or more or where trading in the Australian Dollar Exchange Rate becomes illiquid or inaccessible or restricted by government policy or law for a period of 24 hours or more;

- (g) if the Issuer determines in good faith that the performance of its obligations in relation to or under these Terms has or will become, in circumstances beyond the reasonable control of the Issuer, impossible, unlawful, illegal or otherwise prohibited as a result of compliance with any applicable present or future law, rule, regulation, judgement, order or directive of any government, administrative, legislative or judicial authority or power;
- (h) a Hedging Event as described in clause 5.2; or
- (i) any actual or proposed event that may reasonably (in the Issuer's opinion) be expected to lead to any of the events referred to in paragraphs (a) to (h) above occurring.

If any event occurs which constitutes both an Adjustment Event as defined in clause 15.1 and an Early Maturity Event as defined in this clause, the Issuer may in its discretion treat that event as either an Adjustment Event or Early Maturity Event.

### 4.2 Early Maturity at the request of the Investor

The Investor may only request an Early Maturity by giving written notice to the Issuer before the last Business Day of each calendar month. An Early Maturity can only be requested in respect of the full amount of the Investor's Optimisers. It is in the Issuer's absolute discretion to accept or reject the request for Early Maturity. If the Issuer accepts, the Issuer will in its absolute discretion determine an Early Maturity Date as soon as practicable on the next occurring last Business Day of a calendar month after the request is received and will complete accordingly.

### 4.3 Determination that there will be an Early Maturity

Where the Issuer has nominated an event as an Early Maturity Event, the Issuer may in its absolute discretion determine that there will be an Early Maturity and may specify a date as the Early Maturity Date.

#### 4.4 Early Maturity Mechanism

- (a) If the Issuer determines that there will be an Early Maturity in accordance with clause 4.1 only or if the Investor has requested an Early Maturity, the Early Maturity will take place as follows:
- (i) The Issuer will, before the Early Maturity Date, notify the Investor that Early Maturity will occur on the Early Maturity Date in accordance with clause 3 of these Terms. The notice issued by the Issuer under this clause shall serve as the Maturity Notice. The Issuer will specify in the Maturity Notice whether Early Maturity will occur by the normal Maturity process in accordance with clause 4.4(a)(ii) or by Refund in accordance with clause 4.4(a)(iii).
  - (ii) If specified in the Maturity Notice and subject to clause 4.4(b), Early Maturity will take place in accordance with the procedures set out in clauses 3.2 to 3.6 of these Terms.
  - (iii) If specified in the Maturity Notice, Early Maturity will occur by the Issuer paying to the Investor the Refund to the Investor's Settlement Account (by paying the Refund by cheque to the Investor if no Settlement Account is nominated) by the Settlement Date or as soon as practicable thereafter.
  - (iv) After the Delivery Parcel is delivered to the Investor under clause 3.3(a) or after the Issuer (or its nominee) pays the Investor the Refund in accordance with clause 4.4(iii) or after the relevant amount in respect of the Delivery Parcel under clause 3.4(c) is paid to the Investor's Settlement Account as a result of an Early Maturity Event occurring, all obligations of the Issuer to the Investor under these Terms are deemed to be satisfied in full and the Issuer is discharged from its obligations under these Terms.
- (b) If there is an Early Maturity by the Investor or by the Issuer under clause 4.1 only, for the purposes of determining the Delivery Parcel, the definition of "Delivery Parcel" in clause 15.1

does not apply and instead the following definition will be applied: "Delivery Parcel" means the number of Delivery Assets to be delivered by the Issuer to the Investor on the Settlement Date as determined by the following formula:

$$\text{Delivery Parcel} = \frac{\text{Early Maturity Value x number of Optimisers held by Investor}}{\text{Closing Price}}$$

#### 4.5 Substitution of Delivery Assets

The Issuer may, in its reasonable opinion, determine that it is not possible to transfer the Delivery Assets comprising the Delivery Parcel to the Investor. In this case, Maturity will take place in accordance with clause 3 (or, in the case of an Early Maturity, in accordance with clause 4.4(a)) except that the Issuer may substitute the Delivery Asset for any other security quoted and trading on ASX (including any other security or any other fund or entity listed on ASX) and deliver that substituted security in accordance with these Terms as if the definition of "Delivery Asset" was amended to refer to the substituted security.

#### 4.6 No Capital Protection on Early Maturity

If there is an Early Maturity, whether it arises because of an Early Maturity Event or because the Investor has requested an Early Maturity, the capital protection will not apply and the Issuer does not guarantee to deliver to the Investor a Delivery Parcel based on either the Final Value or equal to the Issue Price. For the avoidance of doubt, where there is an Early Maturity (and the Issuer elects the normal Maturity processes to apply) the Delivery Parcel will only be determined in accordance with clause 4.4(b).

#### 4.7 Adjustments to this clause

Where the Issuer determines that any of the provisions of this clause 4 are not appropriate in any particular circumstances, or that any event which is not dealt with in clause 4 should have been dealt with, it may make any alterations to the effect of this provision or to any other Term that it considers to be appropriate.

### 5. Adjustment Events and Hedging Events

#### 5.1 Adjustment Events

If an Adjustment Event occurs or is proposed to occur on or before the Maturity Date, the Issuer may in its

discretion elect to do any or all of the following:

- (a) substitute the Delivery Assets with any other security quoted and trading on ASX; and/or
- (b) substitute an Index with any other index published by either the Index Sponsor or any other recognised provider; and/or
- (c) adjust or amend any variable, formula, amount or calculation as set out or used in these Terms (including without limitation the Term Sheet);
- (d) adjust, amend or substitute the definition of Delivery Asset, Reference Asset and/or vary any of the terms referred to in the PDS under the heading “Changes to the Delivery Assets or the Reference Assets”; and/or
- (e) determine to suspend any of the necessary calculations referred to in these Terms as appropriate until reliable values can be obtained,

in a manner consistent with the PDS provided that in the reasonable opinion of the Issuer the adjustment in accordance with the above paragraphs is appropriate to put both the Issuer and the Investor in substantially the same economic position as the Investor and the Issuer would have been in had the Adjustment Event not occurred. If in the reasonable opinion of the Issuer it is not possible or desirable to deal with the occurrence of the Adjustment Event in accordance with this clause 5, the Issuer may nominate the event as an Early Maturity Event and may deal with that event in accordance with clause 4. The Issuer will notify Investors of any adjustment that it proposes to make under this clause before the adjustment occurs or as soon as reasonably practicable after the adjustment occurs.

## 5.2 Hedging Event

The Issuer has discretion, to be exercised in good faith and in a reasonably commercial manner, to make such adjustments to the Terms if a Hedging Event occurs or is proposed to occur, where:

- (a) on or prior to the Valuation Date or any other relevant date, the Issuer is unable, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of

entering into and performing its obligations with respect to Optimisers, or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s) (a “**Hedging Disruption**”); or

- (b) on or prior to the Valuation Date or any other relevant date, the Issuer would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations with respect to Optimisers, or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s) (an “**Increased Cost of Hedging**” and together with the Hedging Disruption, each a “**Hedging Event**”), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be deemed an Increased Cost of Hedging,

then the Issuer shall, in its sole and absolute discretion, determine if such Hedging Event has a material effect on Optimisers and, if so, (i) the Issuer may make such adjustments (as described in clause 5.1 above) to any of the Terms and Conditions of the Optimiser as it determines appropriate to account for any such Hedging Event and determine the date(s) on which any such adjustments will be effective. If in the reasonable opinion of the Issuer it is not possible or desirable to deal with the occurrence of the Hedging Event in accordance with this clause 5, the Issuer may nominate the event as an Early Maturity Event and may deal with that event in accordance with clause 4. The Issuer will notify Investors of any adjustment that it proposes to make under this clause before the adjustment occurs or as soon as reasonably practicable after the adjustment occurs.

## 6. Accretions

These Terms do not confer on the Investor any right or interest in respect of Accretions to the Delivery Assets. Accretions to the Delivery Assets may lead to adjustments as provided for in clause 5 of these Terms.

## 7. The Issuer's obligations are unsecured

The Issuer's obligations under these Terms or in relation to the deferred purchase of the Delivery Assets are direct, unconditional and unsecured obligations of the Issuer and these obligations rank equally with the Issuer's existing unsecured debt.

## 8. Interest in the Delivery Assets

For each Optimiser an Investor holds, the Investor receives a Beneficial Interest in a Portion of the Delivery Assets on the Issue Date. The Investor holds the Beneficial Interest in the Portion of the Delivery Assets until the earlier of Maturity or transfer of each Optimiser in accordance with clause 14.9.

An Investor may only deal with the Beneficial Interest in accordance with these Terms.

The Issuer or its nominee will hold the Portion of the Delivery Assets for the Investor from the Issue Date until Maturity and will be entitled to retain any dividends or other distributions made in connection with those assets, exercise all voting rights and will not be required to pass any notice of meeting or other material in connection with the Delivery Assets to the Investor.

The Issuer or its nominee may administer its holding of Portions such that Portions of an Investor or Investors may be aggregated.

The Issuer or its nominees has all the powers that a natural person would have in relation to the Portions, subject to these Terms.

The Beneficial Interest for each Optimiser forms part of that Optimiser and may not be severed from the balance of the rights in connection with that Optimiser or dealt with separately in any way.

When an Investor Deals with an Optimiser in any way, then without the need for any additional writing or action, the same dealing between the same parties shall occur in respect of the corresponding Beneficial Interest. When an Investor Deals with a Beneficial Interest in any way, then without the need for any additional writing or action, the same Dealing between the same parties shall occur in respect of the corresponding Optimiser. For example, when an Investor (the "old holder") transfers an Optimiser to another person (the "new holder"):

- (a) all the rights and obligations that attach to that Optimiser, including the Beneficial Interest, are transferred from the old holder to the new holder;
- (b) the old holder's interest in the Optimiser will be removed from the Register and the new holder will be added to the Register; and

the old holder ceases to have any rights in relation to the Optimiser or the Beneficial Interest.

If any Investor purports to Deal with an Optimiser without an equivalent dealing in the corresponding Beneficial Interest, or if any Investor purports to deal with a Beneficial Interest without an equivalent Dealing in the corresponding Optimiser, or if any Investor purports to contract out of this clause in any way, any such Dealing will be void and the Optimiser and the Beneficial Interest will remain with the Investor recorded on the register of holders.

At Maturity, the Portion will form part of each Delivery Asset, and so will either:

- be delivered to the Investor if physical delivery applies; or
- be sold and form part of the Sale Proceeds if the Agency Sales Arrangement applies.

The Investor agrees and acknowledges that the agreement to purchase the Delivery Assets as set out in these Terms and the payment of the Investment Amount does not transfer the legal or beneficial interest in the Delivery Assets to the Investor other than the Beneficial Interest in a Portion of the Delivery Assets. The parties agree and acknowledge that the legal or beneficial interest in the balance of the Delivery Assets will transfer to the Investor only on the Settlement Date. If the Issuer fails to deliver the balance of the Delivery Assets to the Investor in accordance with these Terms, the Investor agrees that it will not be entitled to an injunction, specific performance or any other equitable rights or remedies and will be entitled only to damages.

The Issuer or its nominee is indemnified in its capacity as holder of the Portions for all costs, expenses, outgoing, loss or damages paid, suffered or incurred in that capacity, from the Portions so held, unless such cost, expense, outgoing, loss or damage arises by virtue of dishonesty or wilful breach of trust.

The liability of the Issuer or its nominee to Investors or any other person in relation to the holding of Portions, is limited to the extent to which the liability can be satisfied out of the Portions held for Investors, unless the liability arises by virtue of dishonesty or wilful breach of trust.

## 9. Taxes

- (a) The Issuer is not liable for any Taxes or other charge (i) payable by the Investor in relation to or in connection with these Terms; or (ii) payable by any person on, as a consequence of, or in connection with, the purchase, sale or transfer of, or the maturity of the purchase and sale of a Delivery Asset.
- (b) The Investor must pay all Taxes and other charges including goods and services tax, if any, payable:
  - (i) by the Investor in relation to or in connection with these Terms; or
  - (ii) by any person on, as a consequence of, or in connection with, the purchase, sale or transfer of, or on the maturity of the purchase and sale of a Delivery Asset.

## 10. Investor's representations and warranties

By signing the Application Form and submitting it to the Issuer, the Investor represents and warrants to the Issuer (as a continuing representation and warranty) that:

- (a) the Investor has full legal capacity to make the Application and be bound by these Terms and has taken all actions that are necessary to authorise the Application and be bound by these Terms;
- (b) the Investor has reviewed these Terms and has made its own independent investigations and appraisals of the taxation, legal, commercial and credit aspects associated with the purchase of the Delivery Assets;
- (c) the Investor has not relied in any way on any statements made by the Issuer or its related entities or their servants, agents, employees or representatives in relation to these Terms or the

deferred purchase of the Delivery Assets and the Investor acknowledges that the Issuer has not made any representations to the Investor regarding the suitability or appropriateness of the deferred purchase of Delivery Assets pursuant to these Terms;

- (d) the Investor understands that nothing in these Terms or in any marketing material associated with these Terms can be considered investment advice or a recommendation to buy the Delivery Assets;
- (e) the Investor has obtained all consents which may be required by law to enable the Investor to acquire the Delivery Assets and to become registered as the holder of the Delivery Assets and that the registration of the Investor as the holder of the Delivery Assets will not contravene any law, regulation or ruling or the constitution of the issuer of the Delivery Assets;
- (f) the Optimiser being applied for will not breach or result in a breach of any exchange controls, fiscal, securities or other laws or regulations for the time being applicable to the Optimiser or the Investor and the Investor is not a resident or national of any jurisdiction where the Application for or the Maturity of the Optimiser is prohibited by any law or regulation or where compliance with the relevant laws or regulations would require filing or other action by the Issuer or any of its related bodies corporate; and
- (g) the Investor acknowledges that section 6 of the PDS ("Tax Considerations") is provided only for the benefit of the Issuer and is necessarily general in nature and does not take into account the specific taxation circumstances of each individual Investor. The Investor acknowledges that it has sought its own independent advice on the taxation implications relevant to their own circumstances before making an investment decision.

## 11. Set off Rights

- (a) All monetary obligations imposed on the Investor under these Terms are absolute, free of any right to counterclaim or set off and may only be satisfied once the payment has cleared.

- (b) The Issuer may set off any amount payable to it by the Investor against any amount payable by the Issuer to the Investor. The Issuer may withhold any amount payable by it to the Investor in satisfaction of any amount payable to it by the Investor.

## 12. Notices

- (a) Any notice or statement to be given or demand to be made on the Investor under these Terms:
- (i) will be effectively signed on behalf of the Issuer if it is executed by the Issuer, any of its officers, its solicitor or its attorney;
  - (ii) may be served by being delivered personally to, by being left at, by being e-mailed to, or by being posted in a prepaid envelope or wrapper to the Investor's address (or e-mail address) notified to the Issuer or the Investor's registered office, place of business, or residence last known to the Issuer, or by being sent to the Investor by facsimile transmission.
- (b) A demand or notice if:
- (i) posted will be deemed served two Business Days after posting;
  - (ii) sent by facsimile or electronic transmission will be deemed served on conclusion of transmission.
- (c) Service by any of these methods will be valid and effectual even if the Investor does not receive the document or if the document is returned to the Issuer unclaimed.

## 13. Amendment of Terms

The Issuer may from time to time by notice sent to the Investor make any modification, variation, alteration or deletion of, or addition to, these Terms ("Change") where:

- (a) the Change is one determined by the Issuer as being required or permitted under either of clauses 4 or 5 of these Terms;
- (b) the Change is necessary or desirable in the reasonable opinion of the Issuer to comply with any statutory or other requirement of law; or
- (c) the Change is desirable to correct an inconsistency or error in these Terms (but only if such Change does not, in the opinion of the

Issuer, materially prejudice the interests of the Investor).

The Issuer will give the Investor notice of any Change to these Terms and the Investor will be bound by any such Change at the time the Investor is served with such notice.

## 14. General provisions

### 14.1 Currency

All amounts payable by either party under these Terms will be paid in the Denomination specified in the Term Sheet. All calculations will be performed in currency specified as the "Denomination" in the Term Sheet.

### 14.2 No merger

The Issuer's rights under these Terms are additional to and do not merge with or affect and are not affected by any mortgage, charge or other encumbrance held by the Issuer or any other obligation of the Investor to the Issuer, despite any rule of law or equity or any other statutory provision to the contrary.

### 14.3 Rounding

All calculations made by the Issuer for the purposes of these Terms will be made to not fewer than two decimal places. Other than as provided in these Terms, rounding of numbers will not occur until the final calculation of a relevant amount or number at which time the Investor's entitlements will be aggregated and that aggregate will be rounded so that all money amounts are rounded down to the nearest whole cent and all numbers of Delivery Assets are rounded down to the nearest whole number.

### 14.4 Certificates

Any document or thing required to be certified by the Investor or the Issuer must be certified by the Investor (if an individual) or a director, secretary or authorised officer of the Investor (if a company) or the Issuer, as the case requires, or in any other manner that the Issuer may approve.

### 14.5 Execution by attorneys

Each attorney executing the Application Form which binds the Investor to these Terms states that he, she or it has no notice of revocation or suspension of the power of attorney under which the attorney executes the Application Form.

### 14.6 Power of attorney

The Investor irrevocably appoints the Issuer and its

nominees and any of their directors, secretaries and managers from time to time jointly and severally as attorney of the Investor to do (either in the name of the Investor or the attorney) all acts and things that the Investor is obliged to do under these Terms or which, in the opinion of the Issuer, are necessary or desirable in connection with the Delivery Assets or the protection of the Issuer's interests or the exercise of the rights, powers and remedies of the Issuer, including without limitation the authority to sell the Delivery Assets on behalf of the Investor in accordance with clause 3.4(b).

#### 14.7 Invalid or unenforceable provisions

If a provision of these Terms is invalid or unenforceable in a jurisdiction, it is to be read down or severed in that jurisdiction to the extent of the invalidity or unenforceability, and that fact does not affect the validity or enforceability of that provision in another jurisdiction or the remaining provisions.

#### 14.8 Waiver and exercise of rights

A single or partial exercise of a right by the Issuer does not preclude another exercise or attempted exercise of that right or the exercise of another right. Failure by the Issuer to exercise or delay in exercising a right does not prevent its exercise or operate as a waiver.

#### 14.9 Assignment and transfer of interests

- (a) The Issuer may transfer its rights and obligations under these Terms at any time by giving notice to the Investor (and in the case of the Issuer transferring obligations, the power of attorney in clause 14.6 will extend to any novation deed or agreement that the Issuer considers desirable to give effect to the transfer of obligations).
- (b) The rights and obligations under these Terms may, with the prior consent of the Issuer:
  - (i) be assigned by the Investor; or
  - (ii) be made the subject of any encumbrance, charge, trust or fiduciary obligation.

Any action that purports to do so without the prior consent of the Issuer is invalid, void and without effect as between the Investor, the Issuer and any third party.

When an Investor deals with an Optimiser in a manner that does not involve the transfer of legal ownership of the Optimiser, the Issuer has no duty to record the dealing on the register of holders. Each Beneficial Interest corresponding

to a particular Optimiser will pass to a new Investor upon registration of a transfer of the Optimiser in the Register. The Issuer and the registrar are entitled to rely on the Register as the definitive record of ownership of Optimisers.

#### 14.10 Recording conversations

The Investor acknowledges that conversations between the Investor and the Issuer (or any officer of the Issuer) may be tape-recorded. The Investor consents to the tape-recording and to its use (or any transcript of the recording) in any proceedings that may be commenced in connection with these Terms.

#### 14.11 Calculations and references to dates and times

Calculations or determinations made on or by reference to a particular day, are to be made on or by reference to that day in the place and time zone of the Relevant Exchange to which that calculation or determination relates.

#### 14.12 Payments by the Issuer

All amounts payable by the Issuer under these Terms will be paid to the Investor's Settlement Account. If the Investor has not nominated a Settlement Account, payment will be made by the Issuer drawing a cheque made payable to the Investor which will be sent to the address provided by the Investor on its Application Form, and on doing so the Issuer is discharged of its obligations under these Terms.

#### 14.13 Governing law and jurisdiction

These Terms are governed by the laws of New South Wales. The Investor irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales and waives, without limitation, any claim or objection based on absence of jurisdiction or inconvenient forum.

#### 14.14 PDS prevails

Except for clauses 4 and 5 of these Terms, if there is an inconsistency between these Terms and statements made in the PDS, the statements made in the PDS will prevail. If there is an inconsistency between either or both of clauses 4 and 5 of these Terms and statements made in the PDS, clauses 4 and/or 5 of these Terms will prevail.

#### 14.15 Time is of the essence

Time is of the essence in respect of the obligations of the Investor under these Terms.

## 15. Definitions and Interpretation

### 15.1 Definitions

In these Terms, unless the context requires otherwise:

**“Accretions”** means all rights, accretions and entitlements attaching to the Delivery Assets after the Issue Date including without limitation, all voting rights, all dividends and all rights to receive dividends and other distributions or shares, notes, options, units or other financial products exercisable, declared, paid or issued in respect of the Reference Assets or Delivery Asset;

**“Adjustment Event”** means in respect of either any of the Reference Assets or Delivery Asset (the “Relevant Asset” for the purpose of this definition) any of the following events:

- (a) where the Relevant Asset is a security or an interest in a managed investment scheme:
  - (i) the actual or proposed adoption of any procedure, event or action which is or which is likely to result in any cash return of capital, pro-rata cash distribution, capital reduction, liquidator's distributions, share buy-back, bonus issue, rights issue, arrangement, scheme of arrangement, compromise, merger, demerger, reconstruction, compulsory acquisition, redemption, cancellation, replacement, modification, subdivision or consolidation, takeover bid, special dividend, non cash dividend, share split or any other similar or like event (but excludes the payment by the issuer of the Delivery Assets of cash dividends or distributions);
  - (ii) any event which is or which results in the actual or proposed administration, liquidation, winding up or termination of the issuer of the Relevant Asset or other similar or like event (however described);
  - (iii) any event which is or which results in the actual or proposed de-listing of the Relevant Asset or the actual or proposed removal from quotation of the Relevant Asset or the actual or proposed Suspension from trading of the Relevant Asset;
- (b) where the Reference Asset is an Index:
  - (i) the Reference Asset is suspended or ceases to be published for a period of 24 hours or more;
  - (ii) the Reference Asset is not calculated and announced by the Index Sponsor, but is calculated and announced by a successor to the Index Sponsor;
  - (iii) the Reference Asset is replaced by a successor index using the same or a substantially similar formula for and method of calculation;
  - (iv) the Index Sponsor or any successor makes a material change in the formula for or method of calculating the Reference Asset or in any way materially modifies that Reference Asset; or
  - (v) there is a Suspension or material limitation on trading of securities generally on a Relevant Exchange for a period of 24 hours or more;
- (c) where the Reference Asset is a Commodity or the Australian Dollar Exchange Rate:
  - (i) the Commodity price or the Official Level of the Reference Asset is suspended or ceases to be available for a period of 24 hours or more;
  - (ii) there is a material change in the method of calculation of the Commodity price or the Official Level of the Reference Asset;
  - (iii) there is a suspension or material limitation in trading of the Reference Asset or Commodity Future or Commodity Spot on any Relevant Exchange or relevant over-the-counter market for a period of 24 hours or more; or
  - (iv) there is a material change in the content, composition or constitution of the relevant Futures Contract or Spot Price;
- (d) any actual or proposed event that may reasonably (in the Issuer's opinion) be expected to lead to any of the events referred to in paragraphs (a), (b) or (c) above occurring;

- (e) where any force majeure event occurs, or any other event occurs which the Issuer determines in good faith in the performance of its obligations having or becoming, in circumstances beyond its reasonable control, impossible, unlawful, illegal or otherwise prohibited (including without limitation any forced or compulsory divestments of Delivery Assets or Referrable Assets);
- (f) any circumstances arise which are described in the PDS as potentially giving rise to an Adjustment Event; or
- (g) any other event which the Issuer reasonably declares to be an Adjustment Event;

“**Agency Sale Arrangement**” means the agreement by the Issuer to sell the Delivery Parcel for and on behalf of, at the direction of and as agent for the Investor on the Settlement Date in accordance with clause 3.4 of these Terms;

“**Aluminium**” means the Spot Price for aluminium on LME stated in U.S. dollars per metric tonne (Bloomberg: LOAHDY Comdty);

“**Applicant**” means a person who completes an Application Form and lodges it with the Issuer;

“**Application**” means an offer by the Investor to the Issuer to acquire the Delivery Parcel on a deferred basis on the terms and conditions set out in these Terms;

“**Application Form**” means the application form attached to or accompanying this PDS;

“**Asset Class**” means each of Equities, Bonds/Currencies and Commodities Asset Classes specified in the Term Sheet;

“**Asset Class Return**” means for a given Asset Class:

- (a) “**Bonds/Currencies Return**” means a percentage determined by the Issuer in accordance with the following formula:
 
$$\text{BondRetn} = \frac{1}{2} \times \sum_{t=5}^6 \left( \frac{\text{Underlying}_{g_{1,k}}}{\text{Underlying}_{g_{1,0}}} \right) - 1$$

- (b) “**Commodities Return**” means a percentage determined by the Issuer in accordance with the following formula:
 
$$\text{ComdtyRetn} = \frac{1}{4} \times \sum_{t=7}^{10} \left( \frac{\text{Underlying}_{g_{1,k}}}{\text{Underlying}_{g_{1,0}}} \right) - 1$$

- (c) “**Equities Return**” means a percentage determined by the Issuer in accordance with the following formula:
 
$$\text{EqtyRetn} = \frac{1}{4} \times \sum_{t=1}^4 \left( \frac{\text{Underlying}_{g_{1,k}}}{\text{Underlying}_{g_{1,0}}} \right) - 1$$

Where for each of the three formulas above:

“*T*” means an integer between 1 and 10, each representing the Underlying as specified in the definition of Reference Asset.

“*k*” means the Valuation Date.

“*Underlying*<sub>*I,k*</sub>” means the Official Level of Underlying *I* on the Valuation Date.

“*Underlying*<sub>*I,0*</sub>” means the Official Level of Underlying *I* on the Issue Date.

“**ASTC Settlement Rules**” means the business rules of the ASX Settlement and Transfer Corporation Pty Limited as approved as the Securities Clearing House under the Corporations Act or any clearing house or other entity which is substituted for it;

“**ASX**” means Australian Stock Exchange Limited (ABN 98 008 624 691);

**“ASX Market Rules”** means the market rules of ASX as amended or substituted from time to time;

**“AUD”** or **“A\$”** means Australian Dollar;

**“AUD/USD Spot FX”** means, on any day, the Australian/U.S. Dollar spot foreign exchange rate quoted as the number of U.S. Dollars that may be purchased for one Australian Dollar;

**“Australian Dollar Exchange Rate”** or **“AUD/USD”** means, on any day, the AUD/USD Spot FX quoted on Reuters page “1FEE” at 12:00pm New York time. If Reuters page “1FEE” is unavailable for whatever reason, AUD/USD shall mean, on any day, the AUD/USD Spot FX quoted on Reuters page “WMRSPOT” as published at 4:00pm London time on the day Reuters page “1FEE” is unavailable and if Reuters page “WMRSPOT” is unavailable for whatever reason, AUD/USD shall mean, on any day, the mean average AUD/USD Spot FX quoted to the Issuer by each of four FX dealers selected by the Issuer as soon as practicable as determined by the Issuer;

**“Beneficial Interest”** means the beneficial interest in the Portion of Delivery Assets which is part of each Optimiser;

**“Best Performing Investment Profile”** means the Investment Profile with the highest Investment Profile Return;

**“Best Performing Investment Profile Return”** means the Investment Profile Return of the Best Performing Investment Profile;

**“Bond Index”** means each of Citi WGBI and Australian Dollar Exchange Rate;

**“Break Costs”** means all costs, expenses and losses incurred by the Issuer and notified by the Issuer as payable by the Investor as a result of:

- (a) the acceleration of the Maturity Date or other early termination of any Optimisers;
- (b) the termination or reversal of any arrangements or hedge position entered into by the Issuer in connection with any Optimisers which are terminated early; or
- (c) any loss of profits that the Issuer may suffer by reason of the early termination of any Optimisers.

**“Business Day”** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business in Sydney and Melbourne, but does not include a Saturday, Sunday or public holiday;

**“Change”** has the meaning attributed to it in clause 13;

**“Citi WGBI”** means the Citigroup World Government Bond Index (Bloomberg: SBWGU Index);

**“Citigroup Australia”** means Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832 and AFSL No. 240992);

**“Closing Price”** means, as determined by the Issuer in its absolute discretion, either the Closing Price paid by the Issuer to acquire the Delivery Assets or the last traded price of the Delivery Asset as reported and disseminated by ASX at or around 4:05 pm Sydney time on the Trading Day immediately following the Maturity Date (or in the case of an Early Maturity, the Early Maturity Date), unless it is not possible to determine the price of the Delivery Asset at that time, in which case the Issuer may either:

- (i) nominate another time to determine the Closing Price; or
- (ii) determine the Closing Price to be the price determined by the Issuer as its best estimate of the Delivery Asset value at or around 4:05 pm Sydney time on the Trading Day immediately following the Maturity Date (or in the case of an Early Maturity, the Early Maturity Date);

**“Closing Time”** means 5:00pm Sydney time on the Trading Day immediately prior to the Maturity Date;

**“Commodity”** means, in respect of a Commodity Future, the underlying physical commodity to which the relevant Commodity Future relates a Commodity Spot, the underlying physical commodity to which the relevant Commodity Spot relates, and Gold;

“**Commodity Future**” means Crude Oil;

“**Commodity Spot**” means Aluminium and Zinc;

“**Corporations Act**” means the Corporations Act 2001 (Cth) as amended from time to time;

“**Costs and Taxes**” means any incidental costs or expenses incurred by the Issuer in relation to the transfer of any Delivery Assets to or for the benefit of the Investor following Maturity (whether by way of physical delivery of the Delivery Assets to the Investor or delivery to a nominee of the Issuer under the Agency Sale Arrangement) plus any Taxes and any costs or expenses including brokerage incurred by the Issuer under the Agency Sale Agreement, if applicable;

“**Crude Oil**” means the First Nearby Month Futures Contract for West Texas Intermediate light sweet crude oil on NYMEX stated in U.S. dollars per barrel (Bloomberg: CL1 Comdty);

“**Delivery Asset**” means one ordinary share in BHP Billiton (including the Portion), or any other Delivery Asset specified in the PDS or determined by the Issuer in accordance with these Terms;

“**Delivery Date**” means, in respect of a Commodity Future, and an Official Level, the Nearby Month of expiration of the relevant Futures Contract;

“**Delivery Parcel**” means the number of Delivery Assets to be delivered by the Issuer to the Investor on the Settlement Date as determined by the following formula:

$$\frac{(Final\ Value \times number\ of\ Optimisers\ held\ by\ Investor) - any\ applicable\ Costs\ and\ Taxes}{Closing\ Price}$$

“**Denomination**” means the currency specified in the Term Sheet as the “Denomination”;

“**Early Maturity**” means the early Maturity of the deferred purchase of the Delivery Assets as determined and completed in accordance with clause 4 of these Terms;

“**Early Maturity Date**” means the date notified to the Investor as such in the Early Maturity Notice;

“**Early Maturity Event**” has the meaning given in clause 4 of these Terms;

“**Early Maturity Notice**” means the notice provided by the Issuer to the Investor notifying the Investor of the occurrence of an Early Maturity Event (if relevant) and that an Early Maturity will take place on the specified Early Maturity Date;

“**Early Maturity Value**” means the fair economic value of an Optimiser at or around 5:00 pm Sydney time on the Early Maturity Date as determined by the Issuer in its absolute discretion, unless it is not possible to determine the fair economic value of an Optimiser at that time in which case the Issuer may nominate another time to determine the Early Maturity Value. Without limiting the foregoing, in determining the “Early Maturity Value” the Issuer may deduct any costs, losses or expenses that it incurs in relation to the Early Maturity, including without limitation, Costs and Taxes, Break Costs, administrative costs, costs of unwinding any hedge put in place for the purposes of meeting its obligations under these Terms, and any cost of funding or any loss of bargain;

“**Equity Index**” means each of EURO STOXX 50, S&P 500, Nikkei 225 and Hang Seng;

“**EURO STOXX 50**” means the Dow Jones EURO STOXX 50 (Price) Index, (Bloomberg: SX5E Index);

“**Final Return**” means the total return per Optimiser at Maturity based on the Issue Price as specified in the Term Sheet;

“**Final Value**” per Optimiser is the amount determined by the Issuer on the Maturity Date as the greater of:

(a) A\$1.00; and

(b) A\$1.00 x [1 + (Participation Rate x Best Performing Investment Profile Return)];

**“Futures Contract”** means a contract that may be either physically delivered or cash settled and that has a value that is derived from or referenced to the value of an underlying asset or index;

**“Gold”** means the London Gold Market A.M. Fix Price quoted in USD set by the London Gold Market Fixing Ltd (Bloomberg: GOLDLNAM Index);

**“GST”** means goods and services tax;

**“Hang Seng”** means the Hang Seng Index, (Bloomberg: HSI Index);

**“HIN”** means Holder Identification Number;

**“Index”** means any of EURO STOXX 50, S&P 500, Nikkei 225, Hang Seng and Citi WGBI;

**“Index Business Day”** means, in relation to an Index, a day on which (i) the level of the Index is published by the relevant Index Sponsor and (ii) options and futures contracts relating to the Index may be traded on any exchange on which such contracts are usually traded;

**“Index Sponsor”** means the entity that is responsible for the calculation and dissemination of the relevant Index, where the Reference Asset is an index or other non-listed reference item or asset;

**“Investment Amount”** means the actual amount paid by the Investor to the Issuer by the Offer Close time as specified in the Term Sheet;

**“Investment Profile”** means the Equities-biased, Balanced and Commodities-biased Investment Profiles specified in the Term Sheet;

**“Investment Profile Return”** means for a given Investment Profile, a percentage determined by the Issuer in accordance with the following formula:

- (a) Equities-biased =  $60\% \times \text{EqtyRetn} + 20\% \times \text{BondRetn} + 20\% \times \text{ComdtyRetn}$ ;
- (b) Balanced =  $1/3 \times \text{EqtyRetn} + 1/3 \times \text{BondRetn} + 1/3 \times \text{ComdtyRetn}$ ; and
- (c) Commodities-biased =  $20\% \times \text{EqtyRetn} + 20\% \times \text{BondRetn} + 60\% \times \text{ComdtyRetn}$ ;

**“Investor”** means the person or entity whose Application is accepted by the Issuer in accordance with clause 1 of these Terms;

**“Issue Date”** means the date specified in the Term Sheet as the “Issue Date”;

**“Issue Price”** means the amount per Optimiser specified in the Term Sheet as the “Issue Price”;

**“Issuer”** means Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832 and AFSL No. 240992);

**“LME”** means the London Metal Exchange Limited or its successor;

**“Maturity”** means the completion by the Investor of the deferred purchase of the Delivery Parcel in accordance with clause 3 of these Terms, and “complete” has a corresponding meaning;

**“Maturity Date”** means the date specified in the Term Sheet as the “Maturity Date”, unless there is an Early Maturity under clause 4, in which case references in these Terms to the Maturity Date are to be read as the date specified by the Issuer in the Early Maturity Notice;

**“Maturity Notice”** means a notice issued by the Issuer in accordance with clause 3.1, 4.1, or 4.4(a) as the case may be;

**“Nearby Month”**, when preceded by a numerical adjective, means, in respect of a Delivery Date and the Issue Date or Valuation Date, the month of expiration of the Futures Contract identified by that numerical adjective, so that **“First Nearby Month”** means the month of expiration of the first Futures Contract to expire following the Issue Date or Valuation Date respectively provided that, in any event, the Issuer determines that trading in any such Futures Contract has ceased, it shall mean the next Futures Contract to expire after such Futures Contract;

**“Nikkei 225”** means the Nikkei 225 Index (Bloomberg: NKY Index);

**“NYMEX”** means the New York Mercantile Exchange, Inc. or its successor;

“**Official Level**” means on any day, (i) in respect of an Index, the official closing level of the relevant Reference Asset at the close of trading on the Relevant Exchange, as published and disseminated by the relevant Index Sponsor, (ii) in respect of Oil, the settlement price established by the NYMEX settlement committee at the close of each trading session on such day as determined by the Issuer by reference to the Reference Page, (iii) in respect of Aluminium for which the level is published at 13:00pm London time and Zinc for which the level is published 12:55pm London time, the official level of such Reference Assets published by the Price Source on such day as determined by the Issuer by reference to the Reference Page, (iv) in respect of Gold the A.M. level published by the Price Source, and (v) in respect of the Australian Dollar Exchange Rate, the official level published by the Price Source on such day as determined by the Issuer by reference to the Reference Page;

“**Offer Close time**” means the time and date specified in the Term Sheet as the “Offer Closes”;

“**Optimiser**” means the agreement under which the Investor agrees to purchase the Delivery Parcel from the Issuer on a deferred basis on the terms and conditions set out in these Terms and the PDS including the Term Sheet;

“**Participation Rate**” means the percentage set by the Issuer on or as soon as practicable after the Issue Date that will apply when calculating the Final Value. The Participation Rate will be confirmed to each Investor in their confirmation;

“**Portion of the Delivery Assets**” means 0.001 of one Delivery Asset;

“**Price Source**” means, in respect of a Reference Asset, the publication of (or such other origin of reference, including the Relevant Exchange) containing (or reporting) the Official Level (or prices from which the Official Level is calculated) specified in the definition of Reference Asset or, if not specified, as determined by the Issuer, or in the case of an Index, the Index Sponsor;

“**Product Disclosure Statement**” or “**PDS**” means the product disclosure statement to which these Terms are attached and issued by the Issuer in relation to the invitation to invest in the Optimiser;

“**Reference Asset**” means each of the financial products specified in the following table below under the heading “Reference Asset” (including any financial products substituted in accordance with these Terms) and having those attributes (if any) that are specified in the same row under each of the other columns in the table;

Reference Assets	I	Price Source	Reference Page
<b>EURO STOXX 50</b>	1	Index Sponsor	Not Applicable
<b>Hang Seng</b>	2	Index Sponsor	Not Applicable
<b>Nikkei 225</b>	3	Index Sponsor	Not Applicable
<b>S&amp;P 500</b>	4	Index Sponsor	Not Applicable
<b>Citi WGBI</b>	5	Index Sponsor	Not Applicable
<b>AUD/USD</b>	6	Reuters	Reuters page “IFEE”
<b>Crude Oil</b>	7	NYMEX	Reuters page “SETT”
<b>Gold</b>	8	London Gold Fixing Ltd. (AM Fix)	Bloomberg: GOLDLNAM Index
<b>Zinc</b>	9	LME	Bloomberg: LOZSDY Comdty
<b>Aluminium</b>	10	LME	Bloomberg: LOAHDY Comdty

**“Reference Page”** means, in respect of a Reference Asset, such service, if any, as shall be specified as the information provider for the Official Level of that Reference Asset in the definition of Reference Asset

**“Refund”** means the amount determined by the Issuer in its absolute discretion and by whatever means the Issuer deems appropriate. Without limiting the foregoing, in determining the Refund, the Issuer may adjust the Refund for any costs, losses or expenses that it incurs in relation to the Early Maturity, including without limitation, Costs and Taxes, Break Costs, administrative costs, costs of unwinding any hedge put in place for the purposes of meeting its obligations under these Terms, and any cost of funding or any loss of bargain;

**“Register”** means the register of Optimisers to be maintained by a registrar chosen by the Issuer;

**“Relevant Exchange”** means in the case of:

- (a) any exchange traded financial product, the primary exchange upon which that financial product is traded;
- (b) an index, the primary exchange upon which the financial products which primarily constitute that index are traded; and
- (c) a Bond Index, any stock exchange or trading market on which the financial products comprising such index trade,

as determined in the absolute discretion of the Issuer;

**“Sale Proceeds”** means the proceeds of the sale of the Delivery Parcel obtained by the Issuer (or its nominee) on behalf of the Investor under the Agency Sale Arrangement, being an amount equal to the number of Delivery Assets (each including the Portion) sold multiplied by the Closing Price less any Costs and Taxes applicable to the sale of the Delivery Parcel;

**“Settlement Account”** means the transactional banking account held with an Australian bank which is nominated by the Investor as the Settlement Account in the Application Form completed by the Investor;

**“Settlement Date”** means the fourth Trading Day after the Maturity Date or such later date as determined by the Issuer in its discretion as is reasonably necessary for the Issuer to fulfil its obligations under these Terms;

**“Spot Price”** means the price of a Commodity Spot that is quoted for immediate (spot) settlement (payment and delivery);

**“Suspension”** means any temporary cessation of the trading or quotation of the Delivery Asset, including a trading halt on the ASX or the Relevant Exchange (as the context requires);

**“S&P 500”** means the Standard & Poor's 500 Index, (Bloomberg: SPX Index);

**“Tax”** or **“Taxes”** means any income tax, capital gains tax, goods and services tax, withholding tax, stamp, financial institutions, registration and other duties, bank accounts debits tax and other related taxes, levies, imposts, deductions, interest, penalties and charges payable by any person on, as a consequence of, or in connection with, the purchase, sale or transfer of, or the completion of the purchase and sale of a Delivery Asset;

**“Term of Investment”** means the term, if any, specified in the Term Sheet;

**“Terms”** means these terms and conditions (including the Term Sheet) on which the Investor agrees to acquire the Delivery Parcel from the Issuer as set out in this section 9 of the PDS as amended from time to time;

**“Term Sheet”** means the term sheet set out in this PDS and headed “Term Sheet”;

**“Trading Day”** has the meaning given in the ASX Market Rules;

**“Underlying”** has the same meaning as Reference Asset;

**“Valuation Date”** means the Maturity Date;

**“you”** or **“your”** means Applicant or Investor as the context requires; and

**“Zinc”** means the Spot Price for Zinc on LME stated in U.S. dollars per tonne (Bloomberg: LOZSDY Comdty).

## 15.2 Interpretation

- (a) In these Terms, unless the context requires another meaning, a reference:
  - (i) to the singular includes the plural and vice versa;
  - (ii) to a document (including these Terms) is a reference to that document (including any Schedules and Annexures) as amended, consolidated, supplemented, novated or replaced;
  - (iii) to a person (including a party) includes an individual, company, other body corporate, association, partnership, firm, joint venture, trust or Government Agency, and it also includes the person's successors, permitted assigns, substitutes, executors and administrators;
  - (iv) to a law is a reference to that law as amended, consolidated, supplemented or replaced and it includes a reference to any regulation, rule, statutory instrument, by-law or other subordinate legislation made under that law, or any legislation, treaty, judgment, rule of common law or equity or rule of any applicable stock exchange.
- (b) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (c) Headings are for convenience only and do not affect interpretation.
- (d) If a payment or other act must (but for this clause) be made or done on a day that is not a Business Day, then it must be made or done on the next Business Day.
- (e) If a period occurs from, after or before a day or the day of an act or event, it excludes that day.
- (f) These Terms may not be construed adversely to a party only because that party was responsible for preparing them.
- (g) Any term not defined in these Terms and which is defined in the PDS has the same meaning as in the PDS unless the context otherwise requires.
- (h) All references to time are to time in Sydney, Australia (unless otherwise stated).
- (i) Notwithstanding that certain calculations or determinations in this PDS may be expressed to be "on" a certain date, the Issuer may make such calculations or determinations in respect of that date on a date after that date.

## Section 10 - How to invest in the Optimiser

The Minimum Investment Amount for the Optimiser is A\$5,000 with additional investments in multiples of A\$1,000 thereafter. If you wish to make an investment in the Optimiser you will need to complete an Application Form in accordance with the instructions on the following page and attach a cheque (in A\$ only) made payable to the “MLI TRUST A/C” and crossed “**Not Negotiable**”. Applications, including cleared funds, must be received by the Issuer no later than the **Offer Close** time of **5:00 pm AEST on 31 July 2006**.

### Acceptance of Applications

The Issuer may, in its absolute discretion refuse or reject any Application (wholly or in part) without giving a reason. If your Application is rejected, the Issuer will return your Investment Amount (without interest) to you. The Issuer also reserves the right to extend the offer or at any time to close the offer early. If the Issuer decides that it will accept an Application, acceptance of your offer will take place on the Issue Date. Within 10 Business Days of accepting your offer, you will be sent an acknowledgement of acceptance which will set out the number of Optimisers acquired and other information confirming your investment in the Optimiser.

### Investing through a master trust or wrap account

Applicants investing through master trusts and wrap accounts should not complete the Application Form attached to this PDS. Instead, Applicants should complete the forms the master trust or wrap account operator requires. Any enquiries should be directed to the operator of the master trust or wrap account. If investing through a master trust or wrap account then it is important to remember that it is generally the operator of that service that becomes the Investor in the Optimiser (not you directly). It follows that the operator has the rights of an Investor and can exercise them in accordance with the master trust or wrap account agreement. The Issuer is not responsible for the operation of any master trust or wrap account service through which you may invest. You may however still rely on the information in this PDS. Enquiries and complaints should be directed to the operator of that service, not to us. Reports on your investment will come from the operator of that service, not from us.

In addition to reading this document, you should read the document that explains the master trust or wrap account.

### Who may apply for the Optimiser?

Application for the Optimiser is open to:

- Australian residents
- non-residents of Australia
- companies registered in Australia
- trust entities

other than US persons who may not apply for the Optimiser. A US person is defined as any:

- natural person resident in the USA
- partnership or corporate organisation under the law of the USA
- estate of which the administrator is a US person
- trust of which the trustee is a US person
- agency or branch of a foreign entity located in the USA or operated under the laws of the US
- USA citizen or Green card holders residing outside the USA

This PDS is not an offer or invitation in relation to the Optimiser in any place in which, or to any person to whom, it would not be lawful to make that offer or invitation. The distribution of this PDS outside Australia may be restricted by the laws of places where it is distributed and therefore persons into whose possession this document comes should seek advice on and observe those restrictions. Failure to comply with relevant restrictions may violate those laws.

### Applicants are bound by the Terms when they make an Application

The Optimiser is issued by Citigroup Australia on the Terms set out in section 9 of this PDS. Applicants should ensure that you read and understand the Terms. Applicants should note that by signing and lodging an Application Form an Applicant will become bound by the Terms and by the Applicant’s declaration set out in the Application Form. Applicants are taken to agree that the interest earned on all application monies (whether accepted or refunded) will belong to the Issuer.

### Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Optimisers. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname are required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct form of registration	Incorrect form of registration
<b>Individual:</b> Use given name(s) in full, not initials	Mr John Alfred Smith	J.A. Smith
<b>Joint Holdings:</b> Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
<b>Company:</b> Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
<b>Trusts:</b> Use trustee(s) personal name(s) Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
<b>Partnerships:</b> Use partners personal name(s) Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
<b>Superannuation Funds:</b> Use the name of the trustee(s) of the fund Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

## How to complete the Application Form

Please complete the Application Form in BLOCK LETTERS in accordance with the instructions below, read the Applicant's Declaration and sign in the appropriate space provided. You should return your signed and completed Application Form either to us, your stockbroker or financial planner. Applications close at the Offer Close time.

- A Application Details:** Enter the full name you wish to appear on the statement of holding. This must be either your own name or the name of a company. Up to 2 joint Applicants may register. You should refer to the table on page 51 for the correct forms of registrable title. Applications using the wrong form of names may be rejected.
- B Tax File Number(s):** Write the Tax File Number (TFN) of each Applicant or reason for exemption. Alternatively, Applicants may enter their Australian Business Number if applicable. While it is not compulsory to provide your TFN, failure to do so may result in withholding tax being deducted from any distribution payments. Non-residents or an exempt entity for Australian taxation purposes must declare their status and provide an exemption number, if applicable.
- C Postal Address:** Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applications, only one address can be entered. If you change your address before the Settlement Date, please contact Equity Structured Products Support on 1300 368 301 and notify us of the new details.
- D Contact Details:** Enter your contact details. These are not compulsory but will assist us if we need to contact you.
- E Investment Details & Payment Details:** Please insert the number of Optimisers you wish to apply for and write the Investment Amount in the space provided. The Investment Amount is the Australian Dollar amount that you wish to invest and must be for an amount equal to or greater than the Minimum Investment Amount specified in the Term Sheet. If the correct amount is not available to us as cleared funds by the Offer Close time the Application will be rejected. You must attach a cheque to your Application Form made payable to "MLI Trust A/C" and crossed "Not Negotiable".
- F Settlement Account Details:** Please provide the account details of the bank account that you would like us to make all payments to in relation to the Optimiser (such as distributions or any payment due to you at Maturity). If you do not complete this section, we will pay any amounts that are due to you by cheque made payable to you and sent to the address nominated by you on the Application Form.
- G Tracking of Application:** Please indicate how you found out about the Optimiser by ticking the appropriate box.
- H Applicant's Declaration & Signature:** Please ensure you read and understand the Applicant's declaration before signing the Application Form. The Application Form must be signed by the Applicant(s) personally, or by the Applicant's attorney(s). Joint Applications must be signed by all Applicants. An Application by a company must be signed by two directors or a director and company secretary. For a proprietary company that has a sole director who is also the sole company secretary, the Application Form should be signed by that director. To sign under a Power of Attorney, a certified copy of the Power of Attorney should accompany the Application Form.

### Lodgement of Application

Application Forms must be received at the Sydney office of Citigroup by no later than 5:00 pm AEST on 31 JULY 2006. Return the Application Form with cheque(s) attached to:

**Equity Structured Products Support**  
**Citigroup Global Markets - Optimiser III**  
**GPO Box 557**  
**Sydney NSW 2001**

If you have any enquiries concerning your Application, please contact Citigroup Structured Products Support on 1300 368 301.





- I/we have reviewed the Terms and PDS and I/we have made my/our own independent investigations and appraisals of the taxation, legal, commercial and credit aspects associated with the Optimiser and the deferred purchase of the Delivery Assets;
- I/we have not relied in any way whatsoever on any statements made by the Issuer or any of its related entities or their servants, agents, employees or representatives in relation to the Terms, the Optimiser or the deferred purchase of the Delivery Assets and I/we acknowledge that the Issuer has not made any representations to me/us regarding the suitability or appropriateness of the Optimiser or the deferred purchase of Delivery Assets;
- I/we understand that nothing in the PDS or any marketing material associated with the PDS can be considered investment advice or a recommendation to invest in the Optimiser or Delivery Assets;
- I/we have obtained all consents which may be required by law to enable me/us to acquire the Optimiser and the Delivery Assets and to become registered as the holder of the Delivery Assets; and
- the Optimiser being applied for will not breach or result in a breach of any exchange controls, fiscal, securities or other laws or regulations for the time being applicable to the Optimiser or me/us and I/we am/are not (a) resident(s) or national(s) of any jurisdiction where the Application for or the Maturity of the Optimiser is prohibited by any law or regulation or where compliance with the relevant laws or regulations would require filing or other action by the Issuer or any of its related bodies corporate;

#### **Privacy Declaration**

I/We have read and understood the Privacy Statement in Section 8 of the PDS and agree that information about me/us written on this form will not be collected, used or disclosed for any purpose other than for the purposes stated in the PDS. Where I/we have provided information about any other individual, I/we will make that individual aware of the provisions of the privacy statement.

The Issuer would like to keep in touch with you about future investment opportunities that may be of interest. Please tick this box if you do NOT wish to be contacted for this purpose.

No thanks, I/we prefer NOT to be contacted by the Issuer about investment opportunities in the future.

#### **General Declaration**

I/We whose full name(s) and address(es) appear above, hereby apply for the Optimiser as set out on this Application Form, to be issued in accordance with the Terms issued by the Issuer. I/We have read and understood the Terms and agree to accept the Optimiser on and be bound by the Terms.

I/we acknowledge that the Optimiser:

- is not a deposit or other liability of any insured depository institution (including Citibank, N.A. or Citigroup Pty Limited);
- is subject to investment risks, including the possible loss of the principal amount invested, in the event of Early Maturity;
- is not issued or guaranteed by Citibank, N.A. or Citigroup Pty Limited and neither Citibank, N.A. nor Citigroup Pty Limited stand behind the capital value and/or performance of the Optimiser; and
- Section 6 of the PDS ("Tax Considerations") is provided only for the benefit of the Issuer and is necessarily general in nature and does not take into account the specific taxation circumstances of each individual Investor. Investors must seek their own independent advice on the taxation implications relevant to their own circumstances before making any investment decision.

I/we acknowledge that I/we have read and understood the declarations set out above in this Application Form and by signing below I/we agree to be bound by them and make the declarations contained therein. I/we agree to indemnify the Issuer and any of its related bodies corporate against any loss, liability, damage, claim, cost or expense incurred as a result, directly or indirectly, of any such declaration set out in this Application Form proving to be untrue or incorrect.

THIS IS PAGE 3 OF 4 PAGES OF THE APPLICATION FORM. PLEASE READ AND COMPLETE THE APPLICANT'S DECLARATION ON THE FOLLOWING PAGE AND SIGN WHERE INDICATED ON PAGE 4.



## Directory

### Issuer

Citigroup Global Markets Australia Pty Limited  
Level 40  
Citigroup Centre  
2 Park Street  
Sydney NSW 2000  
Australia

### Registrar

Link Market Services Limited  
Level 22  
300 Queen Street  
Brisbane QLD 4000  
Australia

### Legal Adviser

Freehills  
MLC Centre  
Martin Place  
Sydney NSW 2000

### Taxation adviser

Greenwoods & Freehills Pty Limited  
MLC Centre  
Martin Place  
Sydney NSW 2000

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# Equity First

- Equity First is a family of core products designed by Citigroup to provide you with market-driven investment opportunities

*first in reflecting strategic thinking*

- Equity First products are issued frequently so that there is always something available to meet your needs

*first in global customer service*

- Equity First products are easy to recognise and understand, a clear and simple investment designed to meet the demands of today's sophisticated investor

*putting our customers first*

## Product Family

Defensive investor

Protection First

Cautious investor

Performance First

Risk-taking investor

Opportunity First

Equity First is a family of products tailored by Citigroup to meet the diverse needs of a broad range of investors. Each product range within the Equity First family is designed for investors with a specific investment strategy in mind.

This product falls within the Protection First product range and is intended for the "defensive investor". Protection First products are designed for longer term investors who seek the comfort of full principal protection, with the possibility of yield enhancement through equity market exposure.

[www.equityfirst.citigroup.com](http://www.equityfirst.citigroup.com)